



West Devon
Borough Council

Strategic Risk Register Update

November 2023

Audit and Governance Committee

Introduction

What Do we mean by Risk?

Risk is unavoidable in any organisation. It is ever present and a certain amount of risk-taking is inevitable if we are to achieve our objectives of our corporate plan.

What Is Risk Management?

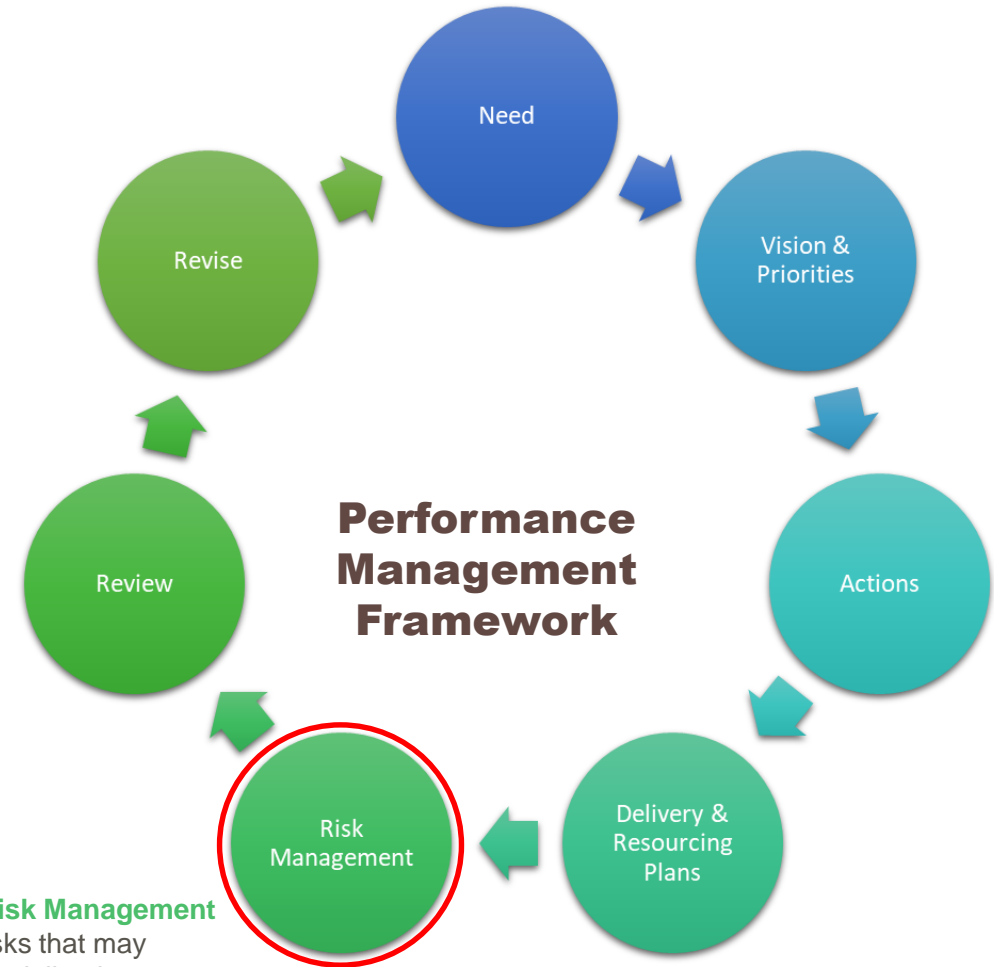
Successful Risk Management is an essential part of delivering good governance across the Council and reduces the uncertainty or achieving our ambitions.

Risk management is about adopting a planned and systematic approach to identifying, evaluating and controlling the things that will prevent us delivering on our priorities.

How does Risk Management fit in to our business planning?

Effectively identifying and managing risks will support the Council in acting in the best interests of our residents, businesses and communities through the ever changing environment of local government.

It is the 5th step in our Performance Management Framework



Step 5: Risk Management

Identify risks that may prevent us delivering our vision and how we will mitigate them

Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management

1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance

Benefits of Effective Risk Management



Improved Strategic Management

- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritisation



Improved Operational Management

- Plans in place to response to incidents when they occur
- Better service delivery



Improved Financial Management

- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money



Improved Customer Service

Service disruption to customer minimized



Our Risk Management Process

Identification of risks, deciding what action to take to minimise the risk and assessing how successfully we did it is an activity that we are all doing constantly in our personal lives. The same approach is applied by the Council in assessing risks to our priorities and services.

To do this we follow a 5 step approach



Our Risk Management Scoring

Likelihood
How possible is it that the risk will occur?

#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

Impact
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, simple fix	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman, no or little follow up needed	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

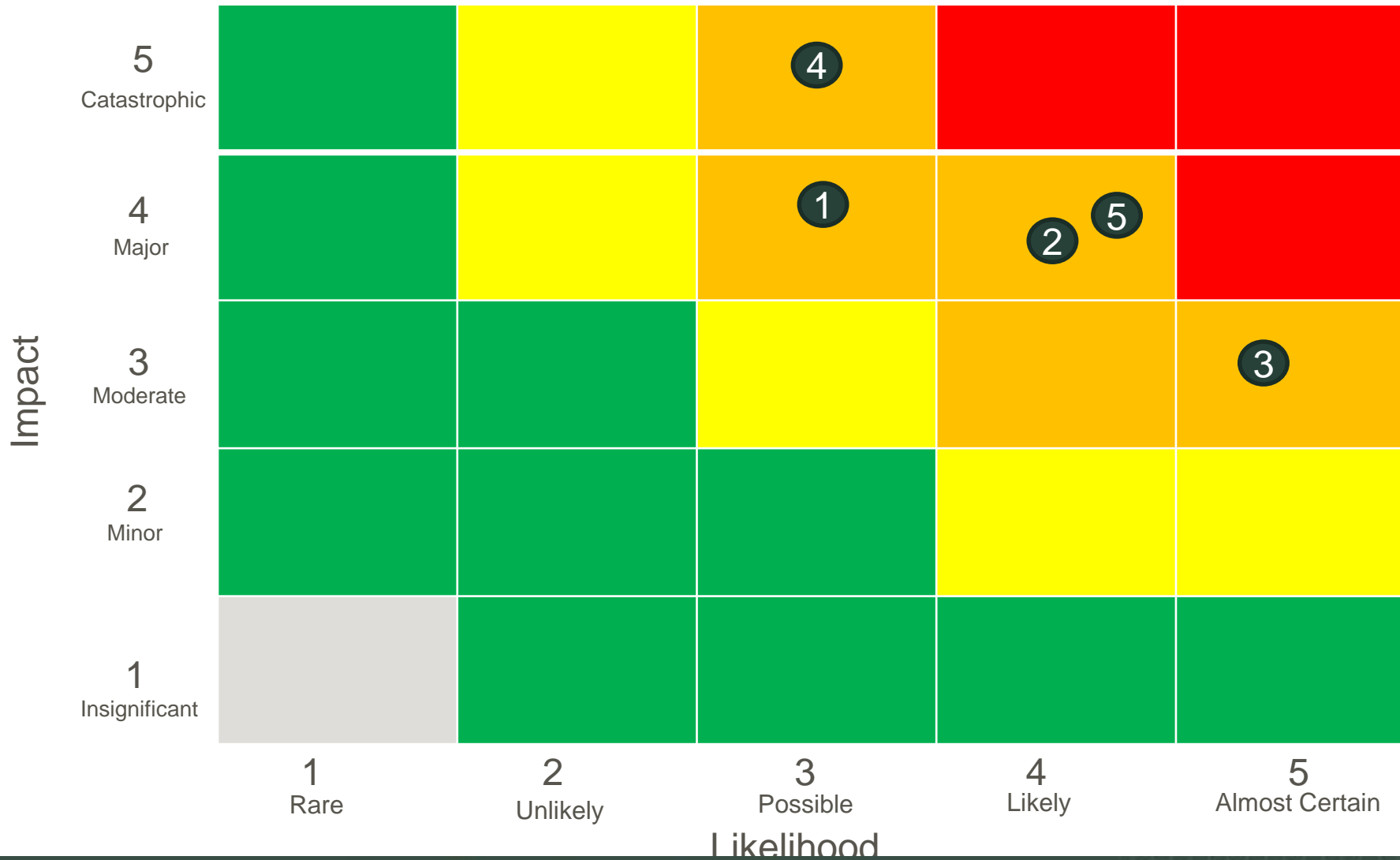
To calculate the overall risk score, we multiply the likelihood by the highest impact category score.
NB – The external auditors, Grant Thornton, have set materiality levels for the 2022/23 financial year at £0.57million.

Our Risk Management Treatment

		Likelihood					
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain	
Impact	5 Catastrophic					<i>Must be managed down urgently</i>	<p><u>Must be managed down urgently</u> These risks will be the subject to regular monitoring and action by Lead Members and the Senior Leadership Team. Significant Management action is required</p> <p><u>Influence down in medium term</u> These will be regularly monitored by the relevant Director and Head of Service with plans developed to reduce the risk in the medium term.</p> <p><u>Monitor and Manage</u> These will be monitored by Heads of Service and plans developed to reduce the risk and prevent escalation</p> <p><u>Accept</u> These will be monitored however on the whole the risk level is deemed acceptable with normal managing of the activity</p>
	4 Major				<i>Seek to influence short to medium term reduction</i>		
	3 Moderate			<i>Monitor & Manage to influence a reduction</i>			
	2 Minor		<i>Accept – continue to monitor</i>				
	1 Insignificant	<i>Close as a Strategic Risk</i>					



Summary of Strategic Risks November 2023



X Current Period Score

- Risk Title**
1. Adherence to Medium Term Financial Strategy
 2. Inadequate Staffing Resource
 3. Health and Wellbeing Service Provision
 4. Business Continuity
 5. Cyber Security (**New**)



Risk Title:

Adherence to Medium Term Financial Strategy



Overall Scoring

What is the risk?

Failure to sustain a robust on-going medium term financial strategy in WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, council decisions, changes in Government policy with regard to business rates and affordable housing.

Risk Score (Current)

12

Likelihood 3 x Impact 4

What is causing the risk?

Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area.

What is the level of the risk?

Likelihood of risk occurring		3 <i>(Possible)</i>
Impact	Financial	4 <i>(Major)</i>
	Service Quality	4 <i>(Major)</i>
	Reputation	4 <i>(Major)</i>
	Legal / Regulatory	4 <i>(Major)</i>
	Health and Safety	2 <i>(Minor)</i>
	Morale / Staffing	2 <i>(Minor)</i>

What are we doing to reduce the risk?

Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable.

SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans.

SLT engaged in the development of the MTFS.



Current Update (November 2023)

The Hub Committee considered the Medium Term Financial Strategy for the Council in September 2023. The Council has continued to work in partnership with South Hams District Council which has allowed West Devon to achieve annual savings of £2.2million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.

The latest budget report was considered by the Hub Committee on 21 November 2023. There is a forecast budget gap of £142,030 for 2024/25 (1.5% of the projected Net Budget of £9.265million). There is a further budget gap of £0.3m in 2025/26 and a further £0.7m in 2026/27. There are continuing uncertainties about the level of local government funding for 2024/25 and there is no indication yet of the detailed local government funding levels for 2024/25 and beyond. Therefore, there are many uncertainties in preparing for the challenges we know we will face soon. It is thought that the first realistic opportunity for implementing local government funding reforms is 2026/27. It is assumed that 2024/25 will be another roll over settlement and that the core finance settlement for 2024/25 will increase in a similar manner as that for 2023/24.

On 30th June 2023, the Council published its Draft Statement of Accounts for 2022/23. The Budget for West Devon was £7.77 million for 2022/23 but the actual net spend was 1.0% lower, providing an underspend of £79,000, as set out within the Accounts.

Risk Direction

Risk Title:

Inadequate Staffing Resource



Overall Scoring

What is the Risk? The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.

Risk Score (Current)

16

Likelihood 4 x Impact 4

What is causing the risk? The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery, This has been a sustained period of the council delivering additional support and services and is only likely to continue in to the short-medium term.

What is the level of the risk?	Likelihood of risk occurring		4 (<i>Likely</i>)	<p><u>What are we doing to reduce the risk?</u></p> <ul style="list-style-type: none"> Continuing to review services and update service plans to ensure that we can meet future demand Reviewing our recruitment campaigns – ensuring that they are effective and targeted Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees Developing plans to ‘Grow our own’ talent – through apprenticeships and similar Identifying local recruitment events with a view to attending and highlighting roles available within the Council and wider local government Assessing the ‘offer’ to employees with other similar organisations to ensure we remain competitive
	Impact	Financial	4 (<i>Major</i>)	
		Service Quality	4 (<i>Major</i>)	
		Reputation	4 (<i>Major</i>)	
		Legal / Regulatory	4 (<i>Major</i>)	
		Health and Safety	3 (<i>Moderate</i>)	
		Morale / Staffing	4 (<i>Major</i>)	



Current Update (November 2023)

Work continues to address the challenges around recruitment and retention. During this period, positive steps have been taken in delivering on our Organisational Development Plan including:-

- Launching a new recruitment website to better promote opportunities and benefits of working for the Council
- The Local Government Pay Award has been agreed and implemented (with all employees receiving a £1,925 or 3.88% pay rise (whichever is the greater)
- Gone-live with a new staff discount scheme offering a range of non-pay benefits

As the Council progresses with the development of its Corporate Strategy, the Senior Leadership Team will be working with Heads of Service to develop Service Plans for 2024/25 which will include a consideration of future skills needs.

We’ve also commenced work with the Local Government Association and other district councils to consider wider recruitment and retention challenges and opportunities for overcoming them. This work has just commenced and further updates will be provided in future updates.

Risk Direction

Risk Title:

Health and Wellbeing (Leisure) Service Provision



Overall Scoring

What is the risk?
 The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.

What is causing the risk?
 This risk original escalated to the Strategic Risk register as a result of the Covid-19 pandemic forcing the closure of leisure centres, meaning a loss of income. The risk has now changed slightly and the main cause for it to remain on the strategic risk register is the risk that revenues reduce as the cost-of-living crisis deepens.

What is the level of risk?	Likelihood of risk occurring		4 (Almost Certain)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> 1. Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council in Feb 2022) 2. Continue to engage with Fusion to understand issues and support where possible 3. Continue to monitor local and national position (given that all leisure providers will be in the same position) 4. Promote active participation in sport and leisure through Council communication channels
	Impact	Financial	4 (Major)	
		Service Quality	2 (Minor)	
		Reputation	2 (Minor)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	4 (Major)	
		Morale / Staffing	2 (Minor)	

Current Update (November 2023)
 The provision of leisure centres has seen significant challenges for management operators, such as Fusion Lifestyle. The pandemic, energy prices, rising inflation and cost of living continue to impact the provision of services and for customers to access facilities and be active.

The Council regularly meets with Fusion, both at local operations level and with its Senior Management to assess and understand the challenges and provide support where appropriate. As well this includes meeting with other Fusion client councils to consider wider business provision and impacts. We are supporting decarbonisation plans for reducing energy costs across our leisure centres and have agreed the installation of solar panels. The solar project is scheduled for early next year, to align with the timing of Fusion finalising their overall financial arrangements in the short term. Future growth and rising income remains positive in the medium and long term.

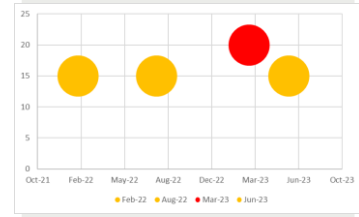
The Council, with the support of Fusion, applied to the Swimming Pool Support Fund which was announced in the Spring 2023 Budget, However we were unsuccessful in the Phase 1 (Revenue round) and we will hear at the end December 2023 if we are successful in the Phase 2 (Capital round).

Risk Score (Current)



Likelihood 5 x Impact 3

Risk Score History



Risk Direction



Risk Title:

Business Continuity



Overall Scoring

What is the risk?
 The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.

Risk Score (Current)

15

Likelihood 3 x Impact 5

What is causing the risk?
 Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCP's to the changing environment that we are operating in. We are also entering a period where extreme weather events increase the risk of a business continuity event triggering.

What is the level of risk?	Likelihood of risk occurring		3 (Possible)	<p>What are we doing to reduce the risk?</p> <ul style="list-style-type: none"> Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service. Agile working further reduces reliance on two office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway for the new year
	Impact	Financial	5 (Catastrophic)	
		Service Quality	5 (Catastrophic)	
		Reputation	4 (Major)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	3 (Moderate)	




Current Update (November 2023)

The work to ensure we are well prepared to respond to a Business Continuity incident continues to be managed through the Health, Safety, Business Continuity and Emergency Planning Officer team to ensure a continued focus.

During this period, three Members of the Councils' Management team have undertaken accredited Incident Management Training to ensure that any Business Continuity Incident is managed well.

The focus for the next three months will include an update of service business continuity plans alongside updates of service planning.

Risk Direction

Risk Title:	Cyber Security			Overall Scoring												
What is the risk?	The risk is that the Council could be subject of a cyber-attack that could lead to a significant and prolonged impact on our technology services which in turn would affect our ability to deliver our services.			Risk Score (Current)												
What could cause the risk to occur?	Cyber security threats can originate from the internet, corporate networks, maintenance activities, software upgrades and unauthorised access. All of these have the potential to result in a cyber security incident.															
Risk Scoring	Likelihood of risk occurring	4 (Likely)	<u>What are we doing to reduce the risk?</u>	Likelihood 4 x Impact 4												
	Impact	<table border="1"> <tr> <td>Financial</td> <td>4 (Major)</td> </tr> <tr> <td>Service Quality</td> <td>4 (Major)</td> </tr> <tr> <td>Reputation</td> <td>4 (Major)</td> </tr> <tr> <td>Legal / Regulatory</td> <td>3 (Moderate)</td> </tr> <tr> <td>Health and Safety</td> <td>3 (Moderate)</td> </tr> <tr> <td>Morale / Staffing</td> <td>4 (Major)</td> </tr> </table>	Financial	4 (Major)	Service Quality	4 (Major)	Reputation	4 (Major)	Legal / Regulatory	3 (Moderate)	Health and Safety	3 (Moderate)	Morale / Staffing	4 (Major)	<ol style="list-style-type: none"> Protective monitoring including anti-virus scanning which cannot be disabled by users Scanning all incoming emails for malware and other malicious content Multiple layers of firewalls in place to prevent unauthorised access Regular penetration testing of our systems to identify any vulnerabilities Planned programme of mandatory training for users of Council devices to ensure awareness continues to be promoted Participation in regional and national groups such as the governments Cyber Security Information Sharing Partnership to share awareness of emerging threats Carrying out due diligence on software providers prior to new system implementation 	Risk Score History NA/ New Risk
Financial	4 (Major)															
Service Quality	4 (Major)															
Reputation	4 (Major)															
Legal / Regulatory	3 (Moderate)															
Health and Safety	3 (Moderate)															
Morale / Staffing	4 (Major)															
Current Update (November 2023)	<p>Following consideration of the strategic risk profile of the Council by the Senior Leadership Team and Performance Board, it has been agreed that a new risk should be escalated to the Strategic Risk Register from the IT Service Risk Register. It is now widely considered that it is only a matter of time before government organisations such as ourselves are the subject of a cyber-attack – very much ‘when’ rather than ‘if’.</p> <p>We know from experiences of other Councils, that when a cyber-attack is successful it can lead to many months of significant disruption and loss of data.</p>			Risk Direction NA/ New Risk												