



South Hams  
District Council

# Strategic Risk Register

## November 2023 Update

Audit & Governance Committee 14<sup>th</sup> December 2023



# 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.

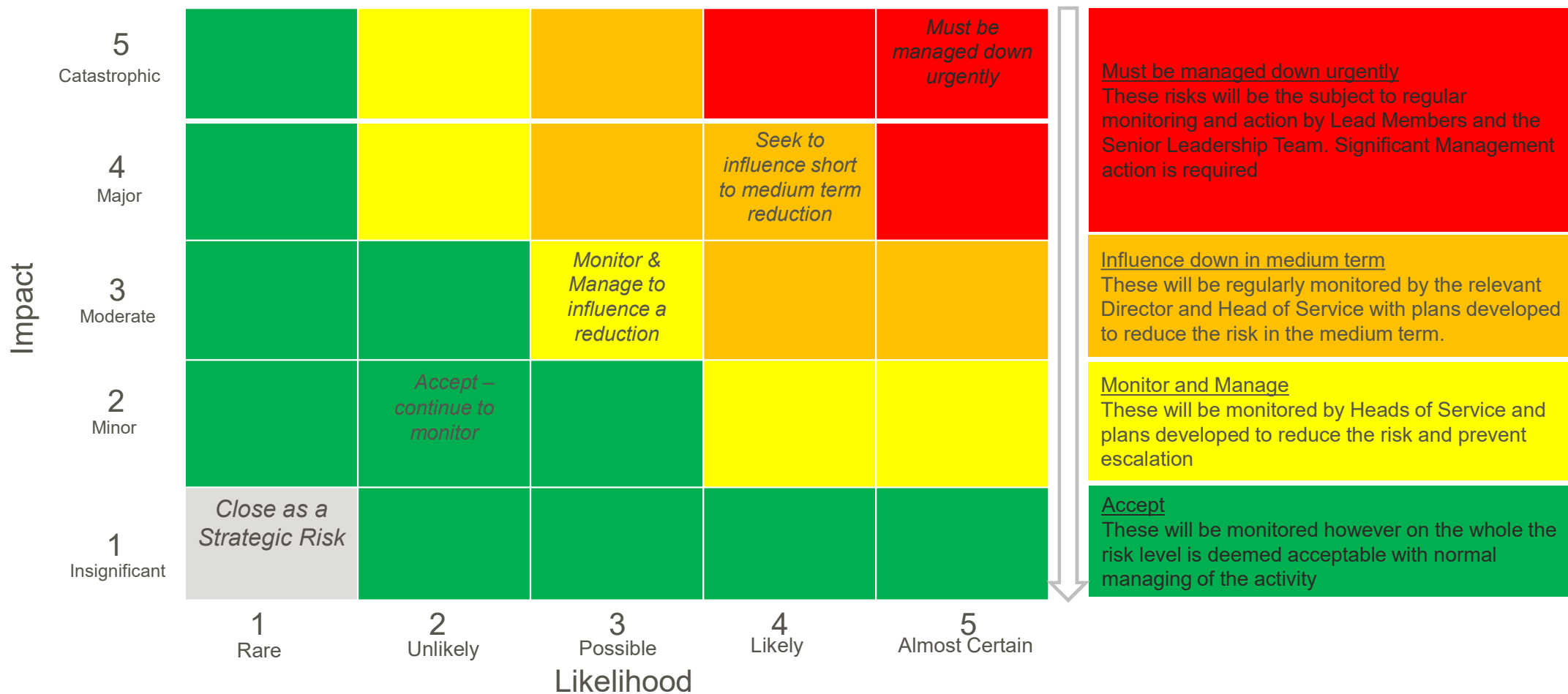
**Impact**  
If the risk does occur, what is the impact?

#	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

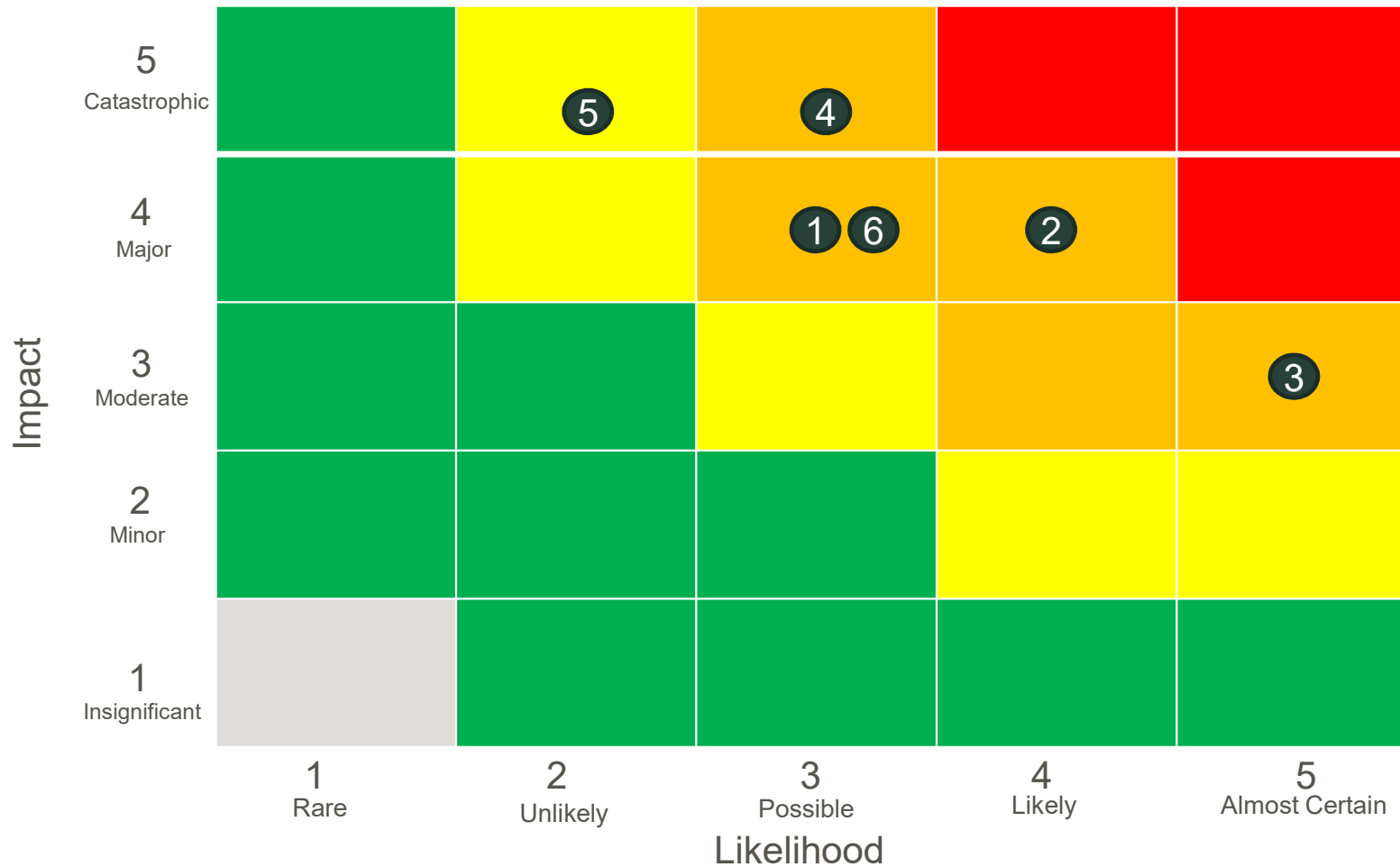
To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

NB – Our external auditors, Grant Thornton, have set materiality for the 2022/23 Accounts at £1.140million.

# Our Risk Management Treatment



# Summary of Strategic Risks November 2023



X Current Period Score

**Risk Title**

- Adherence to Medium Term Financial Strategy
- Inadequate Staffing Resource
- Health and Wellbeing Service Provision
- Business Continuity
- Delivery of Waste and Recycling Service

Removed since last update:-

- Strategic Direction

Added since last update:-

- Cyber Security



Risk Title:	Adherence to Medium Term Financial Strategy (MTFS)		
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What is the risk?	Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFS, particularly if national/regional businesses successfully appeal against business rate valuations or litigation proceedings / legal challenges / planning appeals, etc.		
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What could cause the risk to occur?	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.		
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Risk Scoring	Likelihood of risk occurring		3 (Possible)	<p><b>What are we doing to reduce the risk?</b></p> <ol style="list-style-type: none"> <li>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 e.g. New Homes Bonus.</li> <li>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.</li> <li>SLT engaged in the development of the MTFS.</li> </ol>
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	

Current Update (November 2023)	<p>The Executive considered the Medium Term Financial Strategy for the Council in September 2023. The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million 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.</p> <p>The latest budget report was considered by the Executive on 30 November 2023. There is a forecast budget gap of £146,185 for 2024/25 (1.1% of the projected Net Budget of £13.1million). There is a further budget gap of £0.3m in 2025/26 and a further £1.3m 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.</p> <p>On 30th June 2023, the Council published its Draft Statement of Accounts for 2022/23. The Budget for South Hams was £10.464 million for 2022/23 but the actual spend was 0.5% lower, providing a surplus of £57,000 as set out within the Accounts.</p>		
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Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 4

Risk Score History



Risk Direction



Risk Title:	Inadequate Staffing Resource
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Overall Scoring
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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.
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**Risk Score (Current)**

16

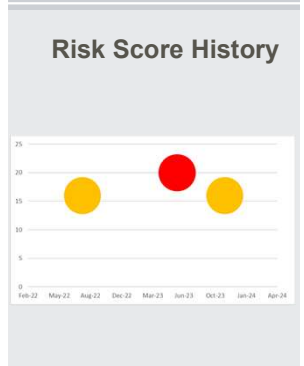
Likelihood 4 x Impact 4

What could cause the risk to occur?	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 likely to continue in to the short-medium term.
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Risk Scoring	Likelihood of risk occurring		4 (Likely)
	Impact	Financial	4 (Major)
		Service Quality	4 (Major)
		Reputation	4 (Major)
		Legal / Regulatory	4 (Major)
		Health and Safety	2 (Minor)
		Morale / Staffing	4 (Major)

- What are we doing to reduce the risk?**
1. Continuing to review services and update service plans to ensure that we can meet future demand
  2. Reviewing our recruitment campaigns – ensuring that they are effective and targeted
  3. Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees
  4. Developing plans for ‘grow our own’ talent
  5. Identifying local recruitment events with a view to attending and highlighting roles available within the Council
  6. Assessing the ‘offer’ to employees with other similar organisations

Current Update (Nov 2023)	<p>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:-</p> <ul style="list-style-type: none"> <li>- Launching a new recruitment website to better promote opportunities and benefits of working for the Council</li> <li>- 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))</li> <li>- Gone-live with a new staff discount scheme offering a range of non-pay benefits</li> </ul> <p>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.</p> <p>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.</p>
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**Risk Direction**

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Risk Title:	Health and Wellbeing Service Provision
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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.
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What could cause the risk to occur?	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.
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Risk Scoring	Likelihood of risk occurring		5 (Almost certain)	<p><b><u>What are we doing to reduce the risk?</u></b></p> <ol style="list-style-type: none"> <li>Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council on 31 March 2022 – Minute 74/21)</li> <li>Continue to engage with Fusion to understand issues and support where possible</li> <li>Continue to monitor local and national position (given that all leisure providers will be in the same position)</li> <li>Promote active participation in sport and leisure through Council communication channels</li> </ol>
	Impact	Financial	3 (Moderate)	
		Service Quality	2 (Minor)	
		Reputation	2 (Minor)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	2 (Minor)	

Current Update (Nov 2023)	<p>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.</p> <p>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.</p> <p>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).</p>
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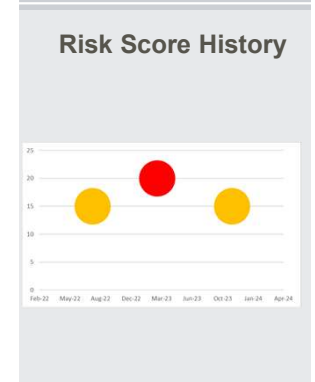
Overall Scoring

Risk Score (Current)



15

Likelihood 5 x Impact 3



Risk Direction



Risk Title:	Business Continuity
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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.
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What could cause the risk to occur?	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.
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Risk Scoring	Likelihood of risk occurring		3 (Possible)
	Impact	Financial	5 (Catastrophic)
		Service Quality	5 (Catastrophic)
		Reputation	4 (Major)
		Legal / Regulatory	2 (Minor)
		Health and Safety	3 (Moderate)
		Morale / Staffing	3 (Moderate)

**What are we doing to reduce the risk?**

- 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

Current update (Nov 2023)	<p>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.</p> <p>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.</p> <p>The focus for the next three months will include an update of service business continuity plans alongside updates of service planning.</p>
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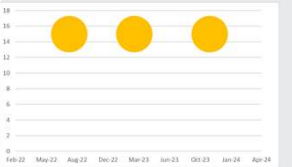
## Overall Scoring

**Risk Score (Current)**



Likelihood 3 x Impact 5

**Risk Score History**



**Risk Direction**





Risk Title:	Delivery of Waste and Recycling Service		
What is the risk?	The risk is that the Council fails to adequately plan and deliver its Waste and Recycling service, in particular, rolling out the Devon Aligned Service to all remaining households.		
What could cause the risk to occur?	<p>There are a number of issues that could result in issues to delivering the Waste and Recycling service including:-</p> <ul style="list-style-type: none"> <li>- Insufficient staff resource</li> <li>- Incorrect rounds planning</li> <li>- Non-delivery of vehicles in time for service implementation</li> <li>- Making Infrastructure Improvements</li> </ul>		
Risk Scoring	Likelihood of risk occurring	3 (Possible)	<p><b>What are we doing to reduce the risk?</b></p> <ol style="list-style-type: none"> <li>1.Appointed a dedicated project manager to support the Head of Service with the co-ordination and management of the implementation of DAS.</li> <li>2.Developed a detailed project and resourcing plan with regular project team meetings monitoring and managing progress.</li> <li>3.Developing a comprehensive Communication Plan to raise awareness of the changes, seek resident support and manage expectations.</li> </ol>
Impact	Financial	4 (Major)	
	Service Quality	5(Catastrophic)	
	Reputation	5 (Catastrophic)	
	Legal / Regulatory	4 (Major)	
	Health and Safety	3 (Moderate)	
	Morale / Staffing	4 (Major)	
Current Update (Nov 2023)	<p>The Devon Aligned Service went live as planned for remaining households on 20<sup>th</sup> November 2023. The change involved the reconfiguration of the whole of the residual and recycling collection service and resulted in over 43,000 households experiencing a change to their collections. Additional resources (trucks and people) have been provided to ensure that collections could be completed in the event of an issue occurring.</p> <p>Each household received a letter detailing the changes to their service and this was reinforced with a media and social media campaign. Every household has now completed one fortnightly cycle (encompassing 2 kerbside recycling collections and 1 residual collection) . Performance is monitored daily, including: Finish times of each round; issues recorded by the crews; exceptions (not outs etc.); tonnages of materials; missed collection reports; customer contact and complaints.</p> <p>To date, there have not been any significant issues with the rollout. The additional resources and monitoring will continue until end of January to ensure there is no risk of increased disruption as a result of the Christmas period.</p> <p>The roll out is being overseen by a project team and subject to oversight by the Director Customer Service Delivery and Waste Working Board.</p>		

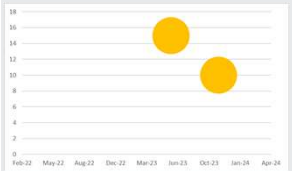
## Overall Scoring

Risk Score (Current)



Likelihood 2 x Impact 5

### Risk Score History



### Risk Direction



<b>Risk Title:</b>	<b>Cyber Security</b>	<b>Overall Scoring</b>
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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.

<b>Risk Scoring</b>	Likelihood of risk occurring	4 (Likely)	<b><u>What are we doing to reduce the risk?</u></b>
	<b>Impact</b>	Financial	1. Protective monitoring including anti-virus scanning which cannot be disabled by users
		Service Quality	2. Scanning all incoming emails for malware and other malicious content
		Reputation	3. Multiple layers of firewalls in place to prevent unauthorised access
		Legal / Regulatory	4. Regular penetration testing of our systems to identify any vulnerabilities
		Health and Safety	5. Planned programme of mandatory training for users of Council devices to ensure awareness continues to be promoted
		Morale / Staffing	6. Participation in regional and national groups such as the governments Cyber Security Information Sharing Partnership to share awareness of emerging threats
			7. Carrying out due diligence on software providers prior to new system implementation

Likelihood 4 x Impact 4

**Risk Score History**

**NA/ New Risk**

**Current Update (November 2023)**

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’.

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.

An Internal Audit is currently being undertaken of our Cyber Security arrangements and practices which will report to A&G Committee at the next meeting.

**Risk Direction**

**NA/ New Risk**