

2017/18 Risk Management Annual Report for areas within the scope of the Corporate Infrastructure and Regulatory Services Scrutiny Committee

Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendations:

- i. that the Committee notes the updates to the risk management process as supported by Devon Audit Partnership.
- ii. that the committee notes the roles and responsibilities identified in the update report, as per the updated Risk Management Policy.
- iii. that members note the current risk position as shown in this report.
- iv. that members note the highest scoring risks and consider these when creating their forward work plan.

The attached detailed report summarises the risk management position as a result of the work of council officers.

Pages five and six show the higher priority risk facing the CIRS Committee, page seven of the report provides a heat map of all risks relevant to this committee as identified at the time of writing this report.

In addition, the report provides a detailed appendix (Appendix A) which sets out the current risks and actions in progress by management.

Mary Davis

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Robert Hutchins
Tel No: (01392) 382437 Larkbeare House

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

There are no equality issues associated with this report



devon**audit**partnership

Risk Management

**2017/18 Risk Management
Annual Report – March 2018**



**Corporate Infrastructure & Regulatory
Services Scrutiny Committee**

**CUSTOMER
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Support, Assurance & Innovation

Introduction

Devon Audit Partnership (DAP) is supporting and facilitating the development of the Councils risk management framework and processes. This support is designed to assist members, senior management and staff in identifying risks, recognising and recording the "true" risk, mitigation thereof and promote effective monitoring and reporting of those risks.

Background

Development of risk management across the council has included the clarification of oversight and responsibility. The revised Risk Management Policy includes the following under the heading of Roles and Responsibilities.

Scrutiny Committees should be aware of the objectives of the service areas they oversee. Service Managers should identify risks to the achievement of these objectives, and provide to Scrutiny a summary of these risks and the mitigating action/s (controls) that are being taking to reduce the risk to an acceptable/agreed level. Specific risks to objectives, in particular those that remain "high", may be discussed in detail and risk owners and accountable officers asked to provide further information.

In practical terms this results in each of the Scrutiny Committees having oversight of the risks which are relevant to their areas, with the Audit Committee focusing on the process and effectiveness of risk management overall.

The following diagram outlines the current risk management structure, with the four central elements of Risk Management, Risk Reporting, Data Quality and the Framework feeding from the risk register/s.



The risks from the following service areas sit under this scrutiny committee so are considered as relevant to this report:

- Communities, Public Health, Environment and Prosperity (CoPHEP);
- Digital Transformation and Business Support (DTBS);
- Finance;
- Highways, Infrastructure, Development and Waste (HIDW);
- Legal Services and Communications (LC);
- Organisational Development (OD).

The system used to record risks is being updated to ensure that where a risk crosses over service areas all relevant Scrutiny Committees have visibility. The highest rated risks, strategic risks and those risks which cross service areas will also be noted within the Authority Risk Register to support wider oversight and management.

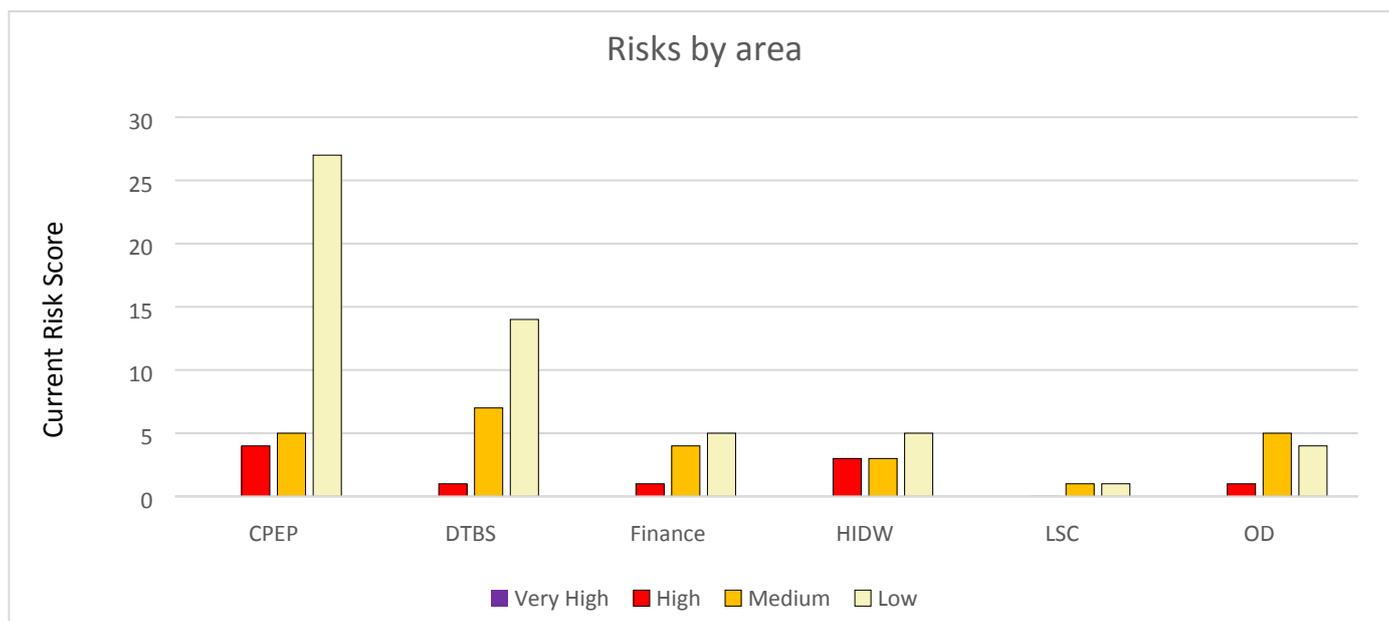
Work is ongoing to further embed risk management across the council and ensure that the data within the risk registers is clear, accurate, relevant and importantly, linked to organisational objectives. Further details can be obtained from Devon Audit Partnership via Robert Hutchins (Head of Partnership) or Tony Rose, who will also be happy to receive your comments and thoughts on risk management within the Council.

Supporting Information

Appendix A – Detailed Risk Register Extracts

Current Risk Position

There were 91 risks recorded in the Risk Register/s as at 06 March 2018 which link to the areas of responsibility for this Scrutiny Committee. Of these, 10 have an *Inherent* risk rating of Very High, as per the table below mitigating actions out into place by officers have ensured that they have all reduced below that level.



The graph above confirms 10 risks remain with a Current score of High and above, details of which can be seen in the table on the following page, of these nine had been reviewed since the turn of the year. The scoring for nine has remained static since their last review with one reducing, this being “Failure to Maintain Class C Roads”.

The greatest number of risks with a Current score of High sit within COPHEP but it should be noted that the highest individual High score within COPHEP is 16. Within HIDW there are three risks with a Current score of 20, High.

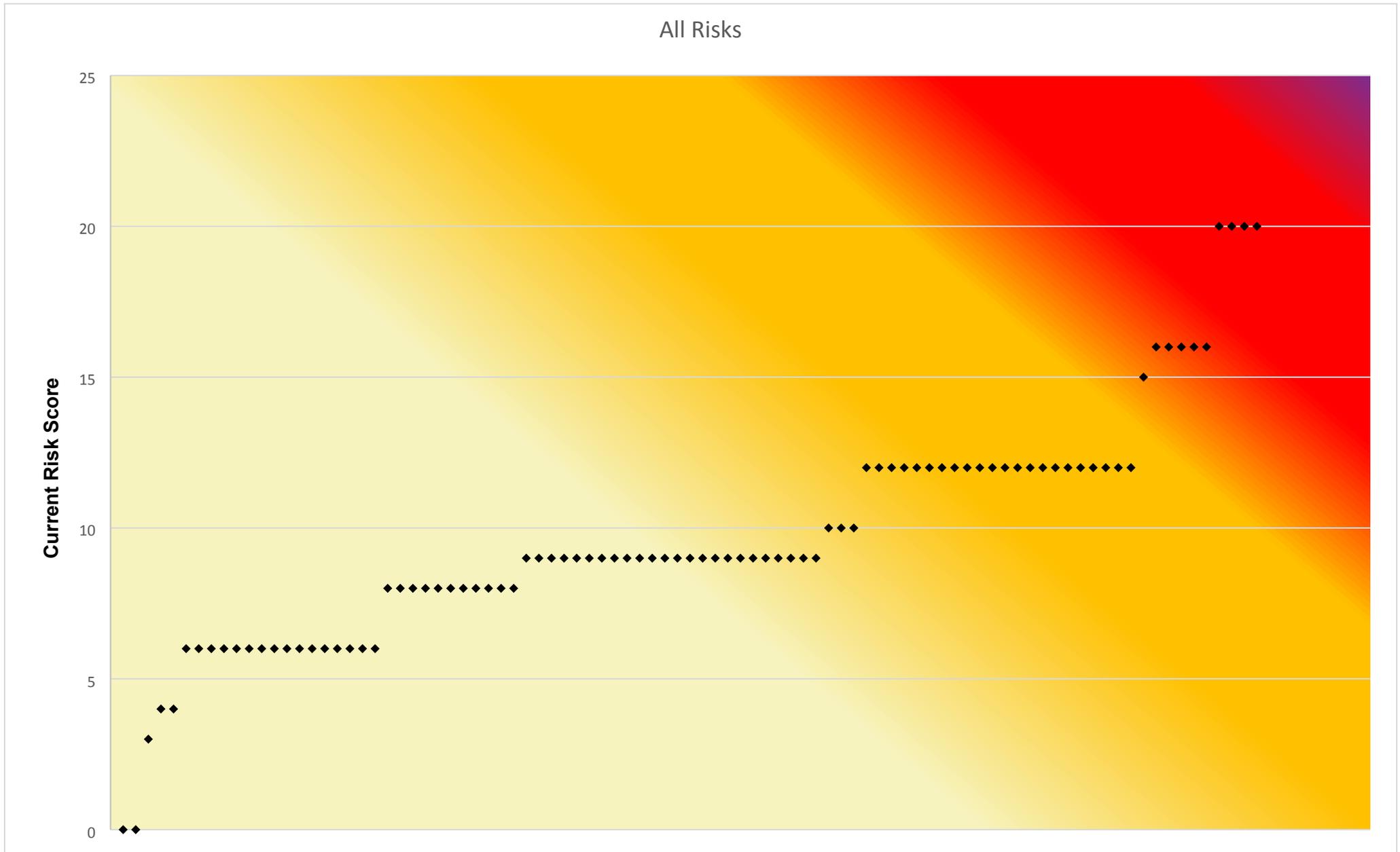
25 risks are recorded which retain a Current score of Medium and details of these can be found in Appendix A where they are reported by area. The Risk Management process enables the Council to record all risks with an Inherent score of High, but where the Current score is Low due to management actions and 30 risks fall within this category.

It is recommended that committee consider which if any of the risks in this report may be included in its future work plan.

Area	Risk Title	Description	Latest Update	Inherent score	Current score	Risk Owner	Accountable Officer	Latest review
Finance	BREXIT	Brexit could result in changes to laws, regulations, government policy or funding when the UK leaves the EU which could impact on the ability to achieve our objectives.	BREXIT negotiations are ongoing. There is a great degree of uncertainty around the impact as the future relationship structure is not yet defined.	24 : Very high	20 : High	Matt Thorpe	Mary Davis	March 2018
HIDW	Lack of capacity to respond to highway safety issues	Risk of fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets brought about by deteriorating highway condition.	Safety inspections continue to be completed within correct timeframes by accredited staff. Any delays to repairs being completed in the required timeframes are being monitored and addressed.	24 : Very high	20 : High	Joe Deasy	Meg Booth	January 2018
HIDW	Lack of capacity to respond to extreme weather events	Flooding and structural damage to the highway affecting citizens and property.	The road network remains vulnerable to extreme weather damage and recovery from such events will take time to implement. There is potential for knock on affects to road users and the local economy.	24 : Very high	20 : High	Joe Deasy	Meg Booth	January 2018
HIDW	Failure to maintain C Class and Unclassified roads	Deterioration of highway network due to insufficient planned and routine maintenance.	The latest road conditions survey indicates a slight increase in C roads in poor condition whilst unclassified roads are being maintained in a steady-state.	25 : Very high	20 : High	Joe Deasy	Meg Booth	January 2018
COPHEP	Flu pandemic	Risk of a significant influenza outbreak affecting service delivery due to its impact on the public and staff.	Whilst there are plans / mitigation in place cheap air travel means a virus can spread across the globe in hours. The spread of a pandemic cannot be controlled so the potential impact remains high.	15 : High	15 : High	Keith Reed	Nicola Channon	March 2018
COPHEP	Animal Health Disease Control	Additional costs and manpower requirements to respond to exotic animal disease spreading in the Devon and Somerset Communities.	Ann Animal Disease Contingency Plan is in place for Devon and Cornwall and Isles of Scilly.	16 : High	16 : High	Dolores Riordan	Paul Thomas	January 2018

Area	Risk Title	Description	Latest Update	Inherent score	Current score	Risk Owner	Accountable Officer	Latest review
DTBS	Shadow IT	<p>There have historically been “Shadow IT” departments in Devon County Council where specialist departments deal with their own IT, referring to Corporate IT when required.</p> <p>The increasing availability of often “free” and low-cost cloud software and apps means that increased numbers of individual users and business areas start using their own systems, often without any reference to Corporate IT.</p>	<p>Senior Managers had been made aware though the Digital Delivery Board and work is ongoing with Information Governance and Digital Communications to create a streamlined process for assessing free apps.</p> <p>There is a standard process to allow them to become “approved” software which can be used on devices, for example the Mozilla Firefox web browser.</p>	16 : High	16 : High	Martin Lawrence	Gary Dempster	Jan 2018
COPHEP	Finding sites for Gypsies and Travellers	Failure to work effectively with District Councils to enable the provision of both Permanent and temporary sites for the Gypsy and Travelling communities’ results in a lack of capacity and illegal encampments.	There have not been any notable changes or updates to this risk.	20 : High	16 : High	Nicola Glassbrook	Simon Kitchen	24 Nov 2017
COPHEP	Public Transport Support Budget	There is a risk of additional cost/ budget pressure due to the withdrawal of commercial services, requiring DCC to fill gaps in the bus network thorough, higher tender prices and funding reductions resulting in significant service cuts.	<p>Work with suppliers is continuing to optimise market opportunities.</p> <p>There is careful preparation of any necessary actions, minimising impacts of any reductions.</p>	20 : High	15 : High	Damien Jones	Dave Black	March 2018
OD	Employee Services - System Failure	System failure due to technical problems resulting from system age could result in employees not being paid on time or accurately	<p>The inherent likelihood score has been increased as the volume of data held in the payroll increases month on month. A system release has been identified which enhances performance and is currently in test.</p> <p>The introduction of the new system later in 2018 will remove this risk.</p>	20 : High	16 : High	Wendy Smith	Jacky Wilson	01 Mar 2018

The graphic below shows the *Current* score for all 91 risks from service areas linked to this Scrutiny Committee.



All Risks with a Current Score of Medium or Higher (As extracted from the Risk Register)

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
Communities, Public Health, Environment and Prosperity						
Finding sites for Gypsies and Travellers	Failure to work effectively with District Councils to enable the provision of both Permanent and temporary sites for the Gypsy and Travelling communities' results in a lack of capacity and illegal encampments.	20 : High	16 : High	Nicola Glassbrook	Simon Kitchen	24 Nov 2017
Potential Flu pandemic	Risk of a significant influenza outbreak affecting service delivery due to its impact on the public and staff.	15 : High	15 : High	Keith Reed	Nicola Channon	31 Aug 2017
Animal Health Disease Control	Additional costs and manpower requirements to respond to exotic animal disease spreading in the Devon and Somerset Communities.	16 : High	16 : High	Dolores Riordan	Paul Thomas	19 Jan 2018
TCS1: Public Transport Support Budget	There is a risk of additional cost/ budget pressure due to the withdrawal of commercial services, requiring DCC to fill gaps in the bus network thorough, higher tender prices and funding reductions resulting in significant service cuts.	20 : High	15 : High	Damien Jones	Dave Black	25 May 2017
VCSE Capacity	Capacity of voluntary and community sector organisations to meet the potential need/expectations of both health and adult care service changes, due to a continued command and control approach by DCC and other public-sector bodies rather than agreeing outcomes for all to work towards in their own way.	20 : High	12 : Medium	Steve Edwards	Simon Kitchen	24 Nov 2017
Community Needs Assessment/Strategy - Roles within Communities	Community Needs Assessment and Strategy - Strategy is perceived to undermine elected representatives.	16 : High	12 : Medium	Steve Edwards	Simon Kitchen	27 Oct 2017
Potential legal costs/compensation for court cases or improper seizure or suspension of goods	Potential of legal costs/compensation and damage to reputation of Service and Authority due to officers wrongly impounding goods etc.	12 : Medium	12 : Medium	Steve Gardiner	Paul Thomas	10 Oct 2017
SP1: Flood Risk Management	Devon County Council became the Lead Local Flood Authority (LLFA) as defined by the Flood and Water Management Act (FWMA) 2010 and, as a consequence, is responsible for managing the risk of local flooding from surface water run-off, groundwater and ordinary watercourses. The Act sets out a number of specific roles for the LLFA. This includes the risks associated with the obligations and expectations associated with this LLFA role, particularly in light of the major flooding experienced in Devon over recent years, the expectation of delivering robust flood improvements and the new statutory consultee role for providing advice to the Local Planning Authorities on surface water management proposals for 'major' development applications. [Note: no specific consideration is provided here to the risk of flooding of DCC assets or the huge costs of responding to / recovering from flood events, particularly linked to highway flooding.]	20 : High	12 : Medium	Martin Hutchings	Dave Black	29 Aug 2017

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
Digital Transformation and Business Support						
ICT05 - Shadow IT in Devon County Council	There have historically always been "Shadow IT" departments in Devon County Council, for example, in Highways, HR and Finance where specialist departments deal with their own IT, referring to Corporate IT when required. However, increasingly the availability of often "free" and low cost cloud software and apps, means that increased numbers of both individual users and business areas start using their own systems, often without any reference to Corporate IT	16 : High	16 : High	Martin Lawrence	Gary Dempster	18 Jan 2018
BI21 - Successful Cyber Attack	Successful Cyber Attack on the Authority	20 : High	12 : Medium	Martin Lawrence	Gary Dempster	19 Jan 2018
PR11 - Lack of resource to support all early engagement requests	Lack of early engagement restricts ability to add value	16 : High	12 : Medium	Nicola Tribble	Justin Bennetts	03 Jan 2018
ES01 - Reduced capital receipts	Reduced capital receipts from the sale of corporate properties	20 : High	12 : Medium	Matthew Jones	Matthew Jones	03 Jan 2018
BI13 - Reputational damage	Reputational damage from complaints	24 : Very high	12 : Medium	Carol Reece	Matthew Jones	18 Jan 2018
BI07 - Call answering priority during an emergency	My Devon Customer Service Centre call answering priority during an emergency	16 : High	12 : Medium	Roger Jenkins	Debbie Foweraker	19 Jan 2018
BI02 - Lack of "Volunteers" to run a Rest Centre	Due to staff availability / volunteers DCC may be unable to open a Rest Centre in an Emergency to offer a welfare support function (temporary shelter, warmth and refreshments) at a designated Rest Centre.	16 : High	12 : Medium	Liam Jennings	Matthew Jones	19 Jan 2018
BI06 - Data Protection breaches	The Council may incur fines and legal actions for damages following incidents of misuse, loss, accidental or deliberate disclosure.	24 : Very high	12 : Medium	Carol Reece	Matthew Jones	18 Jan 2018
Finance						
FIN41: BREXIT	Brexit could result in changes to laws, regulations, government policy or funding when the UK leaves the EU which could impact on the ability to achieve our objectives.	24 : Very high	20 : High	Nicola Allen	Mary Davis	17 Aug 2017
FIN04 - Failure to Oversee Financial Performance of Commercial Enterprises in which DCC has influence	Failure to oversee financial performance of various commercial enterprises in which DCC has a controlling influence eg PLUSS, NPS, NORSE and LDP. Failure could lead to significant financial issues - eg contract performance - as well as consequent impact on Council's reputation.	16 : High	12 : Medium	Nicola Allen	Mary Davis	21 Jul 2017
FIN39: Failure to deliver priority services as a result of significantly reduced finances	Reductions in government funding over the next 3 years will necessitate reductions in local government spending and service provision. DCC has responded by identifying savings in 2016/17 and is identifying the impact of further reductions in subsequent financial years via its Medium Term Financial Planning process This risk covers both a failure to deliver priority services due to inadequate financial planning and an inability to respond to changes arising from significant reductions in Government Finance	20 : High	12 : Medium	Angie Sinclair	Mary Davis	04 Sep 2017

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
FIN05 - Failure to Prepare or Control Robust Budget	Failure to prepare robust MTFP, managing cost pressures and preserving reserves and balances. Failure to develop financial management skills of budget managers, which could compromise budget control and service delivery. Failure to produce a balanced budget	15 : High	10 : Medium	Angie Sinclair	Mary Davis	04 Sep 2017
FIN03 - Failure of supplier to maintain financial systems	Failure of supplier to maintain financial systems	15 : High	10 : Medium	Martin Oram	Mary Davis	02 Oct 2017
Highways, Infrastructure, Development and Waste						
HTM2: Lack of capacity or capability to respond effectively to highway safety related issues	Potential for fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets. This could be brought about by deteriorating highway condition, inability to meet policy level of service, inadequate procedures or poor staff/contract performance.	24 : Very high	20 : High	Joe Deasy	Meg Booth	08 Jan 2018
HTM3: Lack of capacity or capability to effectively respond to extreme weather events	Flooding and structural damage to the highway affecting citizens and property.	24 : Very high	20 : High	Joe Deasy	Meg Booth	08 Jan 2018
HTM1: Failure to maintain C class and unclassified roads effectively.	Deterioration of highway network due to insufficient planned and routine maintenance.	25 : Very high	20 : High	Joe Deasy	Meg Booth	08 Jan 2018
Shared savings (Waste)	District council changes do not deliver the savings anticipated	12 : Medium	12 : Medium	Annette Dentith	Meg Booth	
Delivery of the Capital Programme	Potential for significant overspend on construction projects	16 : High	12 : Medium	Rob Richards	Meg Booth	10 Jul 2017
HM12: Failure to maintain the A and B road network effectively leading to reduced surface life	The risk of reduced life of the A and B road surfaces is influenced by several factors including the availability of an adequate budget to carry out work and deterioration factors such as severe winters and climate change.	20 : High	12 : Medium	Joe Deasy	Meg Booth	08 Jan 2018
Legal Services and Communications						
Inadequate Budget Setting Engagement	A shortfall in meaningful, proportionate and reasonable engagement provision to inform DCC's 2015/16 budget setting process. Local Authority services operate under a wide range of legal responsibilities and statutory duties. Some of these are specific to the delivery of a service (for example, the legal duty to provide residential care), some protect the well-being of individuals (for example, health and safety law, anti-discrimination protections within the Equality Act 2010), and others apply more generally to decision making including: - Public Sector Equality Duty, Section 149 of the Equality Act 2010. - Section 3(2) of the Local Government Act 1999 (Duty to Consult). DCC budget setting decision-making, detached and set in isolation from the needs of the communities it serves, will have failed to apply established case law, i.e. the Brown principles, resulting in lack of consideration and application of the Public Sector Equality Duty (PSED)	16 : High	12 : Medium	Tony Parker	Jan Shadbolt	08 Jun 2016

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
	as well as failing to apply the Duty to Consult. This contradicts the values, credibility and successful delivery of DCC's Strategic Plan, Backing Devon and its engagement strategy, Engaging Devon.					
Insurance Risk - Vicarious Liability for Foster Carers	A recent Supreme Court ruling - NA v Nottinghamshire County Council - has held that Local Authorities will now be held vicariously liable for the actions of foster carers against children in LA care. This means that, going forward, DCC will be liable for any claims where it is proven that a foster child suffered abuse at the hands of their foster carers, even if there is no evidence of any negligence on the part of DCC (which would have previously been a valid defence for Local Authorities).	15 : High	0 : Not set	Emily Wilkins	Jan Shadbolt	None
Organisational Development						
HR: Employee Services: System Failures	System failure due to technical problems may result in employees not being paid on time or accurately.	20 : High	16 : High	Wendy Smith	Jacky Wilson	01 Mar 2018
HR: Workforce and Succession Planning	DCC risks not having workforce plans in place to ensure that it has the 'right number of people with the right skills, in the right place at the right time to deliver short and long term organisational objectives' (Chartered Institute of Personnel & Development definition of 'workforce planning'). This is exacerbated by: <ul style="list-style-type: none"> • The demographics of the workforce, given that around 45% of our current directly employed DCC workforce is over 50 years and over 60% is over 40 years. • The need for changing skills and behaviours in order to implement new ways of working • DCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf • Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention • Skills shortages in key areas including social work and teaching • Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. • Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 	16 : High	12 : Medium	Helen Marsh	Jacky Wilson	03 Jan 2018
HR: Health and Safety	Failure to deliver our statutory service delivery duties and legal obligations in respect to health and safety requirements. This leads to reputational and service delivery impact and costs.	30 : Very high	12 : Medium	Simon Bates	Jacky Wilson	01 Mar 2018
SPOC15: Failure to prevent discriminatory practice/adhere to	Ensuring the Council gives due regard to the need to eliminate discrimination (end prohibited conduct), advance equality and foster good relations as required by the Public Sector Equality Duty (Equality	20 : High	12 : Medium	Jo Hooper	Roland Pyle	24 Aug 2017

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
the Equality Act & Public Sector Equality Duty	Act 2010). Ensuring staff, policies or practices do not discriminate unlawfully.					
SPOC16: Failure to properly implement Impact Assessment in effective decision making	The County Council has a legal duty under the Equality Act 2010 to publish information about people affected by its policies and practices. It also has a legal duty to give due regard to the need to eliminate discrimination, advance equality and foster good relations across nine protected characteristics. The County Council's method for meeting these duties is through the Impact Assessment report. Risks to the organisation of not adhering to the Duty are Judicial Review or lack of consideration of community impacts which could result in harm, poor community relations, complaints about discrimination etc.	24 : Very high	12 : Medium	Jo Hooper	Roland Pyle	14 Jun 2017
HR: Employee Services Safer Recruitment	Failure to appropriately identify safeguarding issues during the recruitment process.	25 : Very high	10 : Medium	Wendy Smith	Jacky Wilson	01 Mar 2018

Emerging Risks

Risk Title	Risk Description	Inherent Score	Current Score	Risk Owner	Accountable Officer	Last Review
Insurance Risk - Vicarious Liability for Foster Carers	<p>A recent Supreme Court ruling - NA v Nottinghamshire County Council - has held that Local Authorities will now be held vicariously liable for the actions of foster carers against children in LA care.</p> <p>This means that, going forward, DCC will be liable for any claims where it is proven that a foster child suffered abuse at the hands of their foster carers, even if there is no evidence of any negligence on the part of DCC (which would have previously been a valid defence for Local Authorities).</p>	15 ; High	To be updated on first review	Emily Wilkins	Jan Shadbolt	N/A