

2017/18 Risk Management Annual Report

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 changes and 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 and revised risk management policy and stagey.
- iii. that members note the current risk position for all risks.
- iv. that members note the 10 risks currently ranked the highest.

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>
Nil		

There are no equality issues associated with this report



devon**audit**partnership

Risk Management

Risk Management

Annual Report to the Audit Committee

May 2018



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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 promoting effective monitoring and reporting of those risks. This annual report provides an update on developments with risk management and an updated position on risks recorded within the risk register.

Background

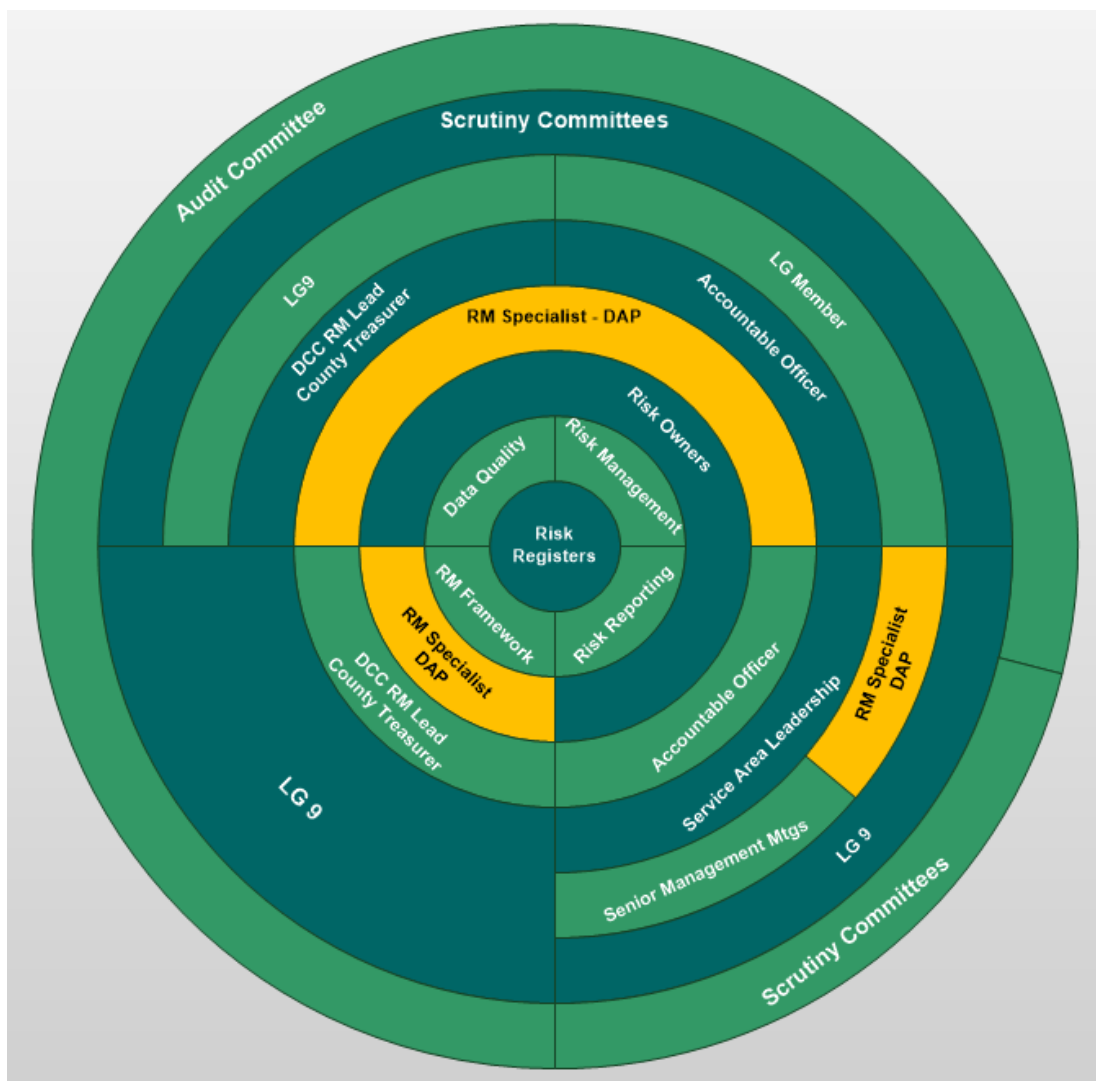
Development of risk management across the council has included the clarification of oversight and responsibility. The revised Risk Management Policy and Strategy document (See Appendix 3) includes the following under the heading of Roles and Responsibilities.

Audit Committee

The Audit Committee is responsible for ensuring that the council's Risk Management process is carried out effectively. It will not normally examine specific risks to objectives in detail, but satisfy itself that risks are being monitored appropriately by the risk owner and relevant Scrutiny Committee. The Audit Committee may also consider the "top ten" risks to ensure that action is being taken to mitigate these risks. The Audit Committee will receive a mid-year and end of year report showing the "High" risks and other key developments within risk management.

A central component of embedding risk management across the Council is ensuring that reporting happens at the right level and at the right time. To support this a timetable has been drawn up which shows Member and Leadership Group reporting and is attached as Appendix 2.

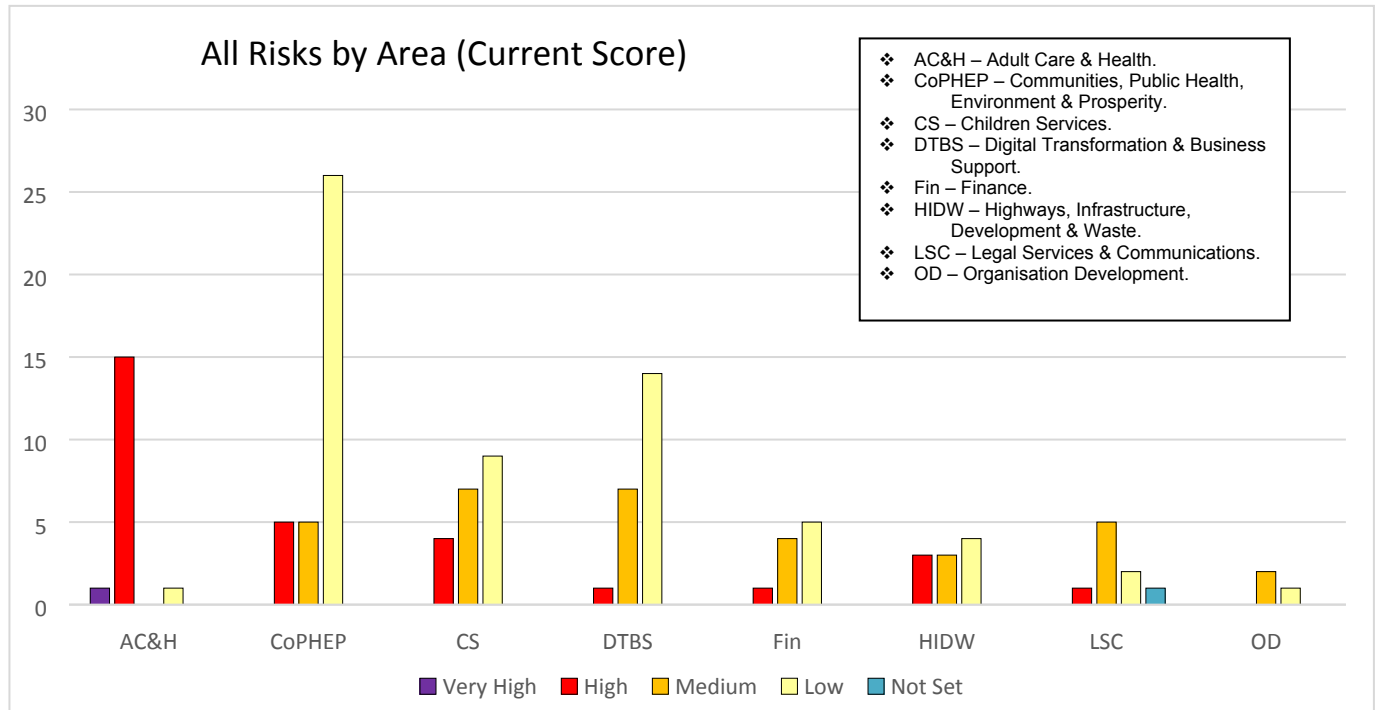
The diagram below outlines the current risk management structure, with the four central elements of Risk Management, Risk Reporting, Data Quality and the Overall Framework all feeding out from the risk registers.



Risk Position

There were 127 risks recorded in the Risk Register in April 2018. Of these, 93 had an Inherent risk rating of High or above. Following management action, the current score for 62 of these risks has been reduced to Medium or lower.

The graph below shows all risks by their current risk score and the service area in which they are recorded, the top ten risks by current score are included in Appendix 1 along with the mitigating actions.



Risk Review Periods

This table shows a simple guide to review periods based on the Current risk score. There is comprehensive guidance in the Risk Management Policy and Strategy Document on risk review and management expectations.

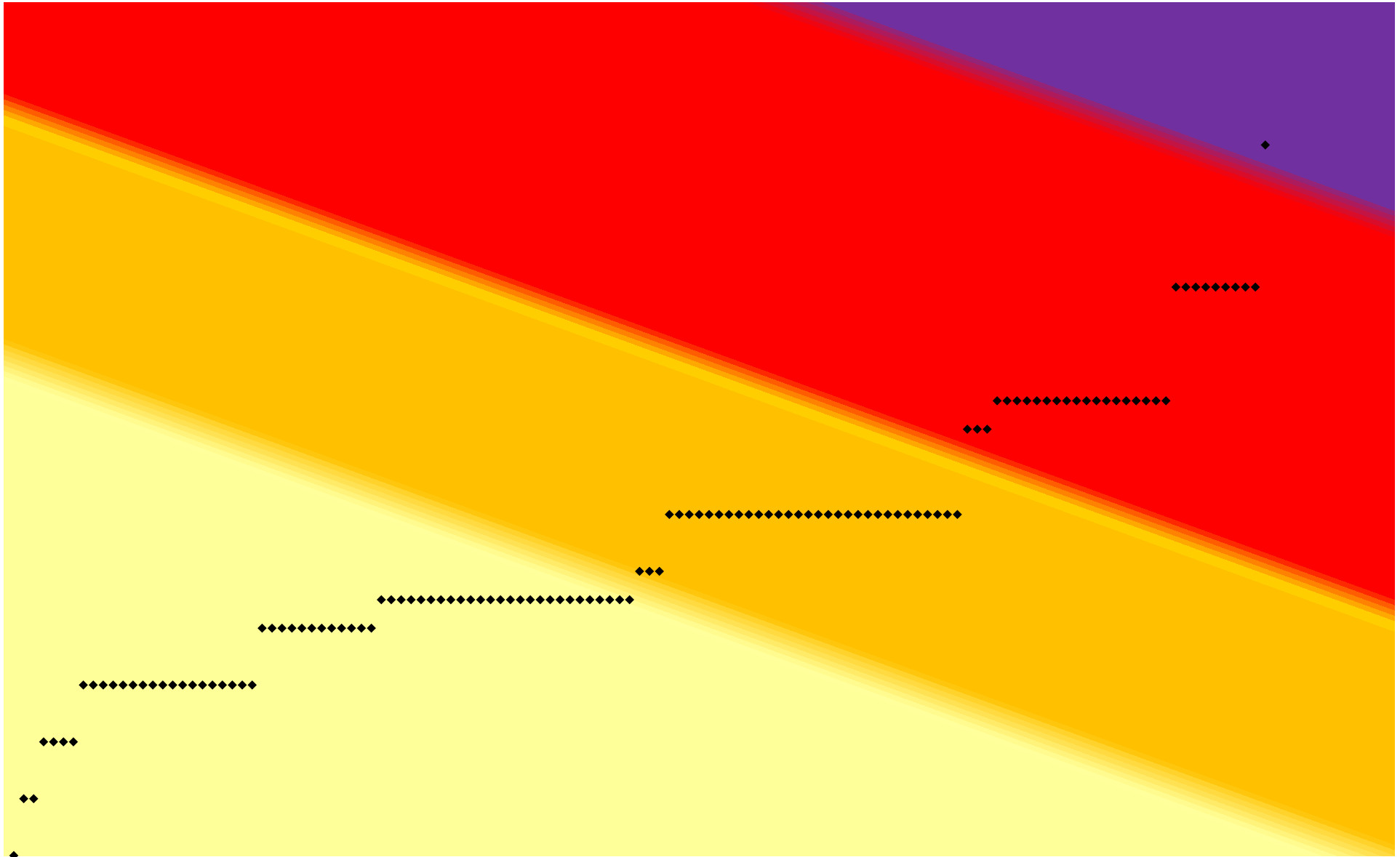
Current Score	Review Period
Very High	Monthly/Bi Monthly
High	Bimonthly/Quarterly
Medium	Every Six Months
Low	Every 12 Months
Low (7 and Below)	Only following a significant change

Additional Comments

- Automated reminders are sent to Risk Owners to prompt risk reviews.
- The system used to record risks is being updated to ensure that where a risk crosses over service areas all relevant management teams have visibility.
- As the data within the risk registers is reviewed by Devon Audit Partnership and updated by the risk owners, there will be progression to a Strategic category within the overall risk register.
- The Risk Management Policy and Strategy Document has been reviewed and fully refreshed.
- We are continuing to work with colleagues overseeing the work on Purposeful Systems to ensure there that the benefits of risk management in new approaches are maximised.
- The Corporate Risk Management Group Membership has been reviewed and roles clarified. The graphic for the new structure can be seen in Appendix 4.
- Risk Management training packages are in development and due to be rolled out to relevant staff.
- A regional risk management group has been formed and includes Local Authorities, NHS Bodies, Universities and other organisations such as the Met Office. The aim of the group is to share knowledge and best practice, as well as work towards a regional risk register.

Work continues to further embed risk management across the council and ensure that the data within the risk registers is clear, accurate, relevant and linked to organisational objectives

The “heat map” graphic below shows the *Current* rating for all 127 risks (As at April 2018)



Appendix 1 – Top 10 Risk (Current Score)

Area	Risk Title	Description	Inherent score	Current score	Risk Owner	Accountable Officer	Review Date	Summary Mitigating Actions
AC&H	KS26: Demand resulting from Transforming Care Partnerships	Demand resulting from Transforming Care Partnerships brings NHS funded Out of Area placements in hospitals to a Devon setting with the need for adult social care funded support	25: Very high	25: Very high	Keri Storey	Sarah Aggett	12 Dec 2017	Work to better understand the potential volumes and cost in 2018-19 and remainder of the MTFS period.
AC&H	KS22: Transitions	Capacity challenges and systems complexity in the transitions process results in poor experiences for vulnerable young people and financial consequences to the council	25: Very high	20: High	Keri Storey	Sarah Aggett	28 Nov 2017	<ul style="list-style-type: none"> Preparing for Adulthood Strategy, including implementation. Review of transitions model. Telephone reviews. Additional resources to support transitions process aimed at improving capacity challenge. Accommodation strategy for disability provision (longer term). Purposeful Systems work.
Finance	FIN41: BREXIT	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.	24: Very high	20: High	Matthew Thorpe	Mary Davis	21 March 2018	<ul style="list-style-type: none"> Ongoing Monitoring of Official publications. Ongoing monitoring of the post referendum environment. Engagement with the LGA Human resources Support for
AC&H	TG31: NHS Reconfiguration	The pace and direction of travel of whole system changes in Devon fails to meet the needs of Devon's residents	25: Very high	20: High	Tim Golby	Jennie Stephens	23 Aug 2017	<ul style="list-style-type: none"> Joint Commissioning Activities Engagement with the STP RD&E Business Case Early Interventions with health Partners
AC&H	KS14: Deprivation of Liberties (DoLS) and Court of Protection (CoP)	The Council fails to meet its statutory obligations with regard to Deprivation of Liberty Safeguards (DoLS) and individuals are put at unacceptable risk	25: Very high	20: High	Sarah MacKereth	Jennie Stephens	07 Dec 2017	<ul style="list-style-type: none"> Prioritised to address both res/nursing/hospital and community deprivations. Ongoing review of performance at SLT. Law Commission review published 16 March 2017. Report provided to SLT outlining initial implications/proposed changes. Increase in Best Interest Assessors trained.
HIDW	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	<ul style="list-style-type: none"> Ongoing Highways Monitoring/Inspections Completion of Safety Repairs In year work programme flexibility Staff training and review of approaches.
HIDW	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	<ul style="list-style-type: none"> Ongoing Highways Monitoring/Inspections. Winter Service and Emergency Plan. Delivery of Planned Works. Weather forecast monitoring.
HIDW	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	<ul style="list-style-type: none"> Use of varying material and treatment types. Ongoing Highway Monitoring. Completion of Safety repairs. Stakeholder Communication. Funding reviews.
AC&H	TG11: Market Capacity: Adult Social Care (Personal Care)	The council fails to meet its statutory market sufficiency requirement for personal care	30: Very high	20: High	Tim Golby	Ian Hobbs	28 Nov 2017	<ul style="list-style-type: none"> New Living Well at home Contract. Updated ASC Market Position Statement. Provider Engagement network. Contract Management. Provider Direct Engagement. Redesign of personal care procurement framework.
AC&H	KS9: Budget pressures and management	Demand for Adult Social Care exceeds financial provision impacting on better care fund usage and performance targets putting the Council at risk.	30: Very high	20: High	Keri Storey	Keri Storey	28 Nov 2017	<ul style="list-style-type: none"> ASC Demand Management Programme DPT Relationship Management Financial recovery Plan monitoring Increase in funding Disabilities transformation plan

Leadership Group

The proposed schedule for reporting to the Leadership Group is shown here and sets out the planned month and type of report to be presented.

The Annual Report will include a summary of all risks, the update reports will focus on those rated High and above whilst also detailing any significant and relevant updates to risks and the risk management process.

Event	Date	Report Type
LG9	Apr/May 18	17/18 Annual Report
LG9	Jun-18	Bi Monthly Update 1
LG9	Sep-18	Bi Monthly Update 2
LG9	Oct-18	Bi Monthly Update 3
LG9	Nov-18	Bi Monthly Update 4
LG9	Mar-19	Bi Monthly Update 5
LG9	Apr-19	18/19 Annual Report

Member Committees

The reporting schedule for Member Committees includes an in-year update for the Scrutiny Committees, along with an Annual Report. These reports will focus on relevant risks.

Reporting to the Audit Committee comprises an Annual Report and an in-year update. These reports will focus on the overall risk management process and identify the highest rated risks at that point in time.

Event	Date	Report Type
Audit Committee	May-18	17/18 Annual Report
Audit Committee	Nov-18	Half Year Update
Children's Scrutiny	Nov-18	Half Year Update
H&AC Scrutiny	Nov-18	Half Year Update
CIRS Scrutiny	Nov-18	Half Year Update
Children's Scrutiny	May-19	18/19 Annual Report
H&AC Scrutiny	May-19	18/19 Annual Report
CIRS Scrutiny	May-19	18/19 Annual Report
Audit Committee	May-19	18/19 Annual Report

The 2017/18 Annual report for the Corporate Infrastructure and Regularity Services Scrutiny Committee went the meeting on 27th March 2018 as part of their pre-planned work schedule.

Risk Management Policy & Strategy

Revisions

Date	Revision
30 November 2017	Full Policy Refresh
12 February 2018	Minor Grammatical and Layout updates
April 2018	Clarification of Policy and Strategy Elements

Review and Adoption

This Risk Management Policy should be reviewed at least annually to ensure that it still meets the requirements of the authority. The policy will initially be reviewed under the direction of the council's lead risk management officer (Currently the County Treasurer), following which it should be ratified by LG9 and the Audit Committee. The Policy was last adopted in November 2017.

Usage

Please note that a locally saved or hard copy version of this policy may be out of date. The most current version will always be available on the intranet.

Appendix 3 – Leadership Group and Member Reporting Schedule

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Policy Statement

The Council is committed to the proactive management of key external and internal risks. We actively promote the principles of effective risk management through a clear and robust strategy, ongoing training and support, as well as consistent and timely reporting to all levels.

Risk Management Strategy

Introduction

Devon County Council, like all organisations faces a wide range of risks. The aim of this policy is to communicate why **Risk Management** is important, why it must be carried out and to provide an explanation of the approach that is to be taken.

Risk is defined as an **uncertain event**, or set of events, that should it occur will have **an effect on our ability to achieve our objectives**. Generally, risks are perceived as negative but that is not always the case. There are occasionally uncertainties that could have a positive impact, referred to as Opportunities.

Risk Management is the systematic application of principles and processes to identify and assess risk, along with the planning and implementation of responses. It is an integral part of internal control and for local government is a statutory requirement, defined in the Accounts & Audit Regulations 2015.

Embedding risk management throughout the Council is not just about legal requirements. Effective risk management will lead to:

- improved performance by contributing to fewer shocks and unwelcome surprises;
- more efficient use of our resources;
- better, more informed decision-making and;
- an ability to exploit opportunities.

Risk Registers

Risks along with the actions taken to prevent them occurring are recorded in Risk Registers. Devon County Council operates a central risk register which contains several sub areas in order to support update and reporting. Those risks scored the highest, of a strategic or cross authority nature will be recorded in the overarching **Authority Risk Register**

Risk Scoring

Risks are scored using a combination of the likelihood of a threat (or opportunity) occurring and the impact if it does.

Likelihood/Probability	Almost Certain 6	6	12	18	24	30
	Likely 5	5	10	15	20	25
	Possible 4	4	8	12	16	20
	Unlikely 3	3	6	9	12	15
	Rare 2	2	4	6	8	10
		Negligible 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
		Impact/Severity				

Risk Tolerance Thresholds

These represent levels of risk exposure which, when exceeded, trigger some form of response. Risk tolerances can be set for an individual risk or for all the risks for a particular activity.

Appendix 3 – Leadership Group and Member Reporting Schedule

Risk Response

Risks should, in general, be managed at the lowest level appropriate but clear systems need to be in place should it be necessary to escalate a risk to a more senior level, for example if the current risk response doesn't appear to be working. Equally risks should be delegated if they are well controlled and the current risk score falls, the range of responses is shown below.

Initial response to a New or Updated Risk

Risk Colour and Level	Residual Score	Action
Purple (Very High)	24 - 30	<ul style="list-style-type: none"> Risk, mitigation and controls to be reported to the Head of Service / Strategic Director / their designate to agree short and long-term mitigation. Risk must be added to the Authority Risk Register. Risk must be added to Service Area Risk Register.
Red (High)	15 - 20	<ul style="list-style-type: none"> Risk Owner with their Manager / Head of Service / Strategic Director to review Risk Identification Template prior to inclusion on Service Area Risk Register. Head of Service/Director to consider additional short-term actions. Risk must be included on the Authority Risk Register if it affects more than one service area.
Orange (Medium)	10 – 12	<ul style="list-style-type: none"> Risk Owner to action inclusion on Service Area Risk Register. Risk must be included on the Authority Risk Register if it affects more than one service area. Continue to monitor if circumstances are subject to change, if not consider longer monitoring period.
Yellow (Low)	8-9	<ul style="list-style-type: none"> Risk Owner to review Risk Identification Template with local management team. Can be added to Service Area Risk Register if appropriate. Continue to monitor if circumstances are subject to change, if not, consider removing from active monitoring.
Yellow (Low)	2 - 7	<ul style="list-style-type: none"> Remove from active monitoring unless an increase in risk score is expected.

The requirements for the on-going monitoring and management of risks are dependent on the type of risk and the **Risk Appetite** for the area. Below is an outline of the expectations for the on-going response based on risk categories, followed by a table showing expected actions.

Residual Risk Score	8-9	10-12	15-20	24-25	30
Compliance, Regulation & Safeguarding	Accept & Monitor	Manage & Monitor	Management Effort Required	Considerable Management Required	Extensive Management Required
Operational/Service Delivery	Accept	Accept & Monitor	Manage & Monitor	Management Effort Worthwhile	Considerable Management Required
Financial	Accept & Monitor	Manage & Monitor	Management Effort Worthwhile	Considerable Management Required	Extensive Management Required
Reputation	Accept	Accept & Monitor	Manage & Monitor	Management Effort Worthwhile	Considerable Management Required

Appendix 3 – Leadership Group and Member Reporting Schedule

Risk Appetite Definitions/Expectations

Accept	<ul style="list-style-type: none"> Can be managed locally within Team.
Accept & Monitor	<ul style="list-style-type: none"> Can be managed locally within Team but consider adding to Service Area risk register. (Must be added if score is 10-12)
Manage & Monitor	<ul style="list-style-type: none"> Add to Service Area Risk Register. Review by Service Manager level every six months.
Management Effort Worthwhile	<ul style="list-style-type: none"> Add to Service Area Risk Register. Review by Service Manager level every three months. Review at Department Management Team level every six months.
Management Effort Required	<ul style="list-style-type: none"> Add to Service Area Risk Register. Review at Department Management Team level every three months. Consider escalation to Authority Risk Register if the risk cannot be mitigated at department.
Considerable Management Required	<ul style="list-style-type: none"> Consider escalation to Authority Risk Register. Review at Head of Service level monthly. Review at Department Management Team level every three months.
Extensive Management Required	<ul style="list-style-type: none"> Add to Authority Risk Register. Monthly Review by LG15 Member. Review at LG15 every three months. Review at LG9 every six months.

Risk Management Processes and Tools

Guidance for how to assess a risk and the supporting paperwork can be found on Inside Devon here <https://inside.devon.gov.uk/task/manage-risks/>.

Support documents available include a Single Page [Summary](#), an Impact Scoring [Guide](#) and Likelihood [Guide](#).

Further Information and support can be sought from Devon Audit Partnership by emailing tony.d.rose@devon.gov.uk or via the [Risk Management Mailbox](#).

Appendix 3 – Leadership Group and Member Reporting Schedule

Roles and Responsibilities

All staff

All members of staff have a responsibility to assess and manage risk effectively in their job and report potential hazards or risks to their managers and to work within the appropriate risk management guidelines.

Corporate Leadership Group

Ultimately the Chief Executive and Corporate Leadership Team (LG9) are responsible for the authority's risks. LG9 will monitor the Strategic Risks and the highest rated Operational Risks recorded within the Risk Register.

Lead Officer

The County Treasurer is the designated Lead Officer for Risk Management within Devon County Council. The Lead Officer will use the resources available to attain the level of risk management required by the authority.

Risk Management Specialist

The risk management specialist, under the oversight of the Lead Officer will champion risk management across the authority, providing support for the foundations of risk management to operate, challenge and advise on risk management data and reporting, along with providing training as and when required. Furthermore, the role will work to attain consistency across the authority and act as a link where required.

Lead Member

The lead member for Risk Management will work as a champion for risk management amongst the members, working with Officers where necessary to enhance and promote risk management amongst members.

Leadership Teams

The various leadership teams across the authority are responsible for monitoring the risks that have been identified in their areas. They should assess the scores given to the risks to ensure they accurately reflect the current situation considering any mitigation currently being undertaken. Assessment frequency should be determined using the residual risk score and the details in the tables above. Any change to controls or risks should result in a revaluation regardless of defined review timetables.

Line managers

Line managers should ensure that staff are aware of the risk management process within the authority, using online guides and resources as necessary. Risks that are brought to their attention should be entered on the corporate risk recording system. Managers should contact the Risk Management Specialist or the designated lead for risk within their area for advice and guidance. Group members are listed in the intranet in the Risk Management Section.

Corporate Risk Management Group

This group meets as required to discuss risk management at the authority. The members of this group have a responsibility within their designated areas for ensuring risk management is carried out in line with agreed policies and processes. The membership will change over time to reflect changes to staffing and the organisation.

Scrutiny Committees

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.

Appendix 3 – Leadership Group and Member Reporting Schedule

Audit Committee

The Audit Committee is responsible for ensuring that the council’s Risk Management process is carried out effectively. It will not normally examine specific risks to objectives in detail, but satisfy itself that risks are being monitored appropriately by the risk owner and relevant Scrutiny Committee. The Audit Committee may also consider the “top ten” risks to ensure that action is being taken to mitigate these risks. The Audit Committee will receive a mid-year and end of year report showing the “High” risks and other key developments within risk management.

Key Performance Indicators and Early Warning Indicators

Risk management and performance management are closely linked. Risks within the risk registers should be linked to objectives, therefore failure to identify risks before they become issues will undoubtedly affect the Council’s abilities to achieve its aims.

Services and leadership teams will have identified a number of objectives, and subsequently a range of indicators that are measured and monitored to evaluate how effective they are in achieving these objectives. These are often referred to as **Key Performance Indicators** (or KPIs)

Alongside these services should develop a series of **Early Warning Indicators** (EWIs). These are useful as they operate as a leading indicator giving the opportunity to intervene before a risk becomes an issue.

Glossary of Terms

Current/Residual risk score	The score assigned to a risk with current mitigating controls in place. Calculated by multiplying the current likelihood score by the current impact score.
Early warning indicator	A measure used to highlight that an organisation’s objectives might not be met. They are leading indicators allowing time to put in place measures to prevent a risk becoming an issue.
Impact	A value between one (meaning negligible impact) and five (meaning catastrophic impact) representing the impact should the risk occur.
Inherent risk score	The score assigned to a risk assuming that no mitigating controls are in place or if all controls fail. A worst-case scenario. Calculated by multiplying the inherent likelihood score by the inherent impact score.
Issue	An event that has happened and is having an effect on the organisation’s ability to meet its objectives. A risk that is not well managed may become an issue.
Key performance indicator	A measure used to determine if an organisation’s objectives are being met.
Likelihood	A value between two (meaning that the event rarely occurs) and six (meaning that the event is almost certain to occur) representing the likelihood of a risk occurring.
Risk	An uncertain event, or set of events, that should it occur will have an effect on our ability to achieve our objectives.
Risk Appetite	The amount of risk that an organisation is willing to accept.
Risk Management	The systematic application of principles and processes to identify and assess risk, and the planning and implementation of responses.
Risk Tolerance Threshold	The levels of risk exposure which, when exceeded, trigger some form of response.

Appendix 4 – CRMG Structure

The core members will be actively involved in Risk Management within their areas and designated as **Risk Champions**.

Facilitation, organisation and specialist support will be provided by Devon Audit Partnership through the **Risk Management Specialist**.

The **System Expert** will be involved in the facilitation of system use as well as system design updates (considering system limitations).

Finally, there are several **Interested Parties**. Although not actively involved, those in this category will need to be kept aware of developments. They will be able to provide specific insights and may also need to draw information from the Risk Management process or individual Risk Champions.

