

# Risk Management Policy

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## Revisions

Date	Revision
30 November 2017	Full Policy Refresh
12 February 2018	Minor grammatical and layout updates
24 May 2018	Clarification of Policy and Strategy Elements and Risk Appetite Responses
25 April 2019	Minor grammatical and layout updates
23 May 2022	Minor amendments made to terminology and inclusion of additional definitions

## 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 Leadership Group and the Audit Committee. The Policy was last amended in May 2022.

## 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Please note that a locally saved or hard copy version of this policy may be out of date.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.

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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 Framework

## 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.

## 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.

## 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 (Based on the Current Risk Score)

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

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	Management Effort Worthwhile	Management Effort Required	Considerable Management Required	Extensive Management Required
Operational/Service Delivery	Accept	Manage & Monitor	Management Effort Worthwhile	Considerable Management Required	Extensive Management Required
Financial	Accept	Management Effort Worthwhile	Management Effort Required	Considerable Management Required	Extensive Management Required
Reputation	Accept	Manage & Monitor	Management Effort Worthwhile	Considerable Management Required	Extensive Management Required

## Risk Appetite Definitions/Expectations

Accept	<ul style="list-style-type: none"> <li>• Can be managed locally within Team.</li> </ul>
Manage & Monitor	<ul style="list-style-type: none"> <li>• Add to Risk Register.</li> <li>• Review by Service Manager level every three months.</li> </ul>
Management Effort Worthwhile	<ul style="list-style-type: none"> <li>• Add to Risk Register.</li> <li>• Review by Service Manager level every two months.</li> <li>• Review at Department Management Team level every six months.</li> </ul>
Management Effort Required	<ul style="list-style-type: none"> <li>• Add to Risk Register.</li> <li>• Review at Department Management Team level every two months.</li> <li>• Consider escalation if the risk cannot be mitigated at department.</li> </ul>
Considerable Management Required	<ul style="list-style-type: none"> <li>• Add to Risk Register.</li> <li>• Review at Head of Service level monthly.</li> <li>• Review at Department Management Team level every two months.</li> <li>• Consider escalation if the risk cannot be mitigated at department.</li> </ul>
Extensive Management Required	<ul style="list-style-type: none"> <li>• Add to Authority Risk Register.</li> <li>• Monthly Review by LG Member.</li> <li>• Review at LG every two/three months.</li> </ul>

## Risk Management Processes

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*, Impact Scoring Guide and Likelihood Guide.

Further Information and support can be sought from Devon Audit Partnership by emailing the [Risk Management Mailbox](#)

## **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.

### **Risk Owner**

The person who is managing and monitoring a risk at an operational level.

### **Accountable Officer**

The person who holds the overall responsibility for ensuring that a risk is accurately identified and is owned and managed.

### **Corporate Leadership Group**

Ultimately the Chief Executive and Corporate Leadership Group (LG) are responsible for the authority's risks. LG 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 reporting to LG and Members and 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.

## 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 report each quarter on new “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.