

REPORT REFERENCE NO.	AGC/24/2
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	22 JANUARY 2024
SUBJECT OF REPORT	CORPORATE RISK REGISTER
LEAD OFFICER	DIRECTOR OF FINANCE & CORPORATE SERVICES (TREASURER)
RECOMMENDATIONS	<i>That the report is used to assess, monitor and have oversight of risks within the Service, ensuring that appropriate levels of assurance are in place to protect the Service interests and achieve Strategic Objectives.</i>
EXECUTIVE SUMMARY	<p>Managing risks, both operational and strategic, is an important part of ensuring that the resources of Devon and Somerset Fire and Rescue Service are used to best advantage. Risk is inherent in most things that the Service does and much of its activity is already assessed and managed through the application of the operational risk management procedures and good common sense.</p> <p>The Corporate Risk Register sets out risks and mitigation to ensure that risk is managed appropriately and proportionately.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT	Not applicable.
APPENDICES	A. Risk Management Framework
BACKGROUND PAPERS	<p>AGC 21 July 2023 – Corporate Risk Report and risk management awareness session</p> <p>AGC 29 November 2022 – Corporate Risk Register</p> <p>AGC 7 March 2022 – Corporate Risk Register</p>

1. INTRODUCTION

1.1 The aims of Risk Management for the Devon & Somerset Fire & Rescue Service (“the Service”) are to:

- Protect the assets of the Service;
- Ensure service continuity; and
- Facilitate innovation and opportunity.

1.2 Risk management does not mean risk avoidance. It is about encouraging officers and managers to identify, understand and control risk and to learn how to accept the right level of risk.

2. CORPORATE RISK REGISTER

2.1 The corporate risk register captures and describes the Service’s most significant risks, with a focus on cross-cutting risks and major projects. It is formally reviewed and refreshed on a regular cycle. In order to embed the Service’s approach to managing strategic and operational risks, risk management is integrated within the planning process so that it is part of direction setting, activity and resource planning and activity monitoring.

2.2 Risk management is the process by which risks are identified, assessed, recorded, mitigated and reviewed. A risk is the threat that an event or action will adversely affect the ability to achieve our objectives. The Risk Management Framework sets out responsibilities for the management of risk and seeks to ensure that key risks to the achievement of DSFRS objectives are understood, reported and appropriately mitigated. It is important to recognise that an effective risk management framework is as much a way of thinking as it is a process or system as illustrated in Appendix A.

2.3 The process includes the identification, assessment and recording of risks and mitigating activities which is incorporated into annual service plans. The final stage of the process, once risks have been reviewed by risk owners and directors, is for the Audit & Governance Committee (the Committee) to use the report to assess, monitor and have oversight of risks within the Service, ensuring that appropriate levels of assurance are in place to protect the Service interests and achieve Strategic Objectives.

2.4 Since the last report to the Committee in July 2023 (Minute AGC/23/6 refers) the five high risks updated are listed below:

- **CR044 Cyber attack causes sustained business systems outage, risk owner Shayne Scott (SIRO). Risk added September 2018. Risk remains indefinitely on register.**
 - The annual IT internal and external Health Check was performed in October 2023. The check is a test of the Service’s technical security controls, both internal and anything internet facing or hosted (external). The next update report on progress in addressing the outcome of this check is expected from Information Governance in January 2024.

- **CR050 Failure to agree actions to set a balance budget in future years. Risk owner Shayne Scott. This risk was added September 2018. Risk remains indefinitely on the register.**

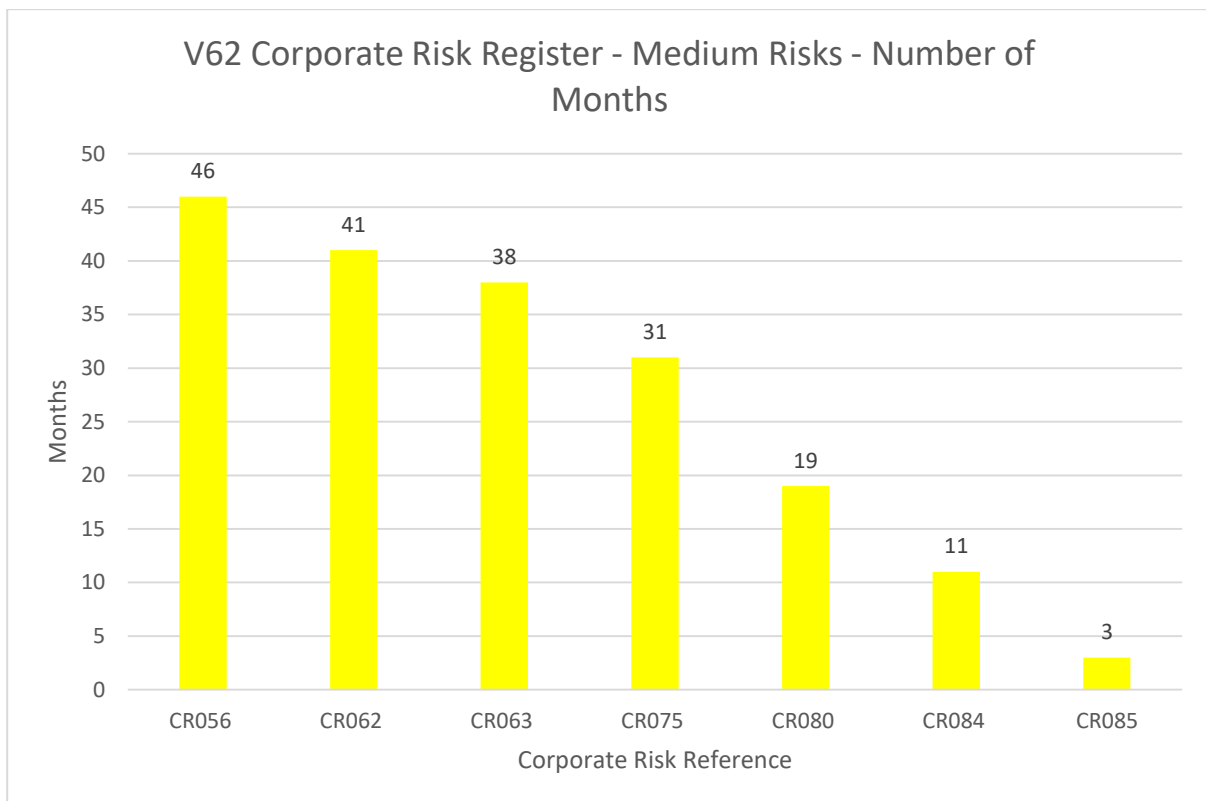
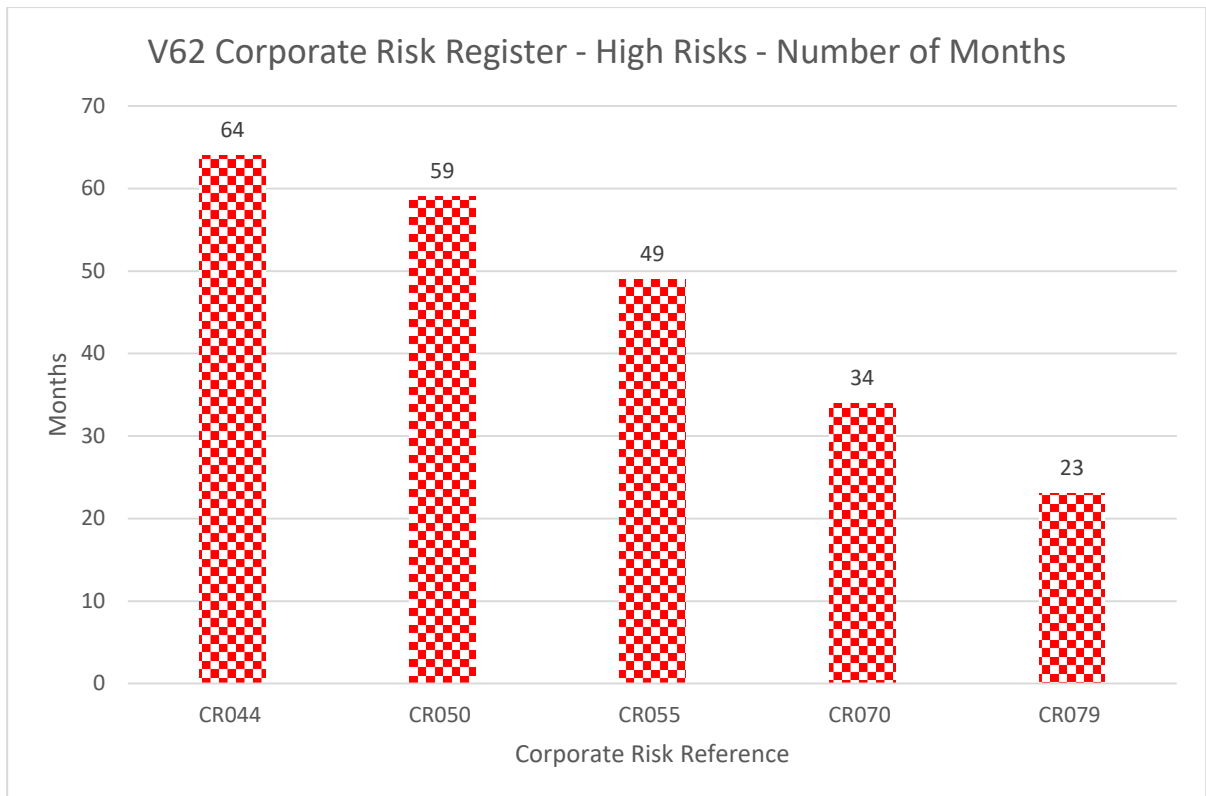
 - The risk description was amended to ‘Failure to set a balanced budget in future years’, removing reference to 2024/25 due to savings generated and agreed plans to reduce spending.
 - As at period 8, the Medium-Term Financial Plan suggests the Service could have a £1.3m gap in our budget requirement for 2024-25 when compared to our income streams which increases to £5.6m in 2025-26. There is a requirement for the Treasurer to present a balanced budget for the year to the Fire Authority during February 2024. Failure to implement plans focused on addressing the shortfall could prevent the Treasurer from being in a position to present a balanced budget.
 - The Treasurer’s report to the Devon and Somerset Fire and Rescue Authority meeting on 11 December 2023 (Minute DSFRA/23/29) outlined some of the key areas of focus that are within the first tranche of the ‘Sustainable Transformation Programme’. They include a change to Whole Time Duty Systems; changes to the operating model for specialist rescue capabilities (SRT); amendments to Pay for Availability remuneration agreement and amendments to the policy and practice for dealing with unwanted fire signals. Members unanimously endorsed the planned areas for change and that they be included in the revenue budget proposals for 2024 – 2025. Collectively, it is anticipated that this will deliver savings in the region of £1.8m but there remain risks to its success which must be closely monitored e.g. system upgrades to manage a change to the rota system, union negotiation etc.
 - On 1 December 2023, the Chief Fire Officer outlined to all staff the areas being looked at and further work will now progress to realise the anticipated savings within the required timeframes. All staff are encouraged to have their say and to help shape and influence the future of the Service.

- **CR055 (SSC003) Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable reoccurrences. Risk owner Maria Phillips. This risk was added December 2019. Based on current progress it is anticipated that the risk should be de-escalated by 31 March 2024.**

 - The Health and Safety team and investigators have continued to work to reduce the total number of overdue safety event investigations. The overall number of overdue safety events is 60, no change to last month.
 - From September 2023, the weekly Health and Safety report includes an overview of outstanding Safety Event Reporting Tool (SERT old system) recommendations; the first report noted 181 overdue. There are currently 41 outstanding, a decrease of 8 from last month. This will remain an area of focus for SLT until they are completed, with review at the weekly Service Leadership Team (SLT) meeting.

- Executive Board approved the use of casual contractors for safety event investigations; recruitment starts January 2024.
- Overall, the risk direction has improved since the last report.
- **CR070 Failure to operate an effective risk assessment process. Risk owner Maria Phillips. This risk was added March 2021. It is anticipated that this risk should be de-escalated 31 March 2024.**
 - The Health and Safety team and the risk assessment owners have continued to work to reduce the total number of overdue RA2's. There has been an increase of 7 (68 - 75) since last month's report although it should be noted that new risk assessments will pass their review due date each month.
- **CR079 Inability to assure ourselves that the HFS data created, held and reported on is correct. Risk owner Gerald Taylor. This risk was added February 2022. It is anticipated that this risk should be de-escalated by the end of 2024.**
 - On 25 August 2022 the issue of delayed application development was escalated to EB with a recommendation to revisit the March 2022 decision in relation to MORI and Home Fire Safety data issues to understand the current status and revised action timeline.
 - Since the previous report, the Data and Digital team has implemented DELT lite system upgrades and continue to work with the Community Safety Prevention team to cleanse data. Executive Board agreed additional temporary resources.

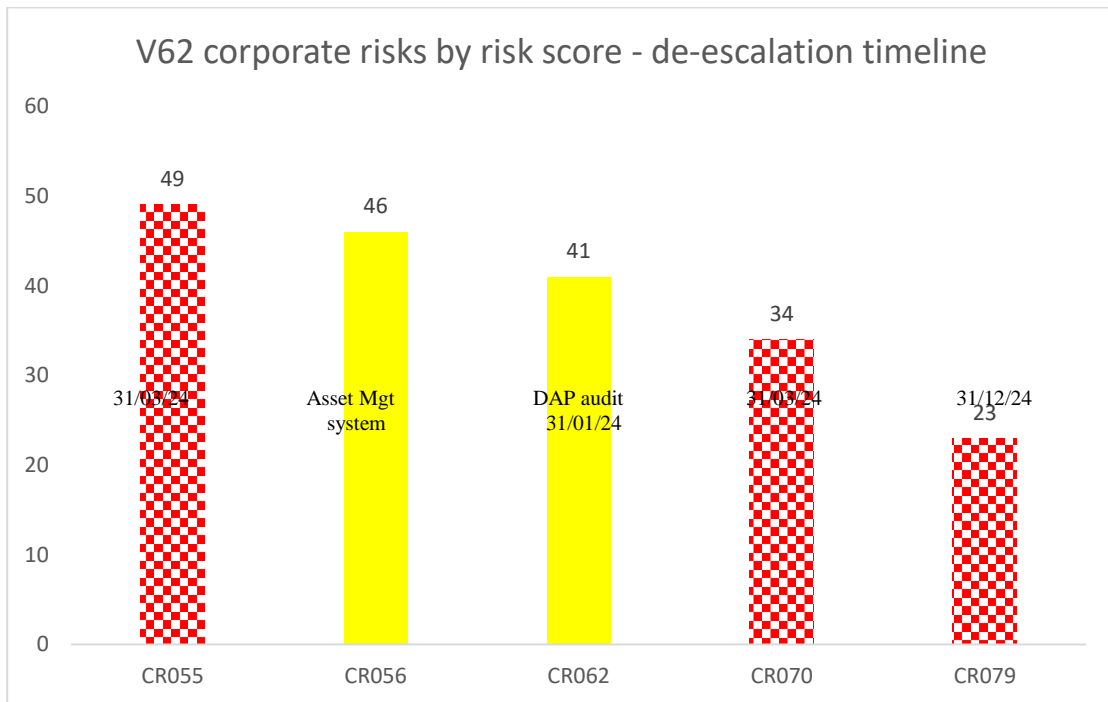
- 2.5 Risk sources are both internal and external to Service activities, therefore establishing categories for risks provides a mechanism for collecting and organising risks as well as ensuring appropriate scrutiny and management attention for those risks that can have more serious consequences for the ability to meet objectives. Risk categories consolidate risks into a two dimensional view, strategic process and directorate; either may exist in a single directorate or cut across multiple directorates. Service corporate risks are aligned to HM Treasury Orange Book (2020) risk categories. Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences.
- 2.6 The Service risk profile has changed since the last report in July 2023. The corporate risk register entries total twelve risks with one risk added and five de-escalated to local and thematic risk registers and no risks closed. The register is reviewed monthly by the Service's Executive Board dependent on net risk score with high risks reviewed monthly and medium risks quarterly.
- 2.7 The Audit and Governance Committee on 29 September 2023 expressed its desire that, from 22 January 2024, the six-monthly corporate risk reports should include how long risks have been on the Corporate Risk Register, those risks that are static and those that when mitigated to a tolerable level will be de-escalated, see tables below.



2.8. Based on current progress, it is anticipated that both CR055 Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable reoccurrences and CR070 Failure to operate an effective risk assessment framework should be de-escalated to the Health & Safety thematic risk register by 31/03/2024.

2.9. CR056 Failure to ensure that fleet and equipment is available and is fit for puprose is dependent on the phase 3 asset management system and CR079 Inability to assure ourselves that the Home Fire Safety data created, held and reported on is correct, on CFRMIS system implementation.

2.10. Completion of an internal audit by Devon Audit Partnership (DAP) will support a review of CR062 Failure to operate an effective Information Governance framework; the final report is expected by 31/01/2024,see table below.



2.11 Over the last twelve months, 62 actions have been closed. The graph below illustrates actions closed per month.



2.12 As is normal, there have been minor changes to control measures across the risk portfolio. Risk owners are assigned to each risk with active mitigation in place. All risk register owners have reviewed and updated their risk mitigations and agreed new review dates. Overall, the Service Executive Board is duly satisfied with the adequacy of the risk mitigation progress.

3. CORPORATE RISKS ADDED AND AMENDED SINCE THE LAST REPORT TO THE COMMITTEE

3.1 Executive Board considered the following risks and made decisions on appropriate risk register inclusion:

- October 2023 CR085 Inconsistent performance data evaluation processes and impact on decision making. CR035 (Failure to agree performance measures and inability to fully & immediately report against agreed measures which may reduce the ability to make informed decisions) de-escalated to Corporate Planning risk register and replaced by new risk (CR085) focusing on data evaluation and reporting.
 - Agreed action: Manual performance data reporting, forward looking to automate utilising Power BI.

3.2 Executive Board agreed to amend the following risks on the corporate risk register:

- October 2023: CR044 Cyber attack causes sustained business systems outage: risk impact score increased from three to four, increasing the risk from medium to high.
- November 2023: CR063 Failure to delivery environmental strategy and action plan, risk owner changed from AM Taylor to AM Bottomley.
- December 2023: CR080 Failure to create a diverse and inclusive workforce risk likelihood score reduced from four to three, reducing the risk from high to medium. All bar three actions have been implemented, thereby reducing the risk monitoring frequency from monthly to quarterly.

4. RISKS DELEGATED TO LOCAL RISK REGISTER

4.1 The following two risks have been delegated to local risk registers now that they have been mitigated within a tolerable risk level.

- August 2023 CR073 Failure to assure that staff read and understand critical messages and apply required changes. *De-escalated to Health and Safety thematic and Service Delivery risk registers.*
 - Internal assurance team reported reasonable assurance on the process now in place. Service Delivery focus is now on developing a pilot messaging system via Gartan server.
 - Seven audit recommendations added to strategic action tracker with ownership assigned to relevant Senior Leadership Team leads.

- October 2023 CR035 (SSC0011) Failure to agree performance measures and inability to fully & immediately report against agreed measures which may reduce the ability to make informed decisions. Risk de-escalated to Corporate Planning risk register.
 - Revised corporate measures one, two, three and four established and reported on to senior management and Resources committee November 2023. Actions completed.
- December 2023 CR065 Theft or accidental loss leads to data breach of sensitive operational and / or personal data
 - There have been no significant issues in the last six months; risk de-escalated to Digital, Data and Technology (DDaT) risk register.
- December 2023 CR074 Supply chain disruption to operational assets.
 - There have been no significant issues in the last six months therefore recommend risk de-escalated to Health & Safety thematic and operational asset registers.
- December CR081 Failure to operate appropriate trading company governance arrangements.
 - The Fire and Rescue Authority 11 December 2023 agreed the audit recommendations management responses which have been assigned to Democratic Services Manager and Democratic Services risk register.

5. **HORIZON SCANNING**

- 5.1 The concept of horizon scanning aims to detect early warning signs of emerging risk to prompt the Service to make decisions to act when needed.
- 5.2 Over the last six months, Executive Board and Service Leadership team (ELT) agreed to include horizon scanning into corporate planning processes. The outputs inform corporate risk register, reports and planning.
- 5.3 The National Preparedness Commission (NPC) released a report on measuring and strengthening national resilience; the Building Confidence in the Future report, produced for the NPC by Marsh McLennan. This provides a framework for understanding and analysing national ambitions, capabilities, and mobilisation towards resilience outcomes.
- 5.4 This follows the publication of the Government's latest National Risk Register, which assesses national-level threats to the UK, response capabilities, and long-term recovery. Key risks for Fire and Rescue Service response include a major high-rise fire, fires and explosions at major hazards and fuel pipelines, industrial action, and terror attacks in public venues. Both reports will be reference points for strategic planning and horizon scanning and to answer the following questions: 'What does resilience look like?', 'How resilient do we need to be?' and 'How do we know we're doing enough?'

6. HEALTH AND SAFETY THEMATIC RISK REGISTER

- 6.1. On the corporate risk register, there are four health and safety corporate risks, a reduction of one from the previous report. Executive Board decided on 10 August 2021 to set up a thematic health and safety risk register to focus on health, safety and wellbeing risks with a wider stakeholder group.
- 6.2. The strategic health and safety thematic risk register workshop is chaired by ACFO Bottomley, reviewed quarterly by Health and Safety stakeholders, including representative bodies, and quarterly by Strategic Safety Committee which is chaired by a member of the Executive Board. The risks are owned by Service Leadership team leads, and managers are the control and action owners.

7. BUSINESS CONTINUITY

- 7.1. Since the previous report, strategic and tactical debrief sessions have been completed and lessons learnt captured. Business continuity planning continues to ensure that the Service complies with the Civil Contingences Act 2004 (CCA) that places a duty upon the Service as a category one responder, to ensure that activities are maintained to deliver core services in adverse conditions.
- 7.2. On the 25 June 2023, the 999 call system experienced a national outage affecting Police and Fire and Rescue Services. BT reverted to a call back system, however, it was unable to determine the call location or number. The 999 system became available later the same day. A debrief session was held 27 November 2023 on the 999 mobilisations system outage, report issued with business continuity plans amended accordingly and actions added to the operational assurance action tracker.
- 7.3. On 28 September 2023, Contingency Response Team (CRT) was stood up to consider the risk of future industrial action. Other industries have ongoing industrial action including rail, NHS and schools. It was noted that the Service has good employer relations.
- 7.4. The decision to stand up CRT was based on the rising tide concern for disputes in 2024, pressures of adverse weather, seasonal flu, potential for new covid strains, national power outages and increase in cyber attacks. The Fire Brigade Union (FBU) pay claim is expected in the coming months.
- 7.5. Annually the National Chiefs Council issue an industrial action survey to confirm the level of resilience across UK fire and rescue services. The expectation is that there should be a minimum of 25% resources available during periods of industrial action. The annual NFCC industrial action survey was returned on the 29 September 2023 confirming the Service degradation plans meet requirements.
- 7.6. A no notice exercise took place at Service headquarters on 9 November 2023. The exercise was based on a national power outage for an unknown duration. A debrief report identified lessons learnt which will inform national power outage business continuity plans.

7.7. Following a short period of relocation, December 2023 saw the return of crews to Camels Head station. A debrief session was held 27 November 2023 with a final report, management responses agreed and added to the strategic action tracker.

8. **INSURANCE**

8.1. Since 2015, the Fire and Rescue Indemnity Company (FRIC) has generated a surplus of £2m, four new members have joined, one new member is due to join on 1 April 2024 and the Company holds £4.5m in reserves.

8.2. The external insurance market has hardened, and underwriters are being pushed to improve efficiency and profitability. No longer are they able to rely on investment income to balance disappointing outcomes, the industry is now looking to adopt new technologies to make process efficient. However, improving underwriting processes is not a one off project. There are a lot of moving parts to consider and new data will continue to accumulate, hence processes need to be monitored and optimised on an ongoing basis.

8.3. Annual insurance renewal is based on external insurance market conditions and individual member loss ratios and claims experience. Three factors dominated this year's renewal cycle:

- Enduring inflationary pressures impacting FRIC's cost base and core lines of business; costs of repairs to vehicles and property (materials and labour), but also injury settlements which are linked to lost earnings.
- Liability rate increases, especially in the reinsurance layers over £10m and ongoing concern relating to Employers' Liability risk profile (emerging risks such as contaminants, Perfluoroalkyl and polyfluoroalkyl substances PFAS foam).¹
- Market wide concern relating to injury and damage arising from "Forever Chemicals" (traditionally found in fire-fighting foam) culminating in the liability policy exclusion. Whilst resisting the change in 2022 the imposition of the liability exclusion was non-negotiable this year and the new London Market standard exclusion was applied from 1 November 2023.

8.4. Across the FRIC membership the rate changes applied were as follows:

- Motor plus 2%;
- General liability plus 5%, Employers liability plus 5%, Public Liability 'Standing Charge' +25%; and
- Property rates remain unchanged for fourth year running.

8.5. In summary, this means that most Members will see a change between 4%-9% (8.3% average) in their 2023/24 invoice (excluding prior year Marauding Terrorist Attacks) compared to previous year.

¹ Perfluoroalkyl and polyfluoroalkyl substances (PFAS) are a large group of human-made chemicals that have been used in industry and consumer products worldwide since the 1950s. PFAS have been used specifically in some synthetic Class B firefighting foams, including aqueous film-forming foam (AFFF)

- 8.6. In 2021 /22, the Service increased its motor retention from £5k to £50k per claim, this resulted in contributions reducing by £65k from £457,248.28 to £426,377.93. This year's renewal has seen further reduction of from £426,377.93 to £406,036.47, a saving of £20k.
- 8.7. Across FRIC, five of the thirteen members have achieved the maximum level of Motor KPI Discount capped at 15% of motor insurance premium. The Service 15% capped was £68,587, this year we achieved £51,222 discount. The reason for not achieving full discounts was due to late reporting of safety events.
- 8.8. The FRIC Contribution Model is made up of a large number of calculations against each Member's own exposure data so there are many variables. The exceptions are explained by factors such as increased vehicle numbers, large changes in property reinstatement values and motor KPI performance.
- 8.9. Increased costs are always a difficult sell but in the current economic climate FRIC believe this is a good result delivering against the Mutual's key objectives of price stability and financial sustainability. The revised rating continues to benchmark favourably against the wider market as demonstrated by West Yorkshire's decision to join FRIC from 1st April 2023 with rates circa 10% to 15% higher.

9. NEXT STEPS

- 9.1 The Corporate risk register will continue to be subject to monthly review by the Service Executive Board. The next formal review of the corporate risk register by the Committee is due to take place in six months' time.

SHAYNE SCOTT
Director of Finance and Corporate Services

Risk Management Framework

