

**Audit Committee**

**26 February 2019**

**Strategic Risk Management Progress**

**Report for 2018/19**

**Review 3: 1 October – 31 December**

**2018**



**Report of Corporate Management Team**

**John Hewitt, Corporate Director Resources**

**Councillor Alan Napier, Deputy Leader and Portfolio Holder for Finance**

**Purpose of the Report**

- 1 The purpose of this report is to highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group between October and December 2018.

**Executive summary**

- 2 This report supports a key role of the Audit Committee, which is to monitor the effective development and operation of risk management and overall corporate governance in the Council.
- 3 One new risk (Equal Value Claims) has been added to the strategic risk register and one risk (Major Interruption to IT Service Delivery) has been removed, following the implementation of control improvements.
- 4 On 31 December 2018, there were 26 risks on the corporate strategic risk register.
- 5 There are four key risks (Government Funding Cuts, MTFP Slippage, Child Safeguarding and Vulnerable Adults), for which key mitigating actions have been identified.

- 6 A Brexit Working Task & Finish Group has been established, chaired by the Director of Transformation and Partnerships with representatives from all service groupings, and reports to Corporate Management Team. The Group is working with key partners including the Local Resilience Forum, as well as key suppliers and service providers, to identify and minimise the impacts on council services and service users.

### **Recommendation(s)**

- 7 Audit Committee is requested to confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

## **Background**

- 8 The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for the Deputy Leader and Finance and the Corporate Director, Resources as Member and Officer Risk Champions respectively. They are jointly responsible for embedding risk management throughout the Council, and are supported by the Chief Internal Auditor and Corporate Fraud Manager, the lead officer responsible for risk management, as well as the Risk, Insurance and Governance Manager.
- 9 Each service grouping has a designated service risk manager to lead on risk management at a service grouping level, and act as a first point of contact for staff who require any advice or guidance on risk management. The Corporate Risk Management Group, which comprises the risk champions, service risk managers and the Risk and Governance Manager, monitors the progress of risk management across the Council, advises on strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees arrangements for reporting and awareness training.
- 10 A key role of the Audit Committee is to monitor the effective development and operation of risk management and overall corporate governance in the Council.

- 11 The Corporate Directors and the Director of Transformation and Partnerships are responsible for developing and maintaining the internal control framework to ensure that their service resources are properly applied in the manner and to the activities intended. In this context, heads of service are responsible for identifying and managing the key risks which may impact on their respective service, and providing assurance that adequate controls are in place, and working effectively to manage these risks where appropriate. In addition, independent assurance of the risk management process, and of the risks and controls of specific areas, is provided by Internal Audit. Reviews by external bodies, such as the Audit Commission, Ofsted and Care Quality Commission, may also provide some independent assurance of the controls in place.
- 12 Risks are assessed in a logical and straightforward process, which involves the risk owner (within the service) assessing both the impact on finance, service delivery or stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. The assessment is confirmed by the Service Management Team.
- 13 An assurance mapping framework is being developed to demonstrate where and how the Council receives assurance that its business is run efficiently and effectively, highlighting any gaps or duplication that may indicate where further assurance is required or could be achieved more effectively.
- 14 The Council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington [Local Resilience Forum](#).
- 15 Throughout this report, the terms ‘net risk’, ‘net impact’ and ‘net likelihood’ represent the level of exposure to risk after taking account of mitigating controls that have been implemented.

### **Current status of the risks to the Council**

- 16 As at 31 December 2018, there were 26 risks on the corporate strategic risk register, the same number as at 30 September 2018. During this period, one risk was added, and one was removed.

- 17 In summary, the key risks to the Council are:
- (a) If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.
  - (b) Government funding cuts, which will continue into 2019/20, will have an increasing major impact on all Council services. In addition, the outcome of the Fair Funding review is unknown and could also have a significant impact of the level of funding available to the council.
  - (c) Failure to protect child from death or serious harm (where service failure is a factor or issue).
  - (d) Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).

Progress on addressing these key risks is detailed in **appendix 2**.

- 18 A list of all of the Council's strategic risks as at 31 December 2018 is included in **appendix 3**.
- 19 Management has identified and assessed these risks using a structured and systematic approach, and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the Council.
- 20 An update on the emerging risk of a "no-deal Brexit" is included in **appendix 4**.
- 21 To provide assurance that strategic risks are being effectively managed and that officers and members are appropriately skilled in risk management, performance against key indicators is set out in **appendix 5**.

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**Contact:** Kevin Roberts

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Tel: 03000 269657

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

### **Finance**

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

### **Consultation**

None

### **Equality and Diversity / Public Sector Equality Duty**

None

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

Staff training needs are addressed in the risk management training plan.

### **Accommodation**

None

### **Risk**

This report supports the delivery of the objectives of the Council's Risk Management Strategy.

### **Procurement**

None

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## **Appendix 2: Progress on management of the Council's Strategic Risks**

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Risks are assessed at two levels:

- Gross impact and likelihood are based on an assessment of the risk without any controls in place;
- Net impact and likelihood are based on the assessment of the current level of risk, taking account of the existing controls/ mitigation in place.

As at 31 December 2018, there were 26 risks on the corporate strategic risk register, the same number as at 30 September 2018. During this period, one risk was added and one was removed

The following matrix profiles the strategic risks according to their net risk evaluation as at 31 December. To highlight changes in each category during the last period, the number of risks as at 30 September 2018 is shown in brackets.

### **Overall number of Strategic Risks as at 31 December 2018**

<b>Impact</b>					
Critical	1 (1)		3 (4)		1 (1)
Major		5 (5)	4 (4)		
Moderate			9 (8)	2 (2)	
Minor				1 (1)	
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix, the risk assessed as Critical/Highly Probable is, "Government funding cuts, which will continue into 2019/20, will have an increasing major impact on all Council services."

The key risks are reported in more detail below. In summary, key points to draw to your attention are:

## **New Risks**

- 1 “Potential significant size and scope of the liabilities of equal value claims” (appendix 3, risk 8).

This was previously listed as an emerging risk. However, as the scope of potential liabilities becomes clearer, the financial risk to the Council could be significant. Claims have been lodged since 2005 by over 1000 staff in relation to equal value claims. The claims are based upon the comparison of the pay of one job with another. Claims have been investigated and the numbers have reduced as a result of work undertaken by HR Operations and Data and Finance. The net risk has been evaluated as moderate impact with a possible likelihood of occurrence. **(RES)**

## **Increased Risks**

- 2 Apart from the removed risk below, no risks had their net evaluation reduced during the period.

## **Removed Risks**

- 3 “Major Interruption to IT Service Delivery”.

Following completion of the electrical upgrade works at the Council’s main data centre, the likelihood of this risk has been downgraded to remote and it has now been removed from the risk register. **(RES)**

## Key Risks

4 The Council's key risks are shown in the following table.

Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage Risk 3 Child Safeguarding Risk 4 Vulnerable Adults		Risk 2 Government funding cuts
Major					
Moderate					
Minor	In this matrix, the key risks have been arranged according to the net impact and net likelihood evaluations to illustrate their relative severity. The full title of each risk is shown in the Key Risks Schedule on the following pages.				
Insignificant					
Net Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

## Key Risks Schedule

The schedule below contains information about how the key risks are being managed, including proposed key actions. Where there have been changes to the risk assessment during the last quarter, these are highlighted in the column headed 'Direction of Travel'. The final column states when it is anticipated that the risk will have been reduced to an acceptable level.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES Risk Owner: Jeff Garfoot	Altogether Better Council	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.	Critical	Possible	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
2	RES Risk Owner: Jeff Garfoot	Altogether Better Council	Government funding cuts which, will continue into 2019/20, will have an increasing major impact on all Council services. In addition, the outcome of the Fair Funding review is unknown and could also have a significant impact of the level of funding available to the Council.	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans.		This will be a significant risk for at least the next 4 years.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
3	CYPS Risk Owner: Helen Fergusson	Altogether Better for Children and Young People	Failure to protect child from death or serious harm (where service failure is a factor or issue)	Critical	Possible	Actions are taken forward from Serious Case Reviews and reported to the Local Safeguarding Children Board. Lessons learned are fed into training for front line staff and regular staff supervision takes place. Procedures are reviewed on a regular basis.		Nationally there has been a statutory change to when Serious Case Reviews are undertaken. This risk is long term.
4	AHS Risk Owner: Lee Alexander	Altogether Safer	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Critical	Possible	As the statutory body, the multi-agency Safeguarding Adults Board has a Business Plan in place for taking forward actions to safeguard vulnerable adults including a comprehensive training programme for staff and regular supervision takes place. Procedures are reviewed on a regular basis.		Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs and concern about the pressure to discharge some service users under the Transforming Care programme without agreement on necessary resourcing to meet their multiple complex needs.

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## **Appendix 3: List of all Strategic Risks (per Corporate Theme)**

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Based on the **Net** risk assessment as at 31 December 2018, the following tables highlight the risks for each Corporate Theme.

### **Corporate Theme – Altogether Better Council**

Ref	Service	Risk
1	RES	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.
2	RES	Ongoing Government funding cuts, which will continue into 2019/20, will have an increasing major impact on all Council services.
3	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
4	T&P	Risk that the Council does not respond to the Government's changes to Welfare Reform
5	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
6	REAL	Potential adverse financial and operational impacts of the Homelessness Reduction Act 2017 on the Housing Solutions service.
7	RES	Serious breach of Health and Safety Legislation
8	RES	Potential significant size and scope of the liabilities of equal value claims.
9	T&P	The Council may be unable to effectively deliver essential services during the period of recovery following a cyber-attack.
10	T&P	Potential breach of the EU General Data Protection Regulations
11	T&P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
12	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption.
13	T&P	Failure to prepare for, respond to and recover from a disruptive event, leading to a major interruption to the provision of essential services by the Council.

### **Altogether Better for Children and Young People**

Ref	Service	Risk
14	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
15	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
16	CYPS	Volatile and high-cost, demographic demands of looked after children on the Children's Services budget in 2018/19 may result in adverse impacts on finance and service delivery.
17	CYPS	Government moves towards a National Funding Formula threaten the viability of some schools.
18	CYPS	Increasing demand on the Dedicated Schools Grant budget for High Needs Block special educational needs services may result in adverse impacts on finance and service delivery.

### **Altogether Greener**

No significant strategic risks have been identified under this theme.

### **Altogether Healthier**

Ref	Service	Risk
19	AHS	Pressures nationally across residential, nursing and domiciliary care providers, could affect the availability, delivery, continuity, quality, sustainability and capacity of care provision within County Durham.
20	AHS	Risk that the Council breaches its Adult Care – Residential Care Charging Policy and Deferred Payment Policy and is subject to legal challenge by Providers.

### **Altogether Safer**

	Service	Risk
21	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
22	T&P	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident, leading to a civil emergency.
23	REAL	Damage to Highways assets as a result of a severe weather event.
24	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### **Altogether Wealthier**

	Service	Risk
25	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
26	REAL	Progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken.

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## Appendix 4: Emerging Strategic Risks

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In this context, **emerging risks** are newly developing or changing risks which are difficult to quantify, but which may have a major impact on the Council if they materialise in the future.

Ref	Emerging Risk	Description	Risk Owner	Update and Actions
1	'No deal Brexit'	Following the referendum in June 2016, in which the United Kingdom (UK) voted to leave the European Union (EU), the government has yet to secure a withdrawal agreement with the EU. This has significantly increased the risk of the UK leaving the EU without an agreement setting out the future EU/UK relationship in terms of trade, cooperation and the movement of people, goods and services. This has the potential to adversely affect the economy, safety and welfare of the county from 29 March 2019.	Lorraine O'Donnell	A Brexit Working Task & Finish Group has been established, chaired by the Director of Transformation and Partnerships with representatives from all service groupings, and reports to Corporate Management Team.  Taking account of a range of guidance from the government and professional bodies, the Group is working with key partners including the Local Resilience Forum, as well as key suppliers and service providers, to identify and minimise the impacts on council services and service users.

## Appendix 5: Performance of Risk Management

### Performance Indicators - Tangible Measures

KPI	Objective: To demonstrate that risks are being effectively managed			
	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (Quarterly)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (Quarterly)	No outstanding actions	No outstanding actions
Risks are being effectively managed	Number of <b>current</b> risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	None	One risk
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance (Annual)	The draft Annual Governance Statement was approved by Audit Committee on 1 June 2018.	An updated Local Code of Corporate Governance was approved by Audit Committee on 29 November 2018.
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
Appropriate staff are adequately skilled in risk management	Number of officers attending risk management training course	Target N/A (Quarterly)	No training provided in this period.	No training provided in this period. However, the Council's insurer, Zurich Municipal, will delivering a major programme of training for managers in during 2019.
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75% (Quarterly)	No training provided in this period.	No training provided in this period.

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**Approvals trail: to be removed before Cabinet/Committee**

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Name	Title	Response or approval date
Contributors:		
Kevin Roberts	Principal Risk and Governance Officer	
David Marshall	Risk, Insurance & Governance Manager	
Approvers:		
Corporate Risk Management Group		15 January 2019
Corporate Management Team		6 February 2019