

Audit Committee

31 July 2019

**Strategic Risk Management Progress
Report for 2019/20
Review 1: 1 January – 31 May 2019**



Report of Corporate Management Team

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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 January and May 2019.

Executive summary

- 2 This report supports the Council's Risk Management Strategy. Audit Committee monitors corporate governance, including risk management activity. Heads of service identify and manage risks that may impede Council objectives and provide assurance that effective controls are in place. Risks are reviewed three times each year, which contributes to improved performance, decision-making and governance.
- 3 Two new risks, relating to Mountsett Crematorium, and violence and aggression towards members and officers, have been added to the strategic risk register. One risk, relating to homelessness reduction, has been removed, following the implementation of control improvements.
- 4 On 31 May 2019, there were 27 risks on the strategic risk register, and one emerging risk (no-deal Brexit). There are four key risks, relating to Government funding cuts, medium-term financial plan slippage, child safeguarding and vulnerable adults, for which key mitigating actions have been identified.
- 5 Performance against key indicators is set out to provide assurance that strategic risks are being effectively managed, and that officers and members are appropriately skilled in risk management.

Recommendation(s)

- 6 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

- 7 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. A key role of the Audit Committee is to monitor corporate governance, including risk management activity.
- 8 Each service grouping has a designated officer to lead on risk management and act as a first point of contact for staff who require advice or guidance. The Corporate Risk Management Group, which comprises the risk champions, service risk managers and the Risk and Governance Manager, monitors risk management across the Council, advises on strategic risk issues, identifies and monitors cross-cutting risks, and agrees arrangements for reporting and awareness training.
- 9 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. Heads of service are responsible for identifying and managing risks which may impact on their respective services and for providing assurance that effective controls are in place. Independent assurance for 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.
- 10 Risk owners follow a logical and straightforward process to assess the impact on finance, service delivery and stakeholders if the risk were to materialise, and the likelihood of occurrence over a given period. The assessment is confirmed by the Service Management Team.
- 11 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.
- 12 The Council is 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. Further information 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](#).

- 13 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

- 14 As at 31 May 2019, there were 27 risks on the corporate strategic risk register, one more than as at 31 December 2018. During this period, two risks were added, and one was removed.
- 15 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) There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review;
 - (c) Failure to protect a 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**.

- 16 A list of all of the Council’s strategic risks as at 31 May 2019 is included in **appendix 3**. Management is taking proactive measures to mitigate these risks to a manageable level, which is contributing to improved performance, decision-making and governance across the Council.
- 17 An update on the emerging risk of a “no-deal Brexit” is included in **appendix 4**.
- 18 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**.

Appendix 1: Implications

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

Appendix 2: Progress on management of the Council’s Strategic Risks

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 May 2019, there were 27 risks on the corporate strategic risk register, one more than as at 31 December 2018. During this period, two risks were added, and one was removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 31 May 2019. To highlight changes in each category during the last period, the number of risks as at 31 December 2018 is shown in brackets.

Overall number of Strategic Risks as at 31 May 2019

Impact					
Critical	1 (1)		3 (3)		1 (1)
Major		5 (5)	4 (4)		
Moderate			10 (9)	2 (2)	
Minor				1 (1)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix, the risk assessed as Critical/Highly Probable is, “There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.”

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

New Risks

- 1 Several incidents of violence and aggression towards members and employees occur each year. There are various triggers, for example, the enforcement of regulations and consultation activity. Other potential factors include the current national and economic climate, and incitement through social media.

In this context, officers have re-evaluated the risk of “Potential violence and aggression towards members and employees from members of the public” (appendix 3, risk 4). The net risk has been evaluated as moderate impact with a possible likelihood of occurrence. **(RES)**

- 2 Officers are in ongoing communications with the supplier of the cremator at Mountsett Crematorium to improve the arrangements for ensuring compliance with the Environmental Permitting Regulations. Servicing activities and performance of the equipment are being monitored closely.

These activities aim to prevent the “Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.” (appendix 3, risk 19). The net risk has been evaluated as moderate impact with a possible likelihood of occurrence. **(REAL)**

Increased/Reduced Risks

- 3 No risks had their net evaluation increased or reduced during the period.

Removed Risks

- 4 *“Potential adverse financial and operational impacts of the Homelessness Reduction Act 2017 on the Housing Solutions service”*

All mitigating actions have now been implemented and the net likelihood has been downgraded from Possible to Remote. **(REAL)**

Key Risks

5 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
Major					
Moderate					
Minor					
Insignificant					
Net Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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.

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	R0561 - 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	R0595 - There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.	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.
3	CYPS Risk Owner: Helen Fergusson	Altogether Better for Children and Young People	0227 - Failure to protect a 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 Durham Safeguarding Children Partnership. 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.

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
4	AHS Risk Owner: Lee Alexander	Altogether Safer	R0562 - 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.

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

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	There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.
3	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO.
4	RES	Potential violence and aggression towards members and employees from members of the public.
5	RES	Serious breach of Health and Safety Legislation.
6	T&P	Risk that the Council does not respond to the Government's changes to Welfare Reform.
7	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation.
8	RES	Potential significant size and scope of the liabilities of equal value claims.
9	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services.
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 a 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 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 and inclusive education services may result in adverse impacts on finance and service delivery.

Altogether Greener

Ref	Service	Risk
19	REAL	Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.

Altogether Healthier

	Service	Risk
20	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.
21	AHS	Risk that the Council breaches it's Adult Care – Residential Care Charging Policy and Deferred Payment Policy and is subject to legal challenge by Providers.

Altogether Safer

	Service	Risk
22	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
23	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.
24	REAL	Damage to Highways assets as a result of a severe weather event.
25	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service).

Altogether Wealthier

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

Appendix 4: Emerging Strategic Risks

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	European Union (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 31 October 2019, the new date for when the UK is scheduled to leave the EU.	Lorraine O'Donnell	<p>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.</p> <p>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.</p>

Appendix 5: Performance of Risk Management

Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	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% (3 times pa)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (3 times pa)	No outstanding actions	No outstanding actions
Risks are being effectively managed	Number of current risks where Net risk scores have reduced over the quarter	Target N/A (3 times pa)	None	None
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)	An updated Local Code of Corporate Governance was approved by Audit Committee on 29 November 2018.	The draft Annual Governance Statement was approved by Audit Committee on 31 May 2019.
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	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.	No training provided in this period.
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%	No training provided in this period.	No internal training was provided in this period. Training was provided to officers and members from Stanley Town Council.