

Audit Committee

28 November 2019

Strategic Risk Management Progress Report for 2019/20

Review 2: 1 June – 30 September 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 June and September 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 poverty and a no-deal Brexit, have been added to the strategic risk register. One risk has been removed, the welfare reforms risk, which has been replaced by the new poverty risk.
- 4 On 30 September 2019, there were 28 risks on the strategic risk register. 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 Each corporate director has a designated service risk manager to lead on risk management at a service grouping level. In addition, the Council has designated the Cabinet Portfolio holder for the Deputy Leader and Finance and the Corporate Director of Resources as member and officer risk champions respectively. Collectively, they meet with the Risk and Governance Manager as a Corporate Risk Management Group (CRMG). A summary setting out how the Council deals with the risk management framework is included in **appendix 2**.
- 8 Throughout this report, both in the summary and the appendices, all risks are reported as 'net risk' (after putting in place mitigating controls to the 'gross risk' assessment), which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

Current status of the risks to the Council

- 9 As at 30 September 2019, there were 28 risks on the corporate strategic risk register, one more than as at 31 May 2019. During this period, two risks were added, and one was removed.
- 10 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 3**.

- 11 A list of all the Council's strategic risks as at 30 September 2019 is included in **appendix 4**.

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

Climate Change

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

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: How the Risk Management Framework operates

The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for the Deputy Leader and Finance and the Corporate Director of Resources as Member and Officer Risk Champions respectively. Together they jointly take responsibility 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.

Each service grouping also 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. Collectively, the risk champions, service risk managers and the Risk and Governance Manager meet together as a Corporate Risk Management Group. This group 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.

An Audit Committee is in place, and one of its key roles is to monitor the effective development and operation of risk management and overall corporate governance in the Authority.

It is the responsibility of the Corporate Directors and the Director of Transformation and Partnerships to develop and maintain the internal control framework and to ensure that their service resources are properly applied in the manner and to the activities intended. Therefore, 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.

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.

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.

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](#).

Appendix 3: 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 30 September 2019, there were 28 risks on the corporate strategic risk register, one more than as at 31 May 2019. 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 30 September 2019. To highlight changes in each category during the last period, the number of risks as at 31 May 2019 is shown in brackets.

Overall number of Strategic Risks as at 30 September 2019

Impact					
Critical	1 (1)		3 (3)		1 (1)
Major		5 (5)	5 (4)		
Moderate			10 (10)	3 (2)	
Minor				0 (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 In September 2019, Cabinet received an update on progress being made by the council and its partners in addressing welfare reform and the wider poverty issues in the county.

In addition to the wider impacts of welfare reforms, the drivers of poverty include Brexit and wider economic trends. These factors are reflected in the new ***'Risk that Council does not fully respond to the drivers of poverty to help alleviate the impacts on County Durham residents'***, which replaces the former Welfare Reforms risk.

The Council has an overarching Poverty Action Steering Group to oversee and coordinate its approach to mitigate poverty and has developed a comprehensive network of statutory, voluntary and community organisations who work together to provide advice services across the county through the Advice in County Durham Partnership. The steering group has developed a new Poverty Action Strategy and Poverty Action Plan. **(T&P)**

- 2 ***Potential adverse effects of a no-deal Brexit on the economy, safety and welfare of the County.***

Following the referendum in June 2016, in which the United Kingdom (UK) voted to leave the European Union (EU), the government has yet to conclude a withdrawal agreement with the EU. The UK was due to leave the EU on 31 October 2019, but in the absence of a deal, the government was required to request an extension through to 31 January 2020, which has been granted by the EU. A draft withdrawal agreement has been agreed between the UK government and the EU, and accepted by the House of Commons, but the timetable for the necessary legislation was been rejected. In the meantime, a General Election has been called for 12 December 2019 with the different political parties adopting different positions on the proposed deal, a second referendum and revoking the Article 50 process. In the absence of a deal, there is a risk that the UK may leave the EU without mutually beneficial arrangements setting out the future EU/UK relationship in terms of trade, cooperation and the movement of people, goods and services. The uncertainty is already having an effect on the local economy and a no-deal exit would have the potential to adversely affect the economy, safety and welfare of the county from 31 January 2020, the current date when the UK is scheduled to leave the EU, unless a deal and transitional arrangements are agreed and put in place.

A Brexit Task & Finish Group, chaired by the Director of Transformation and Partnerships with representatives from all service groupings and reporting to Corporate Management Team was established last year. 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 where possible mitigate the impacts on council services and service users. Advice has been provided to businesses, schools, council suppliers and the community and voluntary sector. The council has also applied to the government to act as an assistance hub for residents which need to apply for EU Settled Status in order to remain in the county. **(T&P)**

Removed Risks

- 3 ***'Risk that the Council does not respond to the Government's changes to Welfare Reform'***. This risk has been superseded by the new Poverty risk outlined in paragraph 1. **(T&P)**

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					
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	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	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: Richard Crane	Altogether Better for Children and Young People	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	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 4: List of all Strategic Risks (per Corporate Theme)

The following tables highlight the risks for each Corporate Theme as at 30 September 2019.

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	Potential adverse effects of a no-deal Brexit on the economy, safety and welfare of the County
4	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO.
5	T&P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation.
6	RES	Potential violence and aggression towards members and employees from members of the public.
7	T&P	Risk that Council does not fully respond to the drivers of poverty to help alleviate the impacts on County Durham residents.
8	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation.
9	RES	Potential significant size and scope of the liabilities of equal value claims.
10	RES	Serious breach of Health and Safety Legislation.
11	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services.
12	T&P	Potential breach of the EU General Data Protection Regulations.
13	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption.

Ref	Service	Risk
14	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
15	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue).
16	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
17	CYPS	Volatile and high-cost, demographic demands of children looked after on the Children's Social Care budget may result in adverse impacts on the budget and service delivery.
18	CYPS	Government moves towards a National Funding Formula threaten the viability of some schools.
19	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
20	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
21	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.
22	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
23	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
24	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.
25	REAL	Damage to Highways assets as a result of a severe weather event.
26	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
27	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
28	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 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)	The draft Annual Governance Statement was approved by Audit Committee on 31 May 2019.	A draft, revised Local Code of Corporate Governance was reported to Transformation & Partnerships and Resources Management Teams.
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.	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 internal training was provided in this period. Training was provided to officers and members from Stanley Town Council.	No training was provided in this period.