

Audit Committee

27 February 2020

Strategic Risk Management Progress Report for 2019/20 Review 3: 1 October – 31 December 2019



John Hewitt, Corporate Director Resources

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 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 One risk, relating to property and land maintenance, has been added to the strategic risk register. Two risks have been removed, one relating to highways damage and one relating to data breaches. A new Brexit Lead Officer has been appointed.
- 4 On 31 December 2019, there were 27 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 On 31 December 2019, there were 27 risks on the corporate strategic risk register, one less than on 30 September 2019. During this period, one risk was added, and two were 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 31 December 2019 is included in **appendix 4**.

- 12 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.
- 13 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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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, 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.

On 31 December 2019, there were 27 risks on the corporate strategic risk register, one less than as at 30 September 2019. During this period, one risk was added, and two were removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 31 December 2019. To highlight changes in each category during the last period, the number of risks on 30 September 2019 is shown in brackets.

Overall number of Strategic Risks on 31 December 2019

Impact					
Critical	1 (1)		3 (3)		1 (1)
Major		5 (5)	5 (5)		
Moderate			9 (10)	3 (3)	
Minor					
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 One risk was added to the corporate risk register, ***‘Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for property and land’***.

Management of the Council’s estate has been unitised under the recently appointed Head of Corporate Property and Land, and a new Corporate Landlord Service Delivery Model is being implemented during 2020/21 **(REAL)**.

Removed Risks

- 2 ***‘Damage to Highways assets as a result of a severe weather event’***. This risk was removed after the likelihood was downgraded from possible to unlikely, taking the net evaluation below the corporate appetite. There are adequate and sufficient inspection and maintenance regimes in place, and this is no longer considered a significant risk. Ongoing impacts will continue to be monitored at operational level, guided by the Council’s Climate Emergency Response Plan **(REAL)**.
- 3 ***‘Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO’***. Following the implementation and embedding of the GDPR changes, this risk Data Breach was closed and merged with the GDPR risk, which covers the general management of data/information, including an unauthorised release requiring notification to the Information Commissioner’s Office **(T&P)**.

- 4 ***‘Potential adverse effects of a "no deal Brexit" on the economy, safety and welfare of the County’*** (appendix 4, risk 4). Jane Robinson, Corporate Director, Adult and Health Services has been designated as the Council’s Brexit Lead Officer. **(AHS)**.

Since the general election in December 2019, the EU Withdrawal Bill has been voted through the House of Commons and received Royal Assent, with the UK due to leave the EU with an agreement in place on 31 January 2020. The agreement includes a transition period which would run through to 31 December 2020, during which most things will remain the same, while the UK and the EU negotiate new trade arrangements.

The risk of the UK ‘crashing out’ of the EU on a ‘no deal’ basis at the end of January subsided significantly following the political development at the end of last year, and the government wrote to all local authorities and local resilience forums to advise that it was formally standing-down Operation Yellowhammer. We have also subsequently been advised that we are no longer to plan for a ‘no deal’ exit from the EU, because the government’s expectation is that a future trading arrangement will be in place by the end of the transition period at the end of 2020. Consequently, the net likelihood of the risk has been downgraded from possible to unlikely.

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 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: Helen Fergusson	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	<p>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.</p> <p>Following allegations of abuse at Whorlton Hall, an independent review the Council's safeguarding adults processes has been commissioned. Any learning will inform actions to reframe and develop practice.</p>		<p>Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs. High profile exposures heighten awareness of adult safeguarding concerns.</p> <p>This risk is long term.</p>

Appendix 4: List of all Strategic Risks (per Corporate Theme)

Based on the **Net** risk assessment as at 31 December 2019, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	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.
2	REAL	Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for property and land.
3	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.
4	T&P	Potential adverse effects of a "no deal Brexit" on the economy, safety and welfare of the County.
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

Ref	Service	Risk
11	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services.
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.
14	T&P	Potential breach of the EU General Data Protection Regulations

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	Financial and other pressures threaten the viability of some educational establishments.
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 is subject to legal challenge by Providers in relation to application of its Residential Care Charging Policy and Deferred Payment Policy.

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	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	Potential 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	One, Damage to Highways
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)	A draft, revised Local Code of Corporate Governance was reported to Transformation & Partnerships and Resources Management Teams	None
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 training was provided in this period.	No training was provided in this period.