

Audit Committee

26 November 2020

Strategic Risk Management Progress Report for 2020/21

Review 2: 1 June – 30 September 2020



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 June and September 2020.

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 climate change (key risk) and community protection inspections have been added to the strategic risk register. This report includes brief updates on No-Deal Brexit and the Council's response to the COVID-19 pandemic.
- 4 On 30 September 2020, there were 30 risks on the strategic risk register. There are six key risks, relating to COVID-19, savings plans, Government funding, climate change, 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 30 September 2020, there were 30 risks on the corporate strategic risk register, two more than on 31 May 2020. During this period, two risks were added, and none were removed.
- 10 In summary, the key risks to the Council are:
- (a) Failure to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on the safety and welfare of the wider community;
 - (b) If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves, which may have been depleted during the COVID-19 outbreak, to balance future years budgets;
 - (c) 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. In addition, the short to long term impact of COVID-19 upon the council is also unknown;
 - (d) Risk that the Council fails, in its role as a community leader, to help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050;
 - (e) Failure to protect a child from death or serious harm (where service failure is a factor or issue);
 - (f) 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 2020 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**.

No-Deal Brexit Risk

- 14 The United Kingdom (UK) and the European Union (EU) are currently heading towards the end of the 11-month transition period which is due to expire on 31 December 2020.
- 15 While the UK and EU have both said they hope to have a trade agreement in place by the end of the transition period, the UK government has confirmed that it will not seek an extension to the transition period in order to conclude a trade agreement. Instead, the UK is prepared to leave the EU without a trade agreement at the end of the transition period, which would mean that its future trading arrangements with the EU would be governed by World Trade Organisation rules.
- 16 Trade agreement negotiations between the two sides are ongoing and both sides have said that they are working towards an outline agreement being in place by the end of this month. The UK has however set a deadline of 15 October for progress to be made, otherwise it is prepared to walk away from future talks.
- 17 Depending upon the progress made by the end of this month, the council and the County Durham and Darlington Local Resilience Forum may need to stand-up once again their respective Brexit task and finish group arrangements.

COVID-19 Risk

- 18 The council is united with regional partners in its approach to tackling the pandemic for the benefit of residents, businesses and communities. The priority is residents' health and driving down the rates of Covid infection remains our focus. We must also do as much as we can to protect our economy – and for that we need government support.
- 19 The council is continuing to support vulnerable residents affected by Covid and, in its community leadership role, is escalating efforts to encourage the public to adhere to Covid restrictions and tackle behaviour which puts public health at risk. There is also an increasing role for local public health services in supporting the national test and trace system.
- 20 A second lockdown period was introduced by the Government from 5 November accompanied by new national restrictions,
- (a) Requiring people to stay at home, except for specific purposes.
 - (b) Preventing gathering with people you do not live with, except for specific purposes.
 - (c) Closing certain businesses and venues.
- 21 The Council has announced details of how our services will be affected and is continuously reviewing emerging government advice on how best to stop the spread of coronavirus and considering how we can maintain essential services to residents in light of this.

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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 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 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 the external auditor and bodies such as 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 and 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 30 September 2020, there were 30 risks on the corporate strategic risk register, two more than on 31 May 2020. During this period, two risks were added, and none were removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 30 September 2020. To highlight changes in each category during the last period, the number of risks on 31 May 2020 is shown in brackets.

Overall number of Strategic Risks on 31 May 2020

Impact					
Critical	1 (1)		4 (4)		1 (1)
Major		5 (5)	5 (4)	1 (1)	
Moderate			10 (9)	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. In addition, the short to long term impact of COVID-19 upon the council is also unknown.”

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

New Risks

- 1 *Risk that the Council fails, in its role as a community leader, to help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050*

In February 2019, Durham County Council declared a Climate Change Emergency with ambitious targets to reduce its own carbon emissions and to investigate what further actions are necessary to make County Durham Carbon neutral by 2050. In July 2019, the Council approved a report from the Corporate Director, REAL, which explored what the Council, with its partners, needs to do to achieve its targets. One of the key mitigations is the Climate Emergency Response Plan 2020-2022, incorporating over 100 projects. The scale, duration and complexity of the programme means that sustained oversight, monitoring and review are essential. Environment and Sustainable Communities Overview and Scrutiny Committee will review performance against the plan and make recommendations for the revision of targets. It is considered probable that this risk will occur, which will have a major impact **(NCC)**.

- 2 *Demand pressures on the Community Protection inspections and interventions arising from the COVID-19 pandemic and a potential No-Deal-Brexit may lead to an adverse impact on public health and safety in Co Durham*

This risk concerns inspections of business premises to monitor food standards, health and safety, and permitted installations under Environment, Health and Consumer Protection enforcement policy. The risk has increased due to current COVID-19 pressures and Brexit uncertainty, and it is considered possible that this risk will occur, which will have a moderate impact **(NCC)**.

Key Risks

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

Key Risks Matrix

Net Impact					
Critical			Risk 1 COVID-19 Risk 2 Savings Plans Risk 5 Child Safeguarding Risk 6 Vulnerable Adults		Risk 3 Government Funding
Major				Risk 4 Climate Change	
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	All services Risk Owner: CMT	Altogether Better Council	Failure to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on the safety and welfare of the wider community.	Critical	Possible	<p>The Council's response is being led by the Director of Public Health, supported by an internal planning group, which is linked to planning arrangements at local, regional and national levels. Formal internal governance arrangements to oversee and manage risk are in place.</p> <p>Longer-term risks will be identified and managed, including recovery of service delivery back to business as usual, dealing with the impact on future local government funding from central government and the economic impact on County Durham.</p>		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
2	RES Risk Owner: Jeff Garfoot	Altogether Better Council	If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves, which may have been depleted during the COVID-19 outbreak, to balance future years budgets.	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.
3	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. In addition, the short to long term impact of COVID-19 upon the council is also unknown.	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans alongside forecasting of council expenditure and income especially in relation to the areas impacted by COVID-19.		This will be a significant risk for at least the next 4 years.
4	NCC Risk Owner: Alan Patrickson	Altogether Greener	Risk that the Council fails, in its role as a community leader, to help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050.	Major	Probable	One of the key mitigations is the Climate Emergency Response Plan 2020-2022, incorporating over 100 projects. The scale, duration and complexity of the programme means that sustained oversight, monitoring and review are essential. Environment and Sustainable Communities Overview and Scrutiny Committee will review performance against the plan and make recommendations for the revision of targets.		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
5	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	Durham Safeguarding Children Partnership has been established in line with the statutory requirements set out in 'Working Together 2018'. Partnership learning through scrutiny mechanisms and learning reviews underpins training for front line staff and regular staff supervision takes place. A review of the partnership arrangements is in progress with initial findings to be reported by December 2020.		This risk is long term.
6	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. Following allegations of abuse at Whorlton Hall Hospital, an independent review the Council's safeguarding adults processes has been commissioned. Any learning will inform actions to reframe and develop practice.		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. This risk is long term.

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

Based on the **Net** risk assessment as at 30 September 2020, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	CMT	Failure to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on the safety and welfare of the wider community.
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. In addition, the short to long term impact of COVID-19 upon the council is also unknown.
3	RES	If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves, which may have been depleted during the COVID-19 outbreak, to balance future years budgets.
4	REG	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.
5	AHS	Potential adverse effects of a "no deal Brexit" on the economy, safety and welfare of the County.
6	NCC	Demand pressures on the Community Protection inspections and interventions arising from the COVID-19 pandemic and a potential No-Deal-Brexit may lead to an adverse impact on public health and safety in Co Durham.
7	RES	Failure to consider equality implications of decisions on communities leading to successful legal challenge and delays in implementation.
8	RES	Potential violence and aggression towards members and employees from members of the public.
9	RES	Risk that Council does not fully respond to the drivers of financial hardship caused by the economic impacts of the coronavirus pandemic and wider determinants of poverty to help alleviate the impacts on County Durham residents.
10	RES	Serious breach of Health and Safety Legislation
11	NCC	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation.
12	RES	Potential significant size and scope of the liabilities of equal value claims.

Ref	Service	Risk
13	RES	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services.
14	RES	Due to the current economic climate, and amount of change occurring across the Council, there is potential for increases in fraud and corruption.
15	NCC	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.
16	RES	Potential breach of the Data Protection Act 2018.

Altogether Better for Children and Young People

Ref	Service	Risk
17	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue)
18	CYPS	Potential financial and other pressures threaten the viability of some educational providers
19	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
20	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.
21	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
22	NCC	Risk that the Council fails, in its role as a community leader, to help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050.
23	NCC	Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.

Altogether Healthier

Ref	Service	Risk
24	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.
25	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

Ref	Service	Risk
26	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
27	NCC	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.
28	REG	Serious injury or loss of life due to Safeguarding failure (Transport Service).

Altogether Wealthier

	Service	Risk
29	REG	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
30	NCC	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	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)	None	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.