

**Audit Committee**

**30 July 2021**

**Strategic Risk Management Progress**

**Report for 2021/22**

**Review 1: 1 January – 31 May 2021**



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## **Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources (Interim)**

**Councillor Richard Bell, Deputy Leader and Cabinet member for Finance**

### **Purpose of the Report**

- 1 This report highlights the strategic risks facing the Council and gives an insight into the work carried out by the Corporate Risk Management Group between January and May 2021. The report also identifies any emerging risks that are in the process of being assessed.

### **Executive summary**

- 2 This report supports the Council's Risk Management Strategy. Audit Committee is charged with monitoring and overseeing corporate governance arrangements, including risk management activity. Heads of service identify and manage risks that may impede achievement of 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 risks relating to the secure children's home and the potential long-term impacts of Covid19 on educational attainment have been added to the register since the last report. This report also highlights, as an emerging risk, the uncertainties and challenges around Government plans to improve health and social care. There also continues to be significant uncertainty in terms of COVID-19 and the UK exit from the European Union.
- 4 On 31 May 2021, there were 31 risks on the strategic risk register. There are six key risks, relating to COVID-19, MTFP 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 the co-ordination of risk management at a service grouping level. In addition, the Council has designated the Deputy Leader and Cabinet Portfolio holder for 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 Two new risks have been added (secure children's home and Covid19 impacts on educational attainment). There is one emerging risk relating to the uncertainties and challenges around Government plans to improve health and social care. More details are included in appendix 3.
- 10 There continues to be significant uncertainty in terms of COVID-19 and the UK exit from the European Union.
- 11 On 31 May 2021, there were 31 risks on the corporate strategic risk register, two more than on 31 December 2020. During this period two risks were added, and none were removed.
- 12 In summary, the key risks to the Council are:
  - (a) Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing 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.
  - (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.
  - (d) Risk that the Council fails, in its role as a community leader, to set an example and 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.

- 13 A list of all the Council's strategic risks as at 31 May 2021, aligned to the corporate themes in County Durham Vision 2035 and the Council Plan, is included in appendix 4.
- 14 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.
- 15 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.

**Author**

Dave Marshall

Tel: 03000 269648

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## **Appendix 1: Implications**

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### **Legal Implications**

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

### **Finance**

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

### **Consultation**

None

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

None

### **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

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## **Appendix 2: How the Risk Management Framework operates**

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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 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 31 May 2021, there were 31 risks on the corporate strategic risk register, two more than on 31 December 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 31 May 2021. To highlight changes in each category during the last period, the number of risks on 31 December 2020 is shown in brackets.

### Overall number of Strategic Risks on 31 May 2021

Impact					
Critical	1 (1)		4 (4)		1 (1)
Major		5 (5)	4 (4)	1 (1)	
Moderate			12 (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 *Inability to recruit and retain residential workers at the secure children's home may seriously inhibit capacity to deliver essential, specialist services to children and young people from across England and Wales.*

The Council is experiencing challenges in recruitment and retention of residential workers in the secure children's centre. The centre supports children and young people from across England and Wales who are a significant risk to themselves or others, when no other type of placement can keep them safe, having often experienced significant trauma and displayed challenging behaviour. Employees are regularly faced with self-harm, suicide attempts, assaults, and the need to physically restrain young people to prevent serious harm. Existing and planned mitigations aim to protect the physical health and mental wellbeing of children and staff. Recruitment strategies are being reviewed with a view to addressing recruitment difficulties and promptly appointing the right candidates to vacant posts. The net evaluation of this risk is a moderate impact and a possible likelihood **(CYP)**.

- 2 *Pupils may not adequately recover from the impacts of Covid19, leading to ongoing or increased inequality of educational outcomes, restricted employment prospects and an increase in the number of NEETS.*

There is a growing evidence around the impact of school closures on the learning outcomes of pupils. Research shows that pupils have made less academic progress compared with previous year groups and there is a large attainment gap for disadvantaged pupils, which seems to have grown. The Council is working with partners to help schools with planning, training, performance monitoring and maximising funding and resources. The net evaluation of this risk is a moderate impact and a possible likelihood **(CYP)**.

## **Emerging Risk**

- 3 *Uncertainties and challenges in relation to the white paper - Integration and Innovation: working together to improve health and social care for all*

The Government plans to introduce a Health and Social Care Bill to Parliament in 2021 so that the measures can start to be implemented in 2022.

While, the main aims of the proposals are positive (working together, supporting integration, reducing bureaucracy, improving accountability and enhancing public confidence), there are potential adverse implications for the Council and its stakeholders. These include reduced influence in spending decisions, reductions in the level or range of services provided, reduced equity of access for service users and an increase in health inequalities.

In March 2021, Cabinet approved the implementation of governance arrangements, including a memorandum of understanding, for the County Durham Care Partnership Executive for health and social care organisations in County Durham. Regular update reports will be made to Cabinet and Health and Wellbeing Board **(AHS)**.

## Key Risks

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

### Key Risks Matrix

<b>Net Impact</b>					
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					
<b>Net Likelihood</b>	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 leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	Corporate Management Team	Cross-cutting	Excellent Council	Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community.	Critical	Possible	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. 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.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	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	Cross-cutting	Excellent 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.	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	Cross-cutting	Excellent 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 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.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
4	NCC Risk Owner: Alan Patrickson	Cross-cutting	People live long and independent lives	Risk that the Council fails, in its role as a community leader, to set an example and 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.
5	CYPS Risk Owner: Helen Fergusson	Service-specific	Connected communities	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.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	AHS  Risk Owner: Lee Alexander	Service-specific	People live long and independent lives	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 31 May 2021, the following tables highlight the risks for each Corporate Theme in County Durham Vision 2035 and the Council Plan.

### Corporate Theme – Excellent Council

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Risk
1	RES	Cross-cutting	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	CMT	Cross-cutting	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.
3	RES	Cross-cutting	If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.
4	REG	Service-specific	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	NCC	Cross-cutting	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.
6	NCC	Service-specific	Demand pressures on the Community Protection inspections and interventions arising from the COVID-19 pandemic and the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.
7	RES	Cross-cutting	Potential violence and aggression towards members and employees from members of the public
8	RES	Cross-cutting	Failure to consider equality implications of decisions on communities leading to successful legal challenge and delays in implementation

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Risk
9	RES	Cross-cutting	Serious breach of Health and Safety Legislation
10	RES	Service-specific	Potential significant size and scope of the liabilities of equal value claims
11	NCC	Cross-cutting	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
12	RES	Cross-cutting	If the Council suffered a successful cyber-attack or IT security breach, then it may be unable to effectively deliver essential services.
13	RES	Cross-cutting	Due to the current economic climate, COVID (grants, hardship reliefs, scams) and amount of change occurring across the Council, there is potential for increases in fraud and corruption.
14	NCC	Cross-cutting	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.
15	RES	Cross-cutting	Potential breach of the Data Protection Act 2018

### Connected Communities

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Risk
16	CYPS	Service-specific	Failure to protect a child from death or serious harm (where service failure is a factor or issue)
17	CYPS	Service-specific	Inability to recruit and retain residential workers at the secure children's home may seriously inhibit capacity to deliver essential, specialist services to children and young people from across England and Wales.
18	NCC	Service-specific	Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken.

### Long and Independent Lives

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Risk
19	NCC	Cross-cutting	Risk that the Council fails, in its role as a community leader, to set an example and 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.
20	AHS	Service-specific	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
21	AHS	Service-specific	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	CYPS	Service-specific	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
23	CYPS	Service-specific	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.
24	CYPS	Service-specific	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.
25	NCC	Service-specific	Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.
26	AHS	Service-specific	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.
27	REG	Service-specific	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### More and Better Jobs

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Risk
28	CYPS	Service-specific	Potential financial and other pressures threaten the viability of some educational providers
29	CYPS	Service-specific	Pupils may not adequately recover from the impacts of Covid19, leading to ongoing or increased inequality of educational outcomes, restricted employment prospects and an increase in the number of NEETS.
30	REG	Cross-cutting	Potential adverse effects of "EU Exit" on the economy, safety and welfare of the County
31	RES	Service-specific	Risk that Council does not fully respond to the drivers of financial hardship, including those caused by the economic impacts of the coronavirus pandemic and wider determinants of poverty to help alleviate the impacts on County Durham residents.

## 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 <b>current</b> 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 due to the COVID-19 response.	No training provided in this period due to the COVID-19 response.
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 due to the COVID-19 response.	No training provided in this period due to the COVID-19 response.