

Audit Committee

10 November 2011

Strategic Risk Management Progress Report for the Quarter period July – September 2011



Report of Corporate Management Team

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Purpose of the Report

1. The purpose of this report is to highlight the strategic risks facing the Council, including the status of the corporate strategic risks, and to give an insight into the work carried out by the Corporate Risk Management Group during the period July to September 2011.

Background

2. 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 Deputy Leader of the Council and the Corporate Director, Resources as Member and Officer Risk Champions respectively. Collectively, they meet together 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 detailed in Appendix 2.
3. Throughout this report, both in the summary and the Appendices, all risks are reported as 'Net Risk' (after putting in place mitigating controls to gross risk), 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

4. As at 30 September 2011, there were 59 strategic risks, a decrease of one from the previous period end at 30 June 2011. In summary, the key risks to the Council are:
 - Any slippage in delivery of the MTFP would require further savings to be made which could result in further service reductions/ job losses;
 - Failure to identify and effectively regulate Contaminated Land – there is a bid for a £100k budget in the next Medium Term Financial Plan to mitigate this risk;
 - The Council may be liable to legal challenge if a single status agreement is not implemented in full;

- The loss of Area Based Grant funding results in the County Durham Partnership (CDP) failing to narrow inequality and deprivation;
- Potential restitution of land charge search fees back to 2005;
- Insufficient number of adequately skilled staff to maintain the expected level of services;
- Delays in processing both new and changes to benefit claims.

Progress on addressing these key risks is detailed in Appendix 3.

5. Appendix 4 of this report lists all of the Council's strategic risks as at 30 September 2011.
6. Management have identified and assessed these risks using a structured and systematic approach, and are 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.
7. The following, ongoing projects have been supported in various ways, including risk analysis through workshops and meetings, giving critical feedback on risk management documentation and procedures, attending project / board meetings and helping to maintain the risk register through challenge and identifying controls.
 - Revenues and Benefit Computer System;
 - Durham Crematorium Cremator Replacement;
 - Greenland Primary School (New Build);
 - Brandon Primary School (New Build);
 - People and Organisational Development Strategy;
 - Integrated Service Delivery Project;
 - Voluntary & Community Sector SLA Project.

Recommendations and reasons

Audit Committee to confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework.

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Appendix 1: Implications

Finance - Addressing risk appropriately reduces the risk of financial loss.

Staffing - Staff training needs are addressed in the risk management training plan.

Risk – Not a key decision

Equality and Diversity/ Public Sector Equality Duty - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability issues – None.

Legal Implications – None.

Appendix 2: Background

A large amount of work is being carried out across the Council in shaping and developing our approach to risk management where the Cabinet and the Corporate Management Team have designated the Deputy Leader of the Council 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 Manager of Internal Audit and Risk, the lead officer responsible for risk management, as well as the Risk 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 monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree 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 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, and Chief Officers agree their Risk Register with the Cabinet Member responsible for their Portfolio Service.

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.

Appendix 3: 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 2011, there were 59 strategic risks, a decrease of one from the previous period end at 30 June 2011.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 30 September 2011. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 30 June 2011 is highlighted in brackets.

Overall number of Strategic Risks as at 30 September 2011

Impact					
Critical	1 (0)	3 (3)	2 (2)		
Major		5 (5)	8 (9)	3 (3)	
Moderate		6 (11)	18 (18)	6 (4)	
Minor		1 (0)	5 (5)	1 (0)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In summary, key points to draw to your attention are:

1 Beneficial outcomes

Implementation of additional mitigation for the following risks has enabled the Council to improve performance, decision-making and governance:

- Further improvements to the Events Management process are enabling the risk of '*Failure to effectively support events organised by the Council or taking place on Council land*' to be managed at an acceptable level. In addition,

draft procedures are currently out for consultation, and when approved, this will further mitigate this risk. **(NS)**

- A transition plan to ensure continued residential care for all residents affected by the winding-up of a major residential care company has reduced the negative impact on residents, as well as protecting the reputation of the Council. **(AWH)**
- The risk of '*Failing to meet escalating costs of external and high-cost placements*' has been effectively managed due to the close monitoring of the plan to implement a new contract for the placement of children and young people with independent fostering providers. **(CYPS)**
- The risk of salt supplies running out during a severe weather event has been reduced due to the substantial control measures now in place. **(NS)**

2 Significant New and Increased Risks

The likelihood of the risk of a '*Potential claw-back from MMI, the Council's former insurers, under the Scheme of Arrangement*' occurring has increased, following the recent release of their 2010/ 11 Annual report and accounts, which highlighted a further deterioration in MMI's solvency position. **(Resources)**

The likelihood of the risk of a '*Potential restitution of land charge search fees back to 2005*' occurring has increased, as a firm of solicitors has now taken action against all Council's across England and Wales to recover the alleged land charge fees overpayment. **(Resources)**

Six new risks have been identified this quarter:

- There is an increased likelihood of other local authorities passing on '*Increased Adult Care costs to the Council following revision to 'Ordinary residence' guidance*'. **(AWH)**
- '*Industrial Action arising from budget reductions will adversely impact service delivery*'. **(Resources)**
- '*Insufficient funds to cover the Council's self insured period for Employers Liability claims*'. If there is an increase in latent disease claims related to the period before 1996, the insurance fund may not have sufficient funds to cover these liabilities. **(Resources)**
- '*Collection Fund and Debtors collection rates do not reach target set for 2011/12*'. This risk will impact on other Services who depend on this income when setting their budgets for the year, as any decrease in their revenue will add to existing budget pressures. **(Resources)**
- Fuel and energy costs have increased significantly in recent years and industry experts predict an even sharper rise in the next 18 months due to a number of external factors. There is a risk that '*If fuel and energy costs continue to rise, it will have major financial implications for the Council and a wider impact on the community*'. **(Resources)**
- '*The benefits of integrated service delivery will not be fully realised if external contractors fail to deliver the ICT infrastructure in the timescales requested*'. **(CYPS)**

3 Removed Risks

Nine risks have been **removed** from the register in this quarter. This is due in part to greater challenge of the risk with the Services, but also through effective management of the risks by the Services as all mitigating actions have been completed to reduce them to a level where management now consider existing controls to be adequate.

4 Key Risks

The risks shown in the table below are considered the key risks to the Council. Where there have been changes to the risk assessment from the last quarter period end, these are highlighted in the column headed 'Direction of Travel'. The target for when the risk will be at an acceptable level, or where further improvements in mitigation are not possible, is highlighted in the column headed 'Anticipated date when risk will be at an acceptable level'.

Figure1

Impact					
Critical			<i>Risks 1 and 2</i>		
Major				<i>Risks 3, 4 and 5</i>	
Moderate				<i>Risk 7</i>	<i>Risk 6</i>
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES	Altogether Better Council	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ 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	NS	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	Out of the 140 sites identified, the top 10 sites will be assessed during 2011/ 12. There is a bid for a £100k budget in the next Medium Term Financial Plan to mitigate this risk.		The Contaminated land strategy, which will bring this risk to an acceptable level, will not be in place until November 2011
3	RES	Altogether Better Council	The Council may be liable to legal challenge if a single status agreement is not implemented in full	Major	Probable	Letters will be sent to staff in October 2011 advising how the proposals would affect them. Council approval will be obtained prior to commencing formal negotiations, involving Trade Unions.		The project to bring this risk to an acceptable level will be completed by April 2012.
4	RED	Altogether Wealthier	The loss of Area Based Grant funding results in the CDP failing to narrow inequality and deprivation gaps	Major	Probable	Development and implementation of localised performance measurement of outcomes.		The action plan will be in place by July 2011. This will remain a significant risk for at least the next 4 years.
5	RES	Altogether Better Council	Insufficient number of adequately skilled staff to maintain the expected level of services	Major	Probable	Various protocols and guidance for management and staff. Dedicated reorganisation support teams established to effectively support the process for delivering service reviews.		Plans will be in place by April 2012 outlining the policies that will be required to ensure succession planning in the long term.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	RES	Altogether Better Council	Potential restitution of land charge search fees back to 2005	Moderate	Highly Probable	The Council has signed up to a class action defence by LGA appointed solicitors	Likelihood increased	Dependent upon the outcome of the negotiations/litigation currently being defended by lawyers instructed in group litigation
7	RES	Altogether Better Council	Delays in processing both new, and changes to, benefit claims.	Moderate	Probable	Additional resource is being invested to utilise external assistance to carry out detailed packages of work. This will reduce the backlog during periods when the ICT systems are unavailable.		This will remain a high risk until the IT system is fully implemented, which will not be until quarter 4 of 2011/12.

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

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	The Council may be liable to legal challenge if a single status agreement is not implemented in full
2	RES	Insufficient number of adequately skilled staff to maintain the expected level of services
3	RES	Loss of income from land charge fees
4	RES	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
5	RES	Industrial Action arising from budget reductions will adversely impact service delivery
6	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
7	RES	Collection Fund and Debtors collection rates do not reach target set for 2011/12
8	RES	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
9	RES	Delays in processing both new and changes to benefit claims.
10	NS	Period of significant disruption to support Service Delivery during the harmonisation of the HR and Finance function.
11	NS	Failure to effectively support events organised by the Council or taking place on Council land
12	RES	If fuel and energy costs continue to rise it will have major financial implications for the Council and a wider impact on the community
13	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
14	RES	Insufficient funds to cover the Council's self insured period for Employers Liability claims
15	NS	The performance of building services does not improve to make them more competitive.
16	NS	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
17	ACE	The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes
18	RES	Major Interruption to IT Service Delivery
19	RES	Council Services will not be operating effectively due to inadequate level of IT service delivery to end users
20	NS	Industrial Action arising from substantial change programme
21	RES	The New Revenues & Benefits & attendant Cash Management and Document flow systems will not be successfully implemented
22	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing
23	AWH	Work Related Stress – STAFF
24	NS	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded
25	NS	Harmonised policies and action with regards to licensing and enforcement are not delivered across all areas
26	ACE	Uncertainty/legal disputes over the tenure of Community Buildings, resulting in failure to achieve the aims of the CB Strategy
27	ACE	Failure to co-ordinate infrastructure support to the V&CS, leading to a failure to channel resources to those in greatest need.
28	RES	Commercial and complex litigation cases outside the capacity of Legal and Democratic Resources
29	ACE	Failure to consult or impact assess decisions on communities leading to discrimination or not promoting equality of opportunity

Ref	Service	Risk
30	RES	Failure to comply with legislation (Data Protection Act, Freedom of Information Act, Copyright Act, H&S, etc.)
31	CYPS	Uncertain, large-scale financial demands (e.g. on Safeguarding and Specialist Services), leading to breached MTFP targets.

Corporate Theme – Altogether Wealthier

Ref	Service	Risk
32	RED	The loss of Area Based Grant funding results in the CDP failing to narrow inequality and deprivation gaps
33	RED	Diminishing Capital Resources, continuing depressed land values and slow growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales.
34	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
35	RED	Reduced future allocations of deprivation based grants to County resulting from changes to Council's new deprivation status.
36	RED	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.

Corporate Theme – Altogether Better for Children and Young People

Ref	Service	Risk
37	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together
38	CYPS	Failure to deliver integrated services (incl NHS) by Sept 2011, resulting in breach of grant condition and missed MTFP targets.
39	CYPS	The benefits of integrated service delivery will not be fully realised if external contractors fail to deliver the ICT infrastructure in the timescales requested.
40	CYPS	Failure to deliver the restructured BSF programme on time and with minimal service disruption
41	RED	Failure to adequately support young people into employment or training

Corporate Theme – Altogether Safer

Ref	Service	Risk
42	RED	Disused and unmaintained Coal Authority mine workings on DCC land could result in serious injury/financial claims against the Council
43	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue) – CYPS
44	AWH	A service failure of Safeguarding leads to death or serious harm to a service user.
45	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
46	NS	Damage to Highways assets as a result of a severe weather event.
47	AWH	Unauthorised encampment
48	AWH	Risk of injury to gypsies, travellers and staff due to site-related hazards
49	AWH	Violence and Aggression Staff
50	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Corporate Theme – Altogether Greener

Ref	Service	Risk
51	NS	Failure to identify and effectively regulate Contaminated Land
52	NS	Failure to effectively develop the proposed Waste Management Solution

Corporate Theme – Altogether Healthier

Ref	Service	Risk
53	CYPS	Failure to meet escalating costs of external and high-cost placements effectively
54	AWH	Management and administration of service users medications
55	AWH	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
56	AWH	Inability to manage markets for the delivery of Adult Social Care Services
57	AWH	Increased cost to the authority from revision to “Ordinary residence” guidance
58	AWH	Inability to transform social care infrastructure and support systems in line with personalisation/transformation requirements
59	AWH	Potential failure in the external care provider market resulting in the closure of residential care homes