

Audit Committee

16th February 2012

Strategic Risk Management Progress Report for the Quarter period October to December 2011



Report of Corporate Management Team

Don McLure, 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 during the period October to December 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 31st December 2011, there were 60 strategic risks, an increase of one from the previous period end at 30 September 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 permanent £100k revenue budget from 2012/13 in the Medium Term Financial Plan that will be considered by Cabinet on 8 February 2012 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 claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
- If the recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure of accounts;
- Potential restitution of land charge search fees back to 2005;
- Insufficient number of adequately skilled staff to maintain the expected level of services;
- Industrial Action arising from the period of significant change will adversely impact service delivery;
- Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation;
- 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 31 December 2011.
6. Management has 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);
 - Integrated Service Delivery Project;
 - Digital Durham;
 - Academies;
 - Catchgate Childrens Home (New Build).

Recommendations and reasons

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

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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 31 December 2011, there were 60 strategic risks, an increase of one from the previous period end at 30 September 2011.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 31 December 2011. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 30 September 2011 is highlighted in brackets.

Overall number of Strategic Risks as at 31 December 2011

Impact					
Critical	1 (1)	2 (3)	2 (2)		
Major		3 (5)	7 (8)	5 (3)	
Moderate		6 (6)	17 (18)	7 (6)	3 (0)
Minor		0 (1)	4 (5)	2 (1)	1 (0)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Beneficial outcomes

The winding-up of a major residential care company was a key risk to the Council. Effective management of the risk ensured that all homes were either closed or transferred to new owners under a transition plan, which maintained continued residential care for all residents affected.

2 Significant New and Increased Risks

- The risk of *“Failure to adequately support young people into employment or training”* has been reworded to *“Employment Services for young people (18-24 year olds) are un-coordinated between service groups”*. This is to reflect the fact that, since the loss of Area Based Grant, the Council is no longer the lead agency for this action. The net likelihood has also **increased** to probable following the significant increase in youth unemployment for the area. **(RED)**
- The likelihood of the risk *“Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)”* has **increased** to probable following the publication of MMI statement of accounts. **(RES)**
- The likelihood of the risk *“Industrial Action arising from the period of significant change will adversely impact service delivery”* has **increased** to highly probable in light of recent events. **(RES)**
- The likelihood of the risk *“Increased cost to the authority from revision to ordinary residence guidance”* has **increased** to highly probable. **(AWH)**

Six new risks have been identified this quarter:

- *“Increased demand for the Housing Solution Service beyond current staffing capacity as a result of changes in Government Welfare Legislation”*. **(RED)**
- *“Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation”*. **(RED)**
- *“Building Services could lose business if a significant number of Local Authority schools opt to become academies”*. **(NS)**
- *“The Twin Bins project is not delivered to programme.”* **(NS)**
- *“Providing an improved service under unitisation of Finance Services could be compromised during the period of significant change.”* **(RES)**
- *“If the fundamental recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure of accounts.”* **(RES)**

3 Removed Risks

Five risks have been **removed** from the register in this quarter. This is due in part to greater challenge of the risk within 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 tables 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'.

Impact					
Critical			<i>Risks 1 and 2</i>		
Major				<i>Risks 3, 4, 5, 6 & 7</i>	
Moderate				<i>Risk 11</i>	<i>Risk 8, 9, & 10</i>
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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	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 permanent £100k revenue budget from 2012/13 in the Medium Term Financial Plan that will be considered by Cabinet on 8 February 2012 to mitigate this risk		Once the first phase of inspections (i.e. the top 10 sites) has been completed during 2011/12, this will provide a clearer position on the resource and funding needed to inspect the remaining 130 sites.
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.		An action plan for CDP is in place. This will remain a significant risk for at least the next 4 years.

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	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 outlining the policies that will be required to ensure succession planning. This is a long term goal, and will be considered after the unitisation of Human Resources has been completed.
6	RES	Altogether Better Council	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA).	Major	Probable	The cost of any clawback will be met from the Insurance Reserve	Likelihood increased	Dependent on the Supreme Court ruling due early 2012.
7	RES	Altogether Better Council	If the fundamental recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure of accounts.	Major	Probable	Action plan to address the issues is being implemented.	New risk	This will be addressed in line with the target dates of the action plan.
8	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		Dependent upon the outcome of the negotiations/litigation currently being defended by lawyers instructed in group litigation

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
9	RES	Altogether Better Council	Industrial Action arising from the period of significant change will adversely impact service delivery.	Moderate	Highly Probable	Arrangements in place to ensure continuity of essential services during industrial action.	Likelihood increased	
10	RED	Altogether Better Council	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.	Moderate	Highly Probable	Communicate to residents and Housing providers the impact the Reforms will have on them.	New risk	
11	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	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses.
2	RES	The Council may be liable to legal challenge if a single status agreement is not implemented in full.
3	RES	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA).
4	RES	Insufficient number of adequately skilled staff to maintain the expected level of services.
5	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO.
6	RES	If the fundamental recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure of accounts.
7	RED	Increased demand for the Housing Solution Service beyond current staffing capacity as a result of changes in Government Welfare Legislation.
8	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
9	RES	Potential restitution of search fees going back to 2005.
10	RES	Industrial Action arising from the period of significant change will adversely impact service delivery.
11	RES	Collection Fund and Debtors collection rates do not reach target set for 2011/12.
12	RES	Inability to address the delays in processing both new and changes to benefit claims.
13	NS	Failure to effectively support events organised by the Council or taking place on Council land.
14	RES	Major Interruption to IT Service Delivery.
15	RES	If fuel and energy costs continue to rise it will have major financial implications for the Council and wider impact on the community.
16	NS	Building Services could lose business if a significant number of Local Authority schools opt to become academies.
17	NS	Period of significant disruption to support Service Delivery during the unitisation of the HR and Finance function.
18	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
19	RES	Insufficient funds to cover the Council's self insured period for Employers Liability claims
20	RES	Providing an improved service under unitisation of Finance Services could be compromised during the period of significant change
21	ACE	The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes.
22	NS	The Twin Bins project is not delivered to programme.
23	NS	The performance of building services does not improve to make them more competitive.
24	NS	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS.
25	RES	The New Revenues & Benefits & attendant Cash Management and Document flow systems will not be successfully implemented.
26	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
27	NS	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS.
28	ACE	Failure to consider equality implications of decisions on communities leading to discrimination/not promoting equality of opportunities.
29	ACE	Failure to consult with communities on major policy changes leading to legal challenge and delay in the implementation of change
30	CYPS	Unpredictable, volatile financial demands (e.g. Looked After Children), leading to MTFP targets and cash limits being breached
31	NS	Harmonised policies and action with regards to licensing and enforcement are not delivered across all areas.

Ref	Service	Risk
32	ACE	Uncertainty/legal disputes over the tenure of Community Buildings, resulting in failure to achieve the aims of the Community Buildings Strategy.
33	AWH	Work Related Stress - STAFF
34	ACE	Failure to co-ordinate infrastructure support to the Voluntary & Community Sector, leading to a failure to channel resources to those in greatest need.

Corporate Theme – Altogether Wealthier

Ref	Service	Risk
35	RED	Reduced future allocations of deprivation based grants to county resulting from changes to Council's new deprivation status.
36	RED	The loss of Area Based Grant funding results in the CDP failing to narrow inequality and deprivation gaps.
37	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
38	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.
39	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
40	CYPS	Failure to meet escalating costs of external and high-cost placements effectively.
41	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together.
42	CYPS	Integrated Service Delivery benefits will not be realised if contractors fail to deliver the ICT infrastructure on time.
43	CYPS	Failure to deliver the restructured BSF programme on time and with minimal service disruption.
44	RED	Employment Services for young people (18-24 year olds) are un-coordinated between service groups.

Corporate Theme – Altogether Healthier

Ref	Service	Risk
45	AWH	Inability to manage markets for the delivery of Adult Social Care Services.
46	AWH	Potential financial, operational, and reputational risks arising from proposed NHS Reforms.
47	AWH	Increased cost to the authority from revision to "Ordinary residence" guidance.
48	AWH	Management and administration of service users' medications.
49	AWH	Inability to transform social care infrastructure and support systems in line with personalisation/transformation requirements

Corporate Theme – Altogether Safer

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

Corporate Theme – Altogether Greener

Ref	Service	Risk
59	NS	Failure to identify and effectively regulate Contaminated Land.
60	NS	Failure to effectively develop the proposed Waste Management Solution.