

## Audit Committee

31 May 2012



### Strategic Risk Management Progress Report for the Quarter period January to March 2012

#### Report of Corporate Management Team

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**Don McLure, Corporate Director Resources**

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#### 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 January to March 2012.

#### 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 March 2012, there were 54 strategic risks, a decrease of 6 from the previous period end at 31 December 2011. In summary, the key risks to the Council are:
  - Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses;
  - Failure to identify and effectively regulate Contaminated Land;
  - Recent specialist report states that Seaham North Pier is beyond the life of the structure and could be breached;
  - 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 failing to narrow inequality and deprivation gaps;
  - Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);

- Period of significant disruption to support Service Delivery during the unitisation of both the Finance and Human Resources & Organisational Development Services;
- Potential restitution of search fees going back to 2005;
- Industrial Action will adversely impact service delivery.

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 March 2012.
6. 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.
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.
  - Integrated Service Delivery Project;
  - Digital Durham;
  - Academies;
  - New Lea Children's Home, Tanfield (New Build);
  - Community Buildings;
  - Potentially Violent Persons' Database;
  - Elections 2012 & 2013;
  - Pay and Conditions.

### **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**

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**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.

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## **Appendix 2: Background**

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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 March 2012, there were 54 strategic risks, a decrease of 6 from the previous period end at 31 December 2011.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 31 March 2012. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 31 December 2011 is highlighted in brackets.

### Overall number of Strategic Risks as at 31 March 2012

Impact					
Critical	1 (1)	3 (2)	3 (2)		
Major		3 (3)	6 (7)	4 (5)	
Moderate		5 (6)	14 (17)	7 (7)	2 (3)
Minor			3 (4)	2 (2)	1 (1)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

#### 1 Beneficial outcomes

- The likelihood of the risk “Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation” occurring has reduced. This results from the Service implementing a number of mitigating actions to proactively raise awareness of the potential changes arising from welfare reforms, both to specific groups and among tenants as a whole. **(RED)**
- Implementing planned improvements has reduced the likelihood of risk “If the fundamental recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure

*of accounts and increased external audit activity/ further poor AGR's being issued" occurring. (RES)*

## 2 Significant New and Increased Risks

Two new risks have been identified this quarter:

- *"Recent specialist report states that Seaham North Pier is beyond the life of the structure and could be breached". (NS)*
- *"Durham County Council fails to adequately plan for the transfer of public health responsibilities". (AWH)*

No risks have increased during this quarter.

## 3 Removed Risks

The following eight risks have been **removed** from the register in this quarter following 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.

- *"Insufficient number of adequately skilled staff to maintain the expected level of services". This risk was closed as management believe that a robust process of having sound business cases to support any staffing reduction is now embedded as a business as usual activity. (RES)*
- *"Inability to manage markets for the delivery of Adult Social Care Services". This risk was closed as all mitigating actions have been completed. (AWH)*
- *"Inability to transform social care infrastructure and support systems in line with personalisation/transformation requirements". This risk was closed as all mitigating actions have been completed. (AWH)*
- *"Harmonised policies and action with regards to licensing and enforcement across all areas" has been closed as the majority of policies have been harmonised. (NS)*
- *The Neighbourhood Services risk of "Period of significant disruption to support Service Delivery during the unitisation of the HR & Finance functions" has been closed as it is now a crosscutting strategic risk. (NS)*
- *"Reduced future allocations of deprivation based grants to County resulting from changes to Council's new deprivation status" was closed as reduction in funding is already occurring. (RED)*
- *"The new Revenues and Benefits and attendant cash management and document flow systems will not be successfully implemented." The system was fully implemented at the beginning of December 2011. (RES)*
- *"Insufficient funds to cover the Council's self insured period for Employers Liability claims" has been closed as it is felt that there are sufficient reserves in the insurance account to cover any future settlements. Claims will be monitored at Service level and any significant increases will be reported to SMT. (RES)*

## 3 Emerging Risks

Management believe there is a significant emerging risk that, as a result of the next Comprehensive Spending Review, there will be additional savings

required over and above those already considered in our Medium Term Financial Plan. This risk will be fully assessed at the next quarterly risk review.

#### 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'.

<b>Impact</b>					
Critical			<b>Risks 1, 2 &amp; 3</b>		
Major				<b>Risks 4, 5, 6, &amp; 7</b>	
Moderate					<b>Risks 8 &amp; 9</b>
Minor					
Insignificant					
<b>Likelihood</b>	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 Risk Owner: D McLure	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 Risk Owner: J Waller	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	There is a permanent £100k revenue budget from 2012/13 in the Medium Term Financial Plan to mitigate this risk		Once the first phase of inspections (i.e. the top 10 sites) has been completed during 2012/13, this will provide a clearer position on the resource and funding needed to inspect the remaining 130 sites.
3	NS Risk Owner: T Collins	Altogether Wealthier	Recent specialist report states that Seaham North Pier is beyond the life of the structure and could be breached.	Critical	Possible	Funds allocated in the 2013-14 budget for the design for the repairs to the structure.	New Risk	
4	RES Risk Owner: D McLure	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 May 2012 advising how the proposals would affect them. Council approval will be obtained prior to commencing formal negotiations, involving Trade Unions. Outcomes will be implemented (subject to negotiations) by the end of 2012.		The project to bring this risk to an acceptable level will be completed by December 2012.
5	RED Risk Owner: L O'Donnell	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
6	RES Risk Owner: D McLure	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		Supreme Court ruling has been made. Currently waiting response from MMI before considering the options going forward
7	RES Risk Owner: D McLure	Altogether Better Council	Period of significant disruption to support Service Delivery during the unitisation of the Finance and HR & OD Services.	Major	Probable	A Transition Plan for the restructures is in place and is being monitored.		
8	RES Risk Owner: C Long-bottom	Altogether Better Council	Potential restitution of search fees going 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
9	RES Risk Owner: K Jobson	Altogether Better Council	Industrial Action will adversely impact service delivery	Moderate	Highly Probable	Arrangements in place to ensure continuity of essential services during industrial action.		



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

Based on the **Net** risk assessment as at 31 March 2012, the following tables highlight the risks for each Corporate Theme.

### **Corporate Theme – Altogether Wealthier**

Ref	Service	Risk
1	NS	Recent specialist report states that Seaham North Pier is beyond the life of the structure and could be breached.
2	RED	The loss of Area Based Grant funding results in the CDP failing to narrow inequality and deprivation gaps
3	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.
4	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
5	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
6	CYPS	Failure to meet escalating costs of external and high-cost placements effectively
7	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together
8	CYPS	Failure to deliver the restructured BSF programme on time and with minimal service disruption
9	RED	Employment Services for young people (18-24 year olds) are unco-ordinated between service groups.
10	CYPS	Integrated Service Delivery benefits will not be realised if contractors fail to deliver the ICT infrastructure on time

### **Corporate Theme – Altogether Healthier**

Ref	Service	Risk
11	AWH	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
12	AWH	Durham County Council fails to adequately plan for the transfer of public health responsibilities
13	AWH	Increased cost to the authority from revision to "Ordinary residence" guidance
14	AWH	Management and administration of service users medications

### **Corporate Theme – Altogether Greener**

Ref	Service	Risk
15	NS	Failure to identify and effectively regulate Contaminated Land
16	NS	Failure to effectively deliver the proposed Waste Management Solution.

### Corporate Theme – Altogether Safer

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

### Corporate Theme – Altogether Better Council

Ref	Service	Risk
26	RES	The Council may be liable to legal challenge if a single status agreement is not implemented in full.
27	RES	Industrial Action will adversely impact service delivery
28	RES	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
29	RES	Potential restitution of search fees going back to 2005
30	RES	Period of significant disruption to support Service Delivery during the unitisation of the Finance and HR & OD Services.
31	RES	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
32	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
33	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
34	RES	Collection Fund and Debtors collection rates do not reach target set for 2011/12
35	RES	If the fundamental recommendations in the Annual Governance Report (AGR) are not addressed this will result in continued problematic closure of accounts and increased external audit activity/ further poor AGR's being issued
36	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
37	RES	Delays in processing both new and changes to benefit claims.
38	RES	If fuel and energy costs continue to rise it will have major financial implications for the Council and wider impact on community
39	NS	Building Services could see a loss of business if the Academies do not use Council services and/ or opt out of the SLA to procure outside agencies to carry out compliance, building and maintenance/ grounds maintenance works
40	NS	Failure to effectively support events organised by the Council or taking place on Council land.

Ref	Service	Risk
41	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
42	NS	The Alternate Weekly Collection project is not delivered to programme.
43	NS	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
44	RES	Major Interruption to IT Service Delivery
45	ACE	The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes
46	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
47	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
48	AWH	Work Related Stress - STAFF
49	NS	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
50	NS	The performance of building services does not improve to make them more competitive.
51	ACE	Failure to co-ordinate infrastructure support to the V&CS, leading to a failure to channel resources to those in greatest need.
52	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues
53	ACE	Failure to consider equality implications of decisions on communities leading to discrimination/not promoting equality of opportunities
54	CYPS	Unpredictable, volatile financial demands leading to MTFP targets and cash limits being breached