

Audit Committee

30 July 2012



Strategic Risk Management Progress Report for the Quarter period April to June 2012

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 April to June 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 30th June 2012, there were 50 strategic risks, a decrease of 5 from the previous period end at 31 March 2012. 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;
 - Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken;
 - A deterioration in public health services resulting from the transfer of public health responsibilities to the Local Authority and the impact of future funding proposals;
 - Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on;

- The Council may be liable to legal challenge if a single status agreement is not implemented in full;
- The CDP may fail to narrow inequality and deprivation gaps due to the loss of Area Based Grant funding;
- Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
- 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 30 June 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.
 - Accommodation Strategy;
 - Community Buildings;
 - County Durham Plan;
 - Local Council Tax Support Scheme;
 - Police Reforms;
 - Potentially Violent Persons' Database;
 - Public Health Reforms;
 - School Meals Procurement;
 - Welfare Reforms.

Recommendations and reasons

8. 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.

Contact: David Marshall Tel: 0191 3834311

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 June 2012, there were 50 strategic risks, a decrease of 5 from the previous period end at 31 March 2012.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 30 June 2012. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 31 March 2012 is highlighted in brackets.

Overall number of Strategic Risks as at 30 June 2012

Impact					
Critical	1 (1)	3 (3)	4 (3)		
Major		3 (3)	5 (6)	4 (5)	
Moderate		4 (5)	13 (14)	5 (7)	2 (2)
Minor			3 (3)	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 risk "*Failure to deliver the restructured BSF programme on time and with minimal service disruption*" has been closed as the programme is entering the closing stages. Managers have consistently taken a systematic approach to managing associated risks and the residual risk is now considered low. All projects have been completed on time or are progressing to programme, and the BSF programme as a whole is on budget. Most importantly all the schools involved are already seeing the educational benefit of the investments we have made. Further investments will be made through new Priority Schools Building Programme in future years.

- *“Alternate Weekly Collection project is not delivered to programme”*. 100% of the collections are now up and running the likelihood of this risk occurring has reduced from Possible to Unlikely. This has secured service improvements with minimal disruption to residents.
- The risk *“Disused unmaintained Coal Authority mine workings on DCC land may result in serious injury/financial claims against the Council”* has seen two actions completed and, once the strategy for dealing with these hazards has been approved, the likelihood and impact of this risk should be reduced. This has helped minimise the risk of serious injury and financial loss.
- A number of mitigating actions have been completed which has reduced the likelihood of the risk *“Delays in processing both new and changes to benefit claims”* from Probable to Possible as the backlog is being reduced. This has helped minimize the risk of inconvenience to claimants.
- The *“Risk of injury to gypsies, travellers and staff due to site-related hazards”* has been closed. The programme of improvements has been completed, minimising the risk of injury.

2 Significant New and Increased Risks

Three new risks have been identified this quarter:

- *“The potential for the Police Reforms to weaken the ability of the Council and its partners to cut crime and anti-social behaviour”*. The changes relating to police accountability and governance create uncertainties around leadership, priorities, local partnerships and funding. A Transition Project Board has been set up to manage the legalities and technicalities of the transition. **(AWH)**
- *“Merger of Children/Adults Services”*. This is part of the ongoing work on reducing management costs at all levels within the organisation, amid unprecedented financial pressure and major reforms to the NHS and Public Health. Project management arrangements will be established and the new director will lead the reorganisation required to merge and integrate the majority of functions currently provided within the existing service groupings. **(AWH and CYPs)**
- *“Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on”*. This risk has been included to highlight the impact the next CSR could have on the Council and the Community should the anticipated reductions in funding occur. **(RES)**
- The impact of the risk that *‘A deterioration in public health services resulting from the transfer of public health responsibilities to the Local Authority and the impact of future funding proposals’* has been reassessed and is now considered to be critical, because it has emerged that future funding proposals may result in a significant budget reduction.**(AWH)**

Due to the current volume of legislative and policy changes, the Net Likelihood of the following risks occurring has been increased from Unlikely to

Possible. However, they are expected to decrease during the next quarter as mitigating actions are implemented:

- *“Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation”.* **(ACE)**
- *“Failure to consider equality implications of decisions on communities leading to legal challenge and delay in the implementation of change”.* **(ACE)**

3 Removed Risks

The following five 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.

- *“Failure to co-ordinate infrastructure support to the V&CS, leading to a failure to channel resources to those in greatest need”.* This risk was closed as the residual risk is now deemed to be low. **(ACE)**
- *“Risk of injury to gypsies, travellers and staff due to site-related hazards”.* This risk has been removed as all mitigating actions have been completed. **(AWH)**
- *“Failure to deliver the restructured BSF programme on time and with minimal service disruption”.* The BSF programme is nearing completion and the net risk is low. **(CYPS)**
- *“Unpredictable, volatile financial demands leading to MTFP targets and cash limits being breached”.* This risk was closed as the net risk is low. **(CYPS)**
- *“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)**
- As the draft Annual Statement of Accounts have been presented within the target deadline, the risk that *‘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’* has been closed. **(RES)**
- The risk that *‘Integrated Service Delivery benefits will not be realised if contractors fail to deliver the ICT infrastructure on time’* has been removed from the report, as it is now considered a business as usual risk. **(CYPS)**
- The unitisation of the Finance and HR & OD staff has been completed successfully for both functions and this has helped secure improvements with minimal disruption to service delivery, and therefore the associated risk has been closed. **(RES)**

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			Risks 1, 2, 3 and 4		
Major				Risks 5, 6, 7 and 8	
Moderate					Risks 9 and 10
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 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	Out of the 140 sites identified, the top 10 sites were assessed during 2011/12. There is a permanent £100k revenue budget from 2012/13 in the Medium Term Financial Plan to mitigate this risk. Outcomes of initial inspections will be reviewed to identify whether additional resources are required.		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	Coastal erosion and improved environment may adversely impacted if a programme of repairs to Seaham North Pier is not undertaken.	Critical	Possible	Funds allocated in the 2013-14 budget for the design for the repairs to the structure.		To mitigate the risk, funds are being investigated as part of the 2013/14 budget for the design of repairs to the structure.
4	AWH Risk Owner: R Shimmin	Altogether Healthier	A deterioration in public health services resulting from the transfer of public health responsibilities to the LA and the impact of future funding proposals	Critical	Possible	Several mitigating actions have been planned. Representations on the interim recommendation for future funding of Public Health will also be sent to the Department of Health.	Impact of the risk reassessed and considered to be critical	The transfer will be completed by 1 April 2013.

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 Risk Owner: D McLure	Altogether Better Council	Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on	Major	Probable	Sound financial forecasting based on the Government's "Red Book" plans. A timetable of key milestone dates to be agreed by Cabinet in July 2012.	New Risk	This is related to key risk 1 above.
6	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	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. Allocation of resources for staff support and administration of appeals.		The project to bring this risk to an acceptable level will be completed by December 2012.
7	RED Risk Owner: L O'Donnell	Altogether Wealthier	The CDP may fail to narrow inequality and deprivation gaps due to the loss of Area Based Grant funding	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.
8	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 formal response from MMI before considering the options going forward

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 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
10	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 30 June 2012, the following tables highlight the risks for each Corporate Theme. 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.

Corporate Theme – Altogether Better Council

	Service	Risk
1	Resources	The Council may be liable to legal challenge if a single status agreement is not implemented in full.
2	Resources	Industrial Action will adversely impact service delivery
3	Resources	Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on.
4	Resources	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
5	Resources	Potential restitution of search fees going back to 2005
6	Resources	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
7	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
8	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
9	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
10	Resources	If fuel & energy price & usage continue to rise it will have major financial implications for the Council and impact on community
11	Neighbourhood Services	If Local Authority schools choose not to take our services, 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.
12	Neighbourhood Services	Failure to effectively support events organised by the Council or taking place on Council land.

	Service	Risk
13	Resources	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
14	Resources	Collection Fund and Debtors collection rates do not reach target set for 2012/13
15	Neighbourhood Services	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
16	Resources	Major Interruption to IT Service Delivery
17	Adults, Wellbeing & Health	Potential for the Police Reforms to weaken the ability of the Council and its partners to cut crime and anti-social behaviour
18	ACE	The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes
19	Resources	Delays in processing both new and changes to benefit claims.
20	Resources	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
21	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
22	ACE	Failure to consider equality implications of decisions on communities leading to discrimination/not promoting equality of opportunity
23	Adults, Wellbeing & Health	Work Related Stress – STAFF
24	Neighbourhood Services	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
25	Neighbourhood Services	The performance of building services does not improve to make them more competitive.
26	Neighbourhood Services	The Alternate Weekly Collection project is not delivered to programme.
27	Adults, Wellbeing & Health/ CYPs	Merger of Children/Adults Services
28	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues

Altogether Safer

	Service	Risk
29	RED	Disused unmaintained Coal Authority mine workings on DCC land may result in serious injury/financial claims against the Council
30	Adults, Wellbeing & Health	A service failure of Safeguarding leads to death or serious harm to a service user.
31	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue) – CYPS
32	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
33	Neighbourhood Services	Damage to Highways assets as a result of a severe weather event.
34	Adults, Wellbeing & Health	Violence and Aggression Staff
35	Adults, Wellbeing & Health	Unauthorised encampment
36	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Greener

	Service	Risk
37	Neighbourhood Services	Failure to identify and effectively regulate Contaminated Land
38	Neighbourhood Services	Failure to effectively deliver the proposed Waste Management Solution.

Altogether Healthier

	Service	Risk
39	Adults, Wellbeing & Health	A deterioration in public health services resulting from the transfer of public health responsibilities to the LA and the impact of future funding proposals
40	Adults, Wellbeing & Health	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
41	Adults, Wellbeing & Health	Increased cost to the authority from revision to "Ordinary residence" guidance
42	Adults, Wellbeing & Health	Management and administration of service users medications

Altogether Better for Children and Young People

	Service	Risk
43	CYPS	Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required
44	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together
45	RED	Employment Services for young people (18-24 year olds) are under resourced and unco-ordinated between service groups.

Altogether Wealthier

	Service	Risk
46	RED	The CDP may fail to narrow inequality and deprivation gaps due to the loss of Area Based Grant funding
47	Neighbourhood Services	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken.
48	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.
49	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
50	RED	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.