

## **Audit Committee**

**22 November 2012**

### **Strategic Risk Management Progress Report for the Quarter period July to September 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 July to September 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 30 September 2012, there were 51 strategic risks, one more than at the end of the previous period on 30 June 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;
  - Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals;
  - Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken;
  - 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;
- Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
- County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation;
- Potential restitution of search fees going back to 2005;
- Failure to agree an accurate baseline for the One Point service pooled budget with CDDFT results in a service overspend.

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 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 ;
  - Libraries Strategy;
  - Local Council Tax Support Scheme;
  - Planning Computer System;
  - ResourceLink Computer System;
  - Revenues and Benefits Service Improvement;
  - School Meals Procurement;
  - Stock Options Appraisal for Housing;
  - Thornley Multi-Use Community Centre;
  - Welfare Reforms – Community Resilience;
  - Welfare Reforms – Housing Provision;
  - Welfare Reforms – Social Care Fund.

### **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.

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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 30 September 2012, there were 51 strategic risks, one more than at the end of the previous period at 30 June 2012.

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

### Overall number of Strategic Risks as at 30 September 2012.

Impact					
Critical	1 (1)	3 (3)	4 (4)		
Major		3 (3)	5 (5)	4 (4)	
Moderate		3 (4)	14 (13)	4 (5)	2 (2)
Minor			3 (3)	3 (2)	2 (1)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

#### 1 Beneficial outcomes

- Effective management of risks by Services has contributed to the successful delivery of several projects, including: Revenues & Benefits Computer Systems Consolidation; Durham Crematorium Redevelopment; New Lea Childrens Home (New Build); Glendene School and Community Arts College (BSF); HR Unitisation.
- The likelihood of the risk "*Industrial Action will adversely impact Service delivery*" has reduced from Highly Probable to Possible, and is no longer considered a Key risk to the Council. **(RES)**

## 2 Significant New and Increased Risks

Six new risks have been identified this quarter:

- *“Contamination of material collected from kerbside from Alternate Weekly Collection scheme is having a negative impact on income (MTFP implications) and may reduce availability of recycling outlets”*. A significant amount of contaminated waste is currently being generated from the new scheme. Actions are in place which, once complete, should mitigate the risk to a more manageable level. **(NS)**
- *“Medium Term Financial Plan forecasts relating to the impact of the Local Council Tax Support Scheme and the Business Rate Retention on the Council’s budget prove to be detrimentally inaccurate”*. Continuous, prudent forecasting is being undertaken with regular updates to CMT and Cabinet. **(RES)**
- *“Failure to agree an accurate baseline for the One Point service pooled budget with County Durham and Darlington Foundation Trust (CDDFT) results in a Service overspend”*. Negotiations are underway to seek additional payment from the CDDFT during 2012/13. **(CAS)**
- *“County Durham & Darlington Foundation Trust efficiency requirements undermine service management & delivery in the One Point service”*. Reductions are being planned through the Integrated Services Programme Board. **(CAS)**
- *“Due to a combination of school funding reforms and LACSEG reductions arising from Academy conversions, several centrally managed services for children and young people (C&YP) may become unviable, resulting in the Council being unable to help C&YP achieve to their potential and make a positive contribution”*. Reviews of major areas of the service are underway to ensure they become “cost neutral” to the Council. **(CAS)**
- *“School funding Reforms introduced by DfE requires a significant change to the current methodology for allocating funding to schools in 2013/14, with more significant changes planned from 2015/16 under a funding national formula, which may lead to significant funding reductions for some schools should the current Minimum Funding Guarantee mechanism cease, resulting in failure to meet the Council’s objective of helping C&YP to achieve to their potential and make a positive contribution”*. The Schools Forum and individual schools are being consulted on the potential impacts of the changes. **(CAS)**

## 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.

- *“The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes”*. The risk has reduced to an acceptable level. **(ACE)**

- *“Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues”*. The risk has reduced to an acceptable level. **(ACE)**
- *“Alternate Weekly Collection project is not delivered to programme”*. The delivery of the recycling bins has been successfully implemented. **(NS)**
- *“Delays in processing both new and changes to benefit claims”*. The backlog has now been reduced to an acceptable level. **(RES)**
- *“If fuel & energy price & usage continue to rise it will have major financial implications for the Council and impact on community”*. Measures have been taken to reduce the impact and likelihood of the risk occurring. **(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'.

<b>Impact</b>					
Critical			<b>Risks 1, 2, 3, 4</b>		
Major				<b>Risks 5, 6, 7, 8</b>	
Moderate					<b>Risk 9, 10</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: Don 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: Joanne Waller	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	All sites will be inspected in two phases by 31/10/2012 and 31/3/2013 respectively.		The arrangements will be well established by March 2013, by when we will have reduced the risk to an acceptable level.
3	CAS Risk Owner: Rachael Shimmin	Altogether Healthier	Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals	Critical	Possible	Negotiations are ongoing with the NHS on various issues, including information governance, commissioning and staff transfers.		The transfer will be completed by 1 April 2013.
4	NS Risk Owner: Terry Collins	Altogether Wealthier	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken	Critical	Possible	Funds will be allocated in future budgets for the design and undertaking of 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.
5	RES Risk Owner: Don 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 a thorough examination of the Government's "red book" plans is in place.  Early engagement with Cabinet and a timetable of key milestone dates will be agreed.		This is related to key risk 1 above.

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: Don McLure	Altogether Better Council	The Council may be liable to legal challenge if a single status agreement is not implemented in full.	Major	Probable	Outcomes should be implemented by the end of 2012, subject to ongoing, formal negotiations with Trade Unions.		The project to bring this risk to an acceptable level should be completed by December 2012.
7	RES Risk Owner: Don 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
8	RED Risk Owner: Andy Palmer	Altogether Wealthier	County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation	Major	Probable	Performance measures will be developed and implemented.		An action plan for CDP is in place. This will remain a significant risk for at least the next 4 years.
9	RES Risk Owner: Colette Longbottom	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	CAS Risk Owner: Carole Payne	Altogether Better for Children and Young People	Failure to agree an accurate baseline for the One Point service pooled budget with the County Durham & Darlington Foundation Trust results in a service overspend	Moderate	Highly Probable	Ongoing negotiations with CDDFT-PCT to secure additional payment this year.		All mitigating actions will be complete by the end of March 2013.

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

Based on the **Net** risk assessment as at 30 September 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**

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
1	Resources	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
2	Resources	The Council may be liable to legal challenge if a single status agreement is not implemented in full.
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	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
8	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
9	Neighbourhood Service	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.
10	Neighbourhood Service	Failure to effectively support events organised by the Council or taking place on Council land.
11	Resources	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
12	Resources	Industrial Action will adversely impact service delivery

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
13	Resources	Collection Fund and Debtors collection rates do not reach target set for 2012/13
14	Neighbourhood Service	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
15	Resources	Major Interruption to IT Service Delivery
16	CAS	Potential for the Police Reforms to weaken the ability of the Council and its partners to cut crime and anti-social behaviour
17	Resources	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
18	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
19	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
20	Neighbourhood Service	Contamination of material collected from kerbside from Alternate Weekly Collection scheme is having a negative impact on income (MTFP implications) and may reduce availability of recycling outlets.
21	CAS	Work Related Stress – STAFF
22	Neighbourhood Service	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
23	Resources	Medium Term Financial Plan forecasts relating to the impact of the Local Council Tax Support Scheme and the Business Rate Retention on the Council's budget prove to be detrimentally inaccurate.
24	Neighbourhood Service	The performance of building services does not improve to make them more competitive.
25	CAS	Merger of Children/Adults Services

### Altogether Safer

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

### Altogether Greener

	Service	Risk
34	Neighbourhood Service	Failure to identify and effectively regulate Contaminated Land
35	Neighbourhood Service	Failure to effectively deliver the proposed Waste Management Solution.

### Altogether Healthier

	Service	Risk
36	CAS	Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals
37	CAS	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
38	CAS	Increased cost to the authority from revision to "Ordinary residence" guidance
39	CAS	Management and administration of service users medications

### Altogether Better for Children and Young People

	Service	Risk
40	CAS	Failure to agree an accurate baseline for the One Point service pooled budget with CDDFT results in a service overspend
41	CAS	Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required
42	CAS	Children/families experience a lack of interface between services for children & adults as a result of failure to work together
43	CAS	County Durham & Darlington Foundation Trust efficiency requirements undermine service management & delivery in the One Point service
44	RED	Employment Services for young people (18-24 year olds) are under resourced and unco-ordinated between service groups.
45	CAS	Due to a combination of school funding reforms and LACSEG reductions arising from Academy conversions, several centrally managed services for children and young people (C&YP) may become unviable, resulting in the Council being unable to help C&YP achieve to their potential and make a positive contribution.
46	CAS	School funding Reforms introduced by DfE requires a significant change to the current methodology for allocating funding to schools in 2013/14, with more significant changes planned from 2015/16 under a funding national formula, which may lead to significant funding reductions for some schools should the current Minimum Funding Guarantee mechanism cease, resulting in failure to meet the Council's objective of helping C&YP to achieve to their potential and make a positive contribution.

## Altogether Wealthier

	<b>Service</b>	<b>Risk</b>
47	RED	County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation.
48	Neighbourhood Services	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken
49	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.
50	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
51	RED	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.

