

Audit Committee

21 February 2013

Strategic Risk Management Progress Report for the Quarter period October to December 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 October to December 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 December 2012, there were 44 strategic risks, which is a decrease of seven from the previous period on 30 September 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;
 - Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
 - Damage to Highways assets as a result of a severe weather event;
 - Government budget plans to cut Local Government funding further for 2015/16 and 2017/18 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on;

- Potential restitution of search fees going back to 2005;
- School funding reforms & LACSEG reductions threaten viability of some centrally managed services for children and young people.

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 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;
 - Carbon Reduction;
 - Community Buildings;
 - Crook Depot Construction;
 - County Durham Plan;
 - Customer Centric;
 - Financial Management Computer System;
 - Library Strategy;
 - Local Council Tax Support Scheme;
 - Planning Computer System;
 - Revenues and Benefits Computer System, Phase 2;
 - School Meals Procurement;
 - South Hetton Primary School;
 - Stock Options Appraisal for Housing;
 - Welfare Reform.

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.

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 31st December 2012, there were 44 strategic risks, a decrease of seven from the number of risks at the end of the previous period at 30 September 2012.

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

Overall number of Strategic Risks as at 31 December 2012.

Impact					
Critical	1 (1)	2 (3)	3 (4)		
Major		3 (3)	4 (5)	1 (4)	2 (0)
Moderate		2 (3)	13 (14)	5 (4)	2 (2)
Minor			3 (3)	2 (3)	1 (2)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Beneficial outcomes

- Although demand for services remains high, improved gate-keeping and more effective preventative services has contributed to a position where the number of Looked After Children is now fairly static after a period of increases. This has resulted in the risk of *“Failure to meet escalating costs of external and high-cost placements for looked after children effectively where highly-specialised provision is required”* reducing. **(CAS)**
- The implementation of a number of mitigating control measures, including embedding the events management protocol, has resulted in the risk of *“Failure to effectively support events organised by the*

Council or taking place on Council land" no longer being considered a strategic risk. **(NS)**

2 Significant New and Increased Risks

Two new risks have been identified this quarter:

- *"Risk that the Council does not respond to the Government's changes to Welfare Reform"*. This is an overarching risk, summarising the implications of the Government's Welfare Reforms. **(ACE)**
- *"Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues"*, as the asset transfer process is taking longer than expected, resulting in potential delays. **(ACE)**

Significant risks which have increased during the quarter are:

- *"Potential claw-back from MMI (former insurers) under the Scheme of Arrangement"*. Confirmation was received from the MMI board that the scheme has been invoked although the amount of claw-back required will not be known until March 2013. The likelihood of this risk has been increased to Highly Probable. **(RES)**
- *"Damage to highway assets as a result of severe weather event"*. Due to the several flooding incidents this year the net score of this risk has increased to a major impact, with the likelihood of it occurring increasing to highly probable. **(NS)**

3 Removed Risks

The following nine 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.

- *'County Durham Economic Partnership fails to narrow the deprivation gap within County Durham due to reductions in public expenditure and social programmes, reduced employment opportunities and the changes in Welfare Reform legislation'* is no longer a strategic risk. **(RED)**
- *'Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals'* is no longer a strategic risk as an improved funding settlement has now been approved. **(CAS)**
- *"East Durham Homes additional Government funding is not forthcoming due to Government cut backs"* is no longer a strategic risk as funding has now been approved. **(RED)**
- *"Limited knowledge and/or use of the DEBS live system by some budget holders could adversely impact on service delivery and financial performance in Neighbourhood Service"*. This is now being dealt with by Management Team as a business-as-usual issue, and is no longer considered a strategic risk. **(NS)**

- *“Failure to effectively support events organised by the Council or taking place on Council land”*. All control measures are now in place and the Events Management protocol is now embedded. **(NS)**
- *“The performance of building services e.g. Design, Repairs & Maintenance, Construction, Asset Management & Facilities Management does not improve to make the service more competitive”*. All mitigating actions have been completed which has reduced the net impact and likelihood of this risk occurring. **(NS)**
- *“The Council may be liable to legal challenge if a single status agreement is not implemented in full”* is no longer a strategic risk, as agreement has now been reached on the single status framework. **(RES)**
- The risk *“Failure to agree an accurate baseline for the One Point service pooled budget with CDDFT results in a service overspend”* has been removed as the budget split between the Council and CDDFT has now been addressed, and the potential overspend will not occur in 2012/13. However, the risk will return because of the need to achieve £230,000 of savings from within the One Point service over and above the Council’s MTFP requirements and the target savings required by CDDFT that are yet to be finalised. **(CAS)**
- The risk of *“Changes to school funding allocation methodology threaten significant funding reductions for some schools”* is no longer considered a strategic risk, as mitigating actions have been implemented. **(CAS)**

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		
Major				Risk 6	Risks 4 & 5
Moderate					Risks 7 & 8
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: 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 identified for inclusion within the annual programme for 2013 will be inspected as from January 2013.		July 2013
3	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.		
4	RES Risk Owner: Don McLure	Altogether Better Council	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)	Major	Highly Probable	The cost of any clawback will be met from the Insurance Reserve.	Likelihood increased	The scheme of arrangement has been invoked. Decision on amount of clawback required due by March 2013.
5	NS Risk Owner John Reed	Altogether Safer	Damage to Highways assets as a result of a severe weather event.	Major	Highly Probable	A revised inspection and maintenance regime to be implemented.	Impact and Likelihood increased	Mitigating actions should be in place by 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
6	RES Risk Owner: Don McLure	Altogether Better Council	Government budget plans to cut Local Government funding further for 2015/ 16 and 2017/ 18 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers	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 2 above.
7	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
8	CAS Risk Owner Caroline O'Neill	Altogether Better for Children and Young People	School funding reforms & LACSEG reductions threaten viability of some centrally managed services for children and young people	Moderate	Highly Probable	Reviews of major areas of the service are underway.		Mitigating actions should be in place by April 2013.

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

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

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	Resources	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
2	Resources	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
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 restitution of search fees going back to 2005
5	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO.
6	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
8	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.
9	NS	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.
10	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
11	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues
12	Resources	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
13	Resources	Industrial Action will adversely impact service delivery
14	Resources	Collection Fund and Debtors collection rates do not reach target set for 2012/13
15	Resources	Major Interruption to IT Service Delivery

Ref	Service	Risk
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	CAS	Work Related Stress – STAFF
21	NS	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
22	Resources	Inaccurate forecasts relating to the impact of Council Tax Support Scheme and Business Rate Retention.
23	CAS	Merger of Children/Adults Services

Altogether Safer

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

Altogether Greener

	Service	Risk
32	NS	Failure to identify and effectively regulate Contaminated Land
33	NS	Failure to effectively deliver the proposed Waste Management Solution.

Altogether Healthier

	Service	Risk
34	CAS	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
35	CAS	Increased cost to the authority from revision to "Ordinary residence" guidance
36	CAS	Management and administration of service users medications

Altogether Better for Children and Young People

	Service	Risk
37	CAS	School funding reforms & LACSEG reductions threaten viability of some centrally managed services for children and young people
38	CAS	Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required
39	CAS	Children/families experience a lack of interface between services for children & adults as a result of failure to work together
40	CAS	County Durham & Darlington Foundation Trust efficiency requirements undermine service management & delivery in the One Point service
41	RED	Employment Services for young people (18-24 year olds) are under resourced and unco-ordinated between service groups.

Altogether Wealthier

	Service	Risk
42	NS	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken
43	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.
44	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.

