

Audit Committee

29 July 2013

Strategic Risk Management Progress Report for the Quarter period April to June 2013



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 2013.

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 Cabinet Portfolio Holder for Corporate Services 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 2013, there were 38 strategic risks, which is a decrease of one from the previous period on 31st March 2013. In summary, the key risks to the Council are:
 - Government ongoing funding cuts which now extend to at least 2017/ 18 will continue to have an increasing major impact on all Council services;
 - 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;
 - Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
 - 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;
 - If proposed funding reforms are implemented, the Council may have a major funding shortfall for Post 16 High Needs Placements.

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 30th June 2013.
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 and giving critical feedback on risk management documentation and procedures.
 - Council Website
 - Customer First Strategy

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: 03000 269648

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 Cabinet Portfolio Holder for Corporate Services 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 30th June 2013, there were 38 strategic risks, a decrease of one from the number of risks at the end of the previous period at 31st March 2013.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 30th June 2013. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 31st March 2013 is highlighted in brackets.

Overall number of Strategic Risks as at 30th June 2013

Impact					
Critical	2 (1)	2 (2)	2 (3)	0 (1)	
Major		3 (3)	3 (4)	1 (1)	1 (2)
Moderate		2 (2)	11 (11)	5 (4)	3 (3)
Minor			1 (0)	2 (2)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Significant New and Increased Risks

No new risks have been identified this quarter.

3 Removed and Reduced Risks

Now that the transition period is complete, the risk of '*Failure to develop the proposed Waste Management Solution*' is considered by Neighbourhoods Management Team to have been reduced to an acceptable level, and has therefore been removed from the strategic risk register.

Two significant risks which have reduced during the quarter are:

- *‘Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken’.* Although this would still have a critical impact if it occurred, the likelihood of it occurring is now considered remote;
- The impact of the risk of *‘Damage to Highways assets as a result of a severe weather event’* has been reduced to moderate, and management now consider it possible that this risk will occur.

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 and 3		
Major				Risk 2	Risk 4
Moderate					Risks 5, 6 and 7
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	RES Risk Owner: Don McLure	Altogether Better Council	Government ongoing funding cuts which now extend to at least 2017/ 18 will continue to have an increasing major impact on all Council services.	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, so that this risk will be managed and mitigated to best effect.		This is related to key risk 1 above.
3	NS Risk Owner: Joanne Waller	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	All sites inspected in two phases by 31/10/2012 and 31/3/2013 respectively will be confirmed by a more detailed external review by July 2013.		Two phases of inspection now complete. Budget allocated to fund 2013/14 inspection programme.
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.		A levy of 15% will be charged on all claims previously paid by MMI, meaning that at some point during 2013/14, we will be expected to pay approximately £815,000 to MMI. As this is not a solvent run-off of MMI, we are likely to be required to pay additional levy contributions in future years

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
5	RES 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
6	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.		Staffing structures reviewed to take account of reductions in 2013/14. However, this risk will persist for 2014/15, depending upon school spending decisions on SLA offers.
7	CAS Risk Owner Caroline O'Neill	Altogether Better for Children and Young People	If proposed funding reforms are implemented, the Council may have a major funding shortfall for Post 16 High Needs Placements	Moderate	Highly Probable	The Education Funding Agency (EFA) has agreed some additional funding but has been unable to quantify the amount. The eligibility threshold for Post-16 High Needs Learners will be reviewed.		The EFA has provided details of additional funding but there remains a substantial shortfall, equivalent to 75 students. Project Group established to review eligibility thresholds.

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

Based on the **Net** risk assessment as at 30th June 2013, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
2	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues
3	Resources	Government ongoing funding cuts which now extend to at least 2017/ 18 will continue to have an increasing major impact on all Council services.
4	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
5	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
6	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.
7	Resources	Major Interruption to IT Service Delivery
8	NS	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.
9	Resources	Industrial Action will adversely impact service delivery
10	Resources	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
11	NS	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
12	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
13	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation

Ref	Service	Risk
14	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
15	Resources	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
16	Resources	Potential restitution of search fees going back to 2005
17	Resources	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
18	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.
19	Resources	National Non-Domestic Rates and Council Tax collection rates do not reach target set for 2013/ 14
20	Resources	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.

Altogether Better for Children and Young People

	Service	Risk
21	CAS	If proposed funding reforms are implemented, the Council may have a major funding shortfall for Post 16 High Needs Placements
22	CAS	School funding reforms & LACSEG reductions threaten viability of some centrally managed services for children and young people
23	CAS	Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required
24	CAS	Children/families experience a lack of interface between services for children & adults as a result of failure to work together
25	RED	Employment Services for young people (18-24 year olds) are under resourced and unco-ordinated between service groups.

Altogether Safer

	Service	Risk
26	CAS	Unauthorised encampment
27	CAS	A service failure of Adult 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	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)
30	NS	Lack of asbestos management plans in the former District Council Buildings.
31	RED	Disused unmaintained Coal Authority mine workings on DCC land may result in serious injury/financial claims against the Council
32	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
33	NS	Damage to Highways assets as a result of a severe weather event.
34	CAS	Violence and Aggression Staff

Altogether Wealthier

	Service	Risk
35	NS	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken
36	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
37	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.

Altogether Greener

	Service	Risk
38	NS	Failure to identify and effectively regulate Contaminated Land

Altogether Healthier

There are no strategic risks to achieving the objectives of the Altogether Healthier corporate theme.