Audit Committee

26 May 2011

The Work of Corporate Risk Management April 2010 – March 2011

Durham
County Council

Report of Corporate Management Team

Don McLure, Corporate Director, Resources

Purpose of the Report

1. The purpose of this report is to demonstrate the effectiveness of risk management across the Council during the year April 2010 to March 2011, focusing in particular on the management of risks by the Services, and the effectiveness of the Corporate Risk Management Group (CRMG) in supporting Services in their management of risk. It also provides evidence to support the Annual Governance Statement.

Background

2. Each Corporate Director has a designated member of staff (the 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). Risks are assessed and managed at both a service and corporate level. 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 circumstances to gross risk), which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

Risk Management Strategy and Policy

4. CRMG have undertaken their annual review of the Council's Risk Management Strategy and Policy, and concluded that no revisions are required for 2011/ 12.

Changes in number of risks from April 2010

5. As at 31 March 2011, there were 79 corporate and service strategic risks, a decrease of 66 from the previous year end at 31 March 2010.

Summary of risk changes in 2010/11

6. These are covered in the appendices to this report:

➢ Appendix 3 highlights achievements made by Services during the year, which demonstrate how effective risk management is contributing to the Council's operations.
➢ Appendix 4 highlights improvements to the risk management framework in 2010/ 11.
➢ Appendix 5 highlights planned improvements to the risk management framework in 2011/ 12.
➢ Appendix 6 highlights the performance of risk management during the year.

Recommendation

Audit Committee to confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework.

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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.

Equality and Diversity - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – None.

Appendix 2: Risk Management Framework

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 member of staff (the Service Risk Manager) to lead on risk management at a Service Grouping level, and act as a first point of contact for staff who may require any advice or guidance on risk management.

Collectively, the Risk Champions, Service Risk Managers and the Risk and Governance Manager meet together as the Council's Corporate Risk Management Group. This group monitors the progress of risk management across the Council, advises on corporate and strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees arrangements for reporting and awareness training.

One of the key roles of the Audit Committee is to monitor the effective development and operation of risk management and overall corporate governance in the Council.

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 their respective Cabinet Member.

Appendix 3: Achievements in 2010-11

Examples of risk management arrangements contributing to improved performance across the Council in 2010/ 11

Following the Comprehensive Spending Review (CSR) in October 2010, and confirmation of our financial settlement on 31 January 2011 on the level of central government settlement we will receive for 2011/12 and 2012/13, the challenges facing the Council should not be underestimated. The fact that we have experienced no significant crisis as well as responding to additional challenges such as the economic recession is a testament to the Council's effective management of the risks involved.   Implementation of additional mitigation has enabled Service management to reduce or remove the following key risks and contribute to improved performance and decision-making across the Council:

➢ The significant amount of work completed during the year has enabled the risk that '*The Council may be liable to legal challenge if a single status agreement is not implemented in full'* to be successfully managed.

➢ The successful implementation of an events management team has reduced the likelihood of the risk '*Failure to effectively support events organised by the Council or taking place on Council land'* occurring.

➢ The likelihood of the risk '*Uncertain position regarding physical condition, Health and Safety and the Disability Discrimination Act requirements and management practices around Community Buildings'* has reduced, as the programme is now well underway.

➢ Engaging the public and media regarding reduced funding in deprived areas has enabled the risk of '*Inability to raise capital to complete area based renewal in priority areas'* to be successfully managed.

➢ As funding has been built into the 2011/12 budget to enable some inspections of contaminated land to take place, the likelihood of '*Failure to identify and regulate Contaminated Land'* has reduced. This has improved the safety of the public, and reduced the likelihood of the Council being fined.

➢ The Council provided a winter maintenance service for County Durham set against a backdrop of a national salt shortage. Assessment of the risks associated with reduced reserves of salt helped inform management to decide actions to reduce the impacts on isolated rural communities and prevented an increase in the number of accidents.   Moreover, the measures undertaken to address the *'Damage to highway assets as a result of a severe weather event'* have reduced the likelihood of claims succeeding against the Council.

➢ As a significant amount of work has now been completed, the risk of *'Policies such as Equality and Diversity, and Sustainability not being harmonised within adequate timescale,'* is no longer considered a risk.

➢ *'Loss of external funding to Housing Solutions will have an adverse impact on the ability to deliver statutory services'.* This is no longer considered a risk as funding has been secured for Housing Solutions until 2015 and for the Family Intervention Project until 2012.

➢ **'**Inability to deliver essential Telecare Services to vulnerable people due to lack of funding'**.* This is no longer considered a risk as funding has been retained to enable delivery of this service until March 2012.

➢ The risk of '*Harmonisation of Care Connect service provision could lead to customer dissatisfaction'* will now be monitored at Service level, as the harmonisation of fees has now been completed and is going out to consultation with service users.

➢ The risk of *'Failure to achieve Waste Recycling/Waste Minimisation Targets'* is no longer considered a strategic risk as all mitigating actions have been completed, and management now consider existing controls to be adequate. This will demonstrate to the public and central government the Council's commitment to sustainability, and will keep any costs incurred under LATS to a minimum.

➢ The successful re-negotiation of the Independent Sector Residential Homes contract has reduced the likelihood of the "*Inability to manage markets for the delivery of Adult Social care*" risk.

➢ All Council properties known to Technical Services have been properly risk assessed for hazardous substances and where necessary treated to ensure compliance with Health and Safety legislation.

➢ A number of projects with proactive risk management arrangements have been successfully implemented.

➢ The Final Strategic Housing Inspection Report noted the Strategic Housing approach to risk and highlighted a number of examples which were positive in relation to our overall approach to risk management, concluding that risks were managed effectively.

Significant New or Increased Risks

➢ *'If the programme of savings is not successfully delivered, then the MTFP targets will not be achieved'.* This corporate strategic risk is underpinned by the assessment of the key risks associated with each efficiency proposal by Services.

➢ Other significant new risks identified include:

- *The 'Potential financial, operational and reputational risks arising from proposed NHS Reforms';*

- *The 'Potential failure in the external care provider market resulting in the closure of residential care homes';*

- *'If Disused mine workings of the Coal Authority on DCC land are not effectively managed, this could result in serious injury or financial claims against the Council';*

- *'Insufficient number of adequately skilled staff to maintain the expected level of services'.*

➢ The Net impact and likelihood of the risk of '*The loss of ABG funding results in the County Durham Economic Partnership failing to narrow inequality and deprivation gaps'* has increased significantly due to the removal of ABG funds.

➢ The Net impact of the risk of '*Private housing stock condition worsens with adverse implications for the local economy, health and neighbourhood sustainability'* has increased.

Appendix 4: Improvements to the Risk Management Framework in 2010/ 11

The main improvements to the risk management framework in 2010/ 11 were:

➢ Implemented a framework to review the effectiveness and performance of risk management. This includes performance measures for risk management, which have been identified to help us demonstrate whether risk management is supporting the Council, and its partnerships, in delivering successful outcomes.

➢ Delivered training courses to Cabinet members and to Tier 4 officers.

➢ Reviewed content and style of reporting to the CRMG, CMT and the Audit Committee.

➢ Improved the level of support and advice on managing risk in significant projects.

➢ Provided support and advice to Parish Councils and the Durham Police Authority in their risk management arrangements.

➢ Developed and piloted a process for risk management of procurement contracts.

Appendix 5: Planned Improvements to the Risk Management Framework in 2011/ 12

Following the restructure of the Internal Audit and risk management section, the risk management team was reduced from three risk officers to two as at 31 March 2011.

Inevitably, this will mean that there will be less resource in the risk management team to provide support and advice to the Council and some partner organisations on risk management, and during the annual review of corporate governance arrangements.

The longer term aim has always been to embed risk management within Services to a degree where they identify and manage their own risks, and gain assurance over their governance arrangements, with minimal support from the corporate centre. Therefore, with reduced resources, the workload of corporate risk management will be refocused to provide less support to Services on their corporate and service strategic risks, and focus more on developing risk management arrangements in other parts of the Council's operations, such as projects, procurements, funding bids and supply chains, and narrowing the scope of our corporate governance work. Clearly, this will require a culture of service managers taking greater responsibility and accountability for managing risk and controls, and providing assurance, through the implementation of control risk self assessment (CRSA) at an operational level.   Internal Audit staff will work with Service managers to develop CRSA through their annual programmes of assurance reviews.

With this in mind, the key improvements to risk management that we propose to implement in 2011/ 12 include:

➢ Develop processes that:
  • enable effective risk management of suppliers/ providers and bids for funding.
  • effectively highlight opportunities raised by managing risk.
  • enable effective reporting of incidents, failures and financial losses to the CRMG.

➢ Develop an external facing website for risk management.

➢ Support the Voluntary and Community sector and Schools to establish effective risk management arrangements.

➢ Improve risk management links into the budget setting cycle.

➢ Develop computer-based training of risk management.

Progress on implementing these improvements will be monitored by the CRMG.

Appendix 6: Performance of Risk Management during 2010/ 11

An independent review of our risk management arrangements, by Zurich Municipal, took place in January 2011, and the general conclusion of the review was that 'the risk management approach and process used within the Council is mature and well established. Officers do gain benefit from the process and the support of the risk management team, and others, in managing their significant risks. Almost universally, and without prompting, the process and support received is described in positive terms'.

During 2010/11, CRMG implemented a framework to review the effectiveness and performance of risk management.   This includes self-assessment, highlighting successful outcomes achieved from managing individual risks, and performance measures for risk management, which have been identified to help us demonstrate whether risk management is supporting the Council, and its partnerships, in delivering successful outcomes. These are an initial set of measures, which we will need to refine over time. As they have only recently been measured, the following table reports on performance for quarters 3 and 4. In future, we will report performance for the full year in the annual report.

Objective: To demonstrate that risks are being effectively managed				
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**	**Q3 Actual**	**Q4 Actual**
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (Quarterly)	100%	100%
Risk mitigation is being implemented as planned	Risk actions implemented within target date	75% (Quarterly)	100%	89%
Risks are being effectively managed	Number of risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	11	5
To provide informed decision making	Key decisions reports with a risk assessment	100% (Quarterly)	100%	100%
The delivery of Council services via Significant partnerships is effectively risk managed	Significant partnerships with joint risk management arrangements in place within 6 months of being established	90% (Quarterly)	Partnership governance under review	

Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**	**Q3 Actual**	**Q4 Actual**
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course within 6 months of commencing employment	75% (Quarterly)	Not achieved – training has been delivered to 45 officers in Quarter 4 - working with Officer and Member risk champions to address this	
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course within 6 months of commencing employment	50% (Quarterly)		
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75% (Quarterly)		

Objective: To ensure that the risk management service is effective and adding value				
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**	**Q3 Actual**	**Q4 Actual**
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance	N/A for this quarter	N/A for this quarter
Planned improvements in risk management are being implemented	Tasks in Risk Management Improvement plan are achieved within target date	80% (Quarterly)	66%	70%