

Audit Committee

28 November 2013

Strategic Risk Management Progress Report for the Quarter period July to September 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 July to September 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 30 September 2013, there were 37 strategic risks, one less than the number as at 30 June 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.
 - If there was to be slippage in delivery of the agreed MTFP savings projects this will require further savings to be made from other areas, which may result in further service reductions and job losses.
 - If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.

- If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk, for example, Revenues and Benefits.
- If Local Authority Schools and other Local Authority services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business.
- Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.
- New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements.
- Potential restitution of search fee income going back to 2005.
- School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 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 30 September 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.

Recommendations and reasons

7. 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

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 30 September 2013, there were 37 strategic risks, one less than the number as at 30 June 2013.

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

Overall number of Strategic Risks as at 30 September 2013

Impact					
Critical	2 (2)	1 (2)	3 (2)		
Major		3 (3)	3 (3)	2 (1)	1 (1)
Moderate		1 (2)	10 (11)	6 (5)	3 (3)
Minor			0 (1)	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

Four new risks have been identified this quarter:

- *'If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk'*, for example, Revenues and Benefits. Failure to be compliant can result in the authority being disconnected from the PSN, resulting in loss of access to key systems and services. Should this happen, the PSN Authority have plans to enable another local authority to take over the provision of these services until the failing authority becomes compliant. The resulting financial and reputational impact of being cut off from PSN would be significant. In May 2013, an ICT Health Check was carried out and a number of recommendations were made to bring DCC to a position of compliance. **(RES)**

- *'Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays'*. From April 2014, charges will be introduced for garden waste recycling. If the four corporate ICT systems are not integrated by then, there will be no system for receipting and accounting for payments. An implementation plan will be drafted. **(NS)**
- *'The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards'*. The condition of stock is expected to deteriorate as a result of increasingly demanding compliance requirements, aging stock and a reducing budget. A policy and strategy will be developed to effectively communicate what the Service will be able to offer. **(NS)**
- *'Serious breach of Health and Safety Legislation'*. This brings together a number of health and safety risks that were previously documented on the risk register. **(RES)**

One significant risk which has increased during the quarter is:

- *"If Local Authority Schools and other Local Authority services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business"*. The net impact increased from Moderate to Major as Council Services are putting Capital Programme work out to tender instead of passing the business to Technical and Building Services. Officers are actively engaging with clients to promote Council services. **(NS)**

2 Removed and Reduced Risks

Due to effective management by the Services, and the completion of all mitigating actions to reduce them to a level where management now consider existing controls to be adequate, the following risks have been removed from the register:

- *"Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)"*. **(RES)** This is no longer considered a significant risk as the 15% annual contribution has been agreed with the Scheme Administrators. Management will continue to monitor the situation in case the levy increases in future years.
- *"Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required"*. **(CAS)**
- *"Industrial Action will adversely impact service delivery"*. **(RES)**

3 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 2, 3, 4		
Major				Risks 5, 6	Risk 1
Moderate					Risks 7, 8, 9
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	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	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans. A further report on the spending round will be made to Cabinet in October 2013.	Net likelihood increased from Probable to Highly Probable	This will be a significant risk for at least the next four years
2	RES Risk Owner: Don McLure	Altogether Better Council	If there was to be slippage in delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and 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.
3	NS Risk Owner: Joanne Waller	Altogether Greener	If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.	Critical	Possible	All sites have been inspected and budget allocated to fund 2013/14 inspection programme.		December 2013
4	RES Risk Owner: Phil Jackman	Altogether Better Council	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk.	Critical	Possible	Servers that cannot be made compliant or effectively relocated will be switched off.	New risk	March 2014
5	NS Risk Owner: Oliver Sherratt	Altogether Better Council	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business.	Major	Probable	A draft booklet will be produced to promote Building Services ready for distribution throughout Council Services by the end of 2013.	Net impact increased from Moderate to Major	

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	NS Risk Owner: Terry Collins	Altogether Greener	Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.	Major	Probable	The exact ICT requirements and timescale to integrate the systems will be established by October 2013.	New risk	January 2014
7	CAS Risk Owner: Caroline O'Neill	Altogether Better for Children and Young People	New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements.	Moderate	Highly Probable	The Education Funding Agency (EFA) has agreed some additional funding.		The situation is being monitored and reported periodically to CAS MT.
8	RES Risk Owner: Colette Longbottom	Altogether Better Council	Potential restitution of search fee income 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
9	CAS Risk Owner: Caroline O'Neill	Altogether Better for Children and Young People	School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 threaten viability of some centrally managed services for children and young people.	Moderate	Highly Probable	Management continue to monitor this risk on an ongoing basis, and at this stage, no further actions are planned		

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

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

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	Government ongoing funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services
2	RES	If there was to be slippage in delivery of the agreed MTFP savings projects this will require further savings to be made from other areas, which may result in further service reductions and job losses
3	NS	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business
4	RES	Potential restitution of search fee income going back to 2005
5	RES	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk
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	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
9	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to Information Commissioner's Office
10	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
11	RES	National Non-Domestic Rates and Council Tax collection rates do not reach target set for 2013/ 14
12	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
13	RES	Major Interruption to IT Service Delivery
14	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
15	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
16	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues
17	RES	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 and 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	RES	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

Altogether Better for Children and Young People

	Service	Risk
21	CAS	New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements
22	CAS	School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 threaten viability of some centrally managed services for children and young people
23	CAS	Children and families experience a lack of interface between services for children and adults as a result of failure to work together
24	RED	Employment Services for young people (18-24 year olds) are under resourced and uncoordinated between service groups.

Altogether Safer

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

Altogether Wealthier

	Service	Risk
33	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
34	RED	Private housing stock condition worsens with adverse implications for local economy, health and neighbourhood sustainability.
35	NS	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken

Altogether Greener

	Service	Risk
36	NS	Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.
37	NS	If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.

Altogether Healthier

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