

Audit Committee

28 February 2014

Strategic Risk Management Progress Report for the Quarter period October to December 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 October to December 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 31 December 2013, there were 33 strategic risks, which is a net decrease of four from the previous period ending 30 September 2013. In summary, the key risks to the Council are:
 - If there was to be slippage in the 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.
 - 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 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.
 - Potential restitution of search fees going back to 2005.

- 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.

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 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 31 December 2013, there were 33 strategic risks, a net decrease of four from the number of risks at the end of the previous period at 30 September 2013.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 31 December 2013. To highlight changes to the number of risks since the last quarter period end, the number of risks as at 30 September 2013 is shown in brackets.

Overall number of Strategic Risks as at 31 December 2013

Impact					
Critical	2 (2)	1 (1)	2 (3)		1 (0)
Major		3 (3)	4 (3)	1 (3)	
Moderate		0 (1)	9 (10)	4 (6)	1 (3)
Minor				2 (2)	2 (0)
Insignificant					1 (0)
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Significant New and Increased Risks

One new risk has been identified this quarter:

- *'Following the proposed transfer of Housing Stock to an external organisation, the potential savings from downsizing / reduced costs of Services currently recharged to the Housing Revenue Account under a Service Level Agreement (SLA) may be less than the corresponding loss of income from the SLA, resulting in a budget shortfall' (RES).* This risk has been identified following the decision on Stock Options transfer following the recent consultation.

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:

- *'New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements'* (**CAS**). Following a review of allocations by the Education Funding Agency, this risk has been **removed**. Funding has been increased and the anticipated shortfall is now more than covered.
- *'Online payment collection system not in place in time to meet demand for payment of Garden Waste recycling charges'* (**NS**). This risk has been **removed** because ICT have implemented the online charging system which has been tested ready for the implementation.
- *'Lack of asbestos management plans in the former District Council Buildings'* (**NS**) has been **removed** as the majority of buildings have been inspected and have plans in place.
- *'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'* (**RES**). This risk has been **removed** because all mitigating actions have been completed reducing the net likelihood of the risk which will now be monitored at operational level.
- *'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.'* (**NS**). This risk has been **removed** because the risk is now occurring and will be monitored at operational level.
- *'School funding reforms & Dedicated Schools Grant reductions threaten viability of some centrally managed services for children and young people'* (**CAS**). The net impact has been **reduced** from Moderate to Minor to reflect the latest position on school funding.
- *'Failure to identify and effectively regulate Contaminated Land'* (**NS**). The net impact has been **reduced** from Critical to Major due to the evaluation of the top 10 sites now being completed. Eight of these 10 sites requires further consideration and at least two of these will require further investigation but once complete this risk should be managed at an operational level.
- *'Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues'* (**ACE**). The net impact has been reduced from Moderate to Insignificant and the net likelihood has increased from Possible to Highly Probable, leading to an overall **reduced** risk exposure. Although the planned delivery date will not be achieved for all buildings, the majority of social housing providers have been transferred and this has resulted in significant financial savings. The majority of remaining centres have received formal approval to progress

with asset transfer and the overall viability and sustainability of centres has been enhanced.

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			Risk 1, 5		Risk 2
Major				Risk 3	
Moderate					Risk 4
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	If there was to be slippage in the 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.
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.	Critical	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.		This will be a significant risk for at least the next 4 years.
3	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.		

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
4	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
5	RES Risk Owner: Phil Jackman	Altogether Better Council	If the Council is not fully compliant with the Government's Public Services Network Code of Connection criteria then 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.		May 2014

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

Based on the **Net** risk assessment as at 31 December 2013, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	If there was to be slippage in the 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.
2	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.
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 fees going back to 2005
5	RES	If the Council is not fully compliant with the Government's Public Services Network Code of Connection criteria then 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	RES	Following the proposed transfer of Housing Stock to an external organisation, the potential savings from downsizing / reduced costs of Services currently recharged to the Housing Revenue Account under a Service Level Agreement (SLA) may be less than the corresponding loss of income from the SLA, resulting in a budget shortfall.
10	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
11	RES	Business 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.

Ref	Service	Risk
13	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
14	RES	Major Interruption to IT Service Delivery
15	RES	Serious breach of Health and Safety Legislation
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 & policy changes leading to legal challenge and delays in implementation
19	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation

Altogether Better for Children and Young People

	Service	Risk
20	CAS	School funding reforms & Dedicated Schools Grant reductions threaten viability of some centrally managed services for children and young people.
21	CAS	Children/families experience a lack of interface between services for children & adults as a result of failure to work together
22	RED	Employment Services for young people (18-24 year olds) are uncoordinated between service groups.

Altogether Safer

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

Altogether Wealthier

	Service	Risk
30	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.
31	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
32	NS	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken

Altogether Greener

	Service	Risk
33	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.
