Audit Committee

28 July 2011

The Work of Corporate Risk Management in the Quarter period April – June 2011

Durham County Council

Report of Corporate Management Team

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Purpose of the Report

1. The purpose of this report is to highlight the strategic risks facing the Council, including the status of the corporate strategic risks, and to give an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period April to June 2011.

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.

Current status of the risks to the Council

4. As at 30 June 2011, there were 60 corporate and service strategic risks, a decrease of 23 from the previous period end at 31 March 2011. 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;

   ➤ The Council may be liable to legal challenge if a single status agreement is not implemented in full;

- ➢ Insufficient number of adequately skilled staff to maintain the expected level of services;

- ➢ The loss of Area Based Grant funding may result in the CDEP failing to narrow inequality and deprivation;

- ➢ Failure to identify and effectively regulate Contaminated Land;

- ➢ 'Delays in processing both new, and changes to, benefit claims'. Revenues and Benefits performance has deteriorated in recent months due to a number of factors causing delays in processing new claims and changes to existing claims. The key factors impacting upon performance are increasing caseload and the implementation of a new IT system. Although this risk is assessed lower than the other key risks, it will remain a high risk until the new IT system is fully implemented, which will not be until quarter 4 of 2011/12. Consequently, it is highlighted as a key risk for your attention.

Progress on addressing these key risks is detailed in Appendix 3.

5. Appendix 4 of this report lists all of the Council's corporate and service strategic risks as at 30 June 2011.

6. Management have identified and assessed these risks using a structured and systematic approach, and are 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.

Emerging Risks

7. The only issue highlighted during the quarter which has potential risk implications for the Council is the changes in the Agency Worker Regulations from October 2011, whereby agency workers in the UK will receive "equal treatment" compared to permanent staff after being employed for 12 weeks.

8. We have provided risk management support to major projects such as the Revenues and Benefits system implementation, Integrated Service Delivery and the Pay and Conditions project.

Recommendations and reasons

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.

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

To date within the Council, a large amount of work is being carried out 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 Corporate 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 require any advice or guidance on risk management.

Collectively, the Risk Champions, Service Risk Managers and the Corporate 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 corporate and 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: Corporate and Service Risks

Summary

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 June 2011, there were 60 corporate and service strategic risks, a decrease of 23 from the previous period end at 31 March 2011.

The following matrix summarises the total number of corporate and service strategic risks based on their Net risk assessment as at 30 June 2011. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 31 March 2011 is highlighted in brackets.

Overall number of Corporate and Service Risks as at 30 June 2011

Impact					
Critical	(1)	**3** (4)	**2** (3)		
Major	(1)	**5** (5)	**9** (7)	**3** (3)	
Moderate	(1)	**10** (14)	**18** (29)	**4** (4)	
Minor		**0** (3)	**5** (8)		
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Beneficial outcomes

Implementation of additional mitigation for the following risks has enabled the Council to improve performance, decision-making and governance:

➢ The successful transfer of Agresso systems to DeBS has mitigated the risk of '*Impact of delays in implementing the FMS Migration Project'*.

➢ As all Phase 3 Children's Centre Capital Build projects have now been successfully completed, the risk of a loss of funding and any residual costs falling on the Local Authority has been avoided.

➢ Further improvements to the Events Management process are enabling the risk of '*Failure to effectively support events organised by the Council or taking place on Council land'* to be managed at an acceptable level. In addition, draft procedures are currently out for consultation, and when approved, this will further mitigate this risk.

➢ The implementation of a new single ICT system and the development of training programmes has mitigated the risk of "*Failure to deliver an effective intervention regime across all regulatory functions delivered by the Environmental Health and Consumer Protection service, leading to an adverse impact on public health*" to an acceptable level.

➢ The risk of "*The Council's ICT being inadequate due to poor integration between ICT Services and the rest of the Council*" is no longer considered a risk. In particular, this is due to the effectiveness of the prioritisation process for ICT projects, and the ICT Liaison Group with cross-Council representation, which were established earlier in 2011.

➢ Continuous monitoring of the risk "*The corporate approach to managing procurement across the Council is not consistently applied*" has resulted in the risk being at an acceptable level for over a year, and is therefore no longer considered a risk.

➢ The introduction of a computerised committee management system has managed the risk "*Council loses challenges because of unlawful calling of meetings*" to an acceptable level.

➢ Negotiations between the Council and the two main bus operators (accounting for 90% of the cost to the Authority) has delivered a £0.5 million saving and has successfully mitigated the risk of "*Increases in concessionary fares"*.

➢ Implementation of additional mitigation has enabled Service management to reduce the Net likelihood of the risk "*Failure to deliver harmonised policies and action with regards to licensing and enforcement across all areas"* from Possible to Unlikely. Further actions are due to be completed over the next quarter when it is hoped this risk will be reduced to an acceptable level.

2 Significant New and Increased Risks

Two new risks have been identified:

➢ "*Potential claw-back from MMI (former insurers to the Council) under the Scheme of Arrangement*". If this risk materialises, it may result in a financial cost to the Council in excess of £5 million. (Resources)

➢ "*Delays in processing both new, and changes to, benefit claims*". (Resources)

3 Removed Risks

Twenty-four risks have been **removed** from the register in this quarter. This is due in part to greater challenge of the risk with the Services, but also through 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.

4 Corporate Strategic Risk

CMT have agreed a number of corporate strategic risks that either cut across the Council or where they will have a significant impact on the Council if they should materialise. Of these risks, the risk of "*A service failure of Safeguarding leads to death or serious harm to a service user*" has been amended during the quarter, with the net impact score decreasing from Critical to Major and the net likelihood increasing from Unlikely to Possible. (Adults, Wellbeing and Health)

5 Key Risks

Those risks in the unshaded area of the following matrix are considered the key risks to the Council and are reported in the subsequent table. 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'.

Figure1

Impact					
Critical			*Risks 1 and 5*		
Major				*Risks 2, 3 and 4*	
Moderate				*Risk 6*	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	Resources	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 CCG, 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	Resources	Altogether Better Council	The Council may be liable to legal challenge if a single status agreement is not implemented in full	Major	Probable	Develop the pay and reward project that considers all of the eight council arrangements and includes proposals for implementation		The project to bring this risk to an acceptable level will be completed by April 2012.
3	Resources	Altogether Better Council	Insufficient number of adequately skilled staff to maintain the expected level of services	Major	Probable	➤ Funded training and development will be considered by Service Management Teams in line with the protocol. ➤ Organisation Development design principles to be reviewed.		Plans will be in place by April 2012 outlining the policies that will be required to ensure succession planning in the long term.
4	RED	Altogether Wealthier	The loss of Area Based Grant funding results in the CDEP failing to narrow inequality and deprivation	Major	Probable	Produce an Action Plan		The action plan will be in place by July 2011. This will remain a significant risk for at least the next 4 years.
5	NS	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	Out of the 140 sites identified, the top 10 sites will be assessed during 2011/ 12.		The Contaminated land strategy, which will bring this risk to an acceptable level, will not be in place until November 2011
6	Resources	Altogether Better Council	Delays in processing both new, and changes to, benefit claims.	Moderate	Probable	Additional resource is being invested to utilise external assistance to carry out detailed packages of work. This will reduce the backlog during periods when the ICT systems are unavailable.	**New Risk**	This will remain a high risk until the IT system is fully implemented, which will not be until quarter 4 of 2011/12.

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

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses **(CORPORATE STRATEGIC RISK)**.
2	RES	The Council may be liable to legal challenge if a single status agreement is not implemented in full **(CORPORATE STRATEGIC RISK)**.
3	RES	Insufficient number of adequately skilled staff to maintain the expected level of services **(CORPORATE STRATEGIC RISK)**.
4	NS	Industrial Action arising from substantial change programme.
5	ACE	Serious breach of law regarding management of data and information, including an unauthorised release **(CORPORATE STRATEGIC RISK)**.
6	RES	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement
7	NS	Failure to effectively support events organised by the Council or taking place on Council land **(CORPORATE STRATEGIC RISK)**.
8	RES	Major Interruption to IT Service Delivery.
9	NS	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS.
10	RES	Loss of income from land charge fees.
11	RES	Delays in processing both new and changes to benefit claims.
12	RES	If contractual relationships with Suppliers are not effectively managed by Services, then the Council will not achieve the optimum outcome from these relationships **(CORPORATE STRATEGIC RISK)**.
13	NS	Failure to improve the performance of building services to make them more competitive.
14	ACE	The data used to produce performance information is of an insufficient quality to ensure reliability for decision making purposes.
15	RES	Council Services will not be operating effectively due to inadequate level of IT service delivery to end users.
16	RES	The New Revenues & Benefits & attendant Cash Management and Document flow systems will not be successfully implemented.
17	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing **(CORPORATE STRATEGIC RISK)**.
18	NS	Failure to embed consistent health and safety policies, practices and procedures across the Neighbourhoods Service.
19	NS	Failure to deliver harmonised policies and action with regards to licensing and enforcement across all areas.
20	ACE	Delays in dealing with the Community Buildings conditions, H&S requirements, access requirements and management practices identified as needing attention through the Community Buildings review.
21	NS	Extreme weather conditions result in inability to treat priority networks 1 & 2.
22	RED	Accommodation does not support standards identified by Services, including meeting the geographical/spatial demands of the Council.
23	ACE	AAPs do not maintain arrangements which engage and empower local people and lead to action and performance review.
24	ACE	Failure to adequately consult on or assess the equality implications of making key financial and policy decisions.
25	CYPS	Uncertain, large-scale financial demands (e.g. on Safeguarding and Specialist Services), leading to breached MTFP targets.
26	RES	Failure to comply with legislation (Data Protection Act, Freedom of Information Act, Copyright Act, H&S, etc.).

Ref	Service	Risk
27	AWH	Work Related Stress – STAFF.
28	RES	Commercial and complex litigation cases outside the capacity of Legal and Democratic Resources.
29	ACE	Working relationship with the 7 VCS infrastructure organisations becomes fragmented and this has a negative impact on the quality of support provided to front line voluntary and community organisations.

Corporate Theme – Altogether Wealthier

Ref	Service	Risk
30	RED	The loss of Area Based Grant funding results in the CDEP failing to narrow inequality and deprivation gaps.
31	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
32	RED	Reduced future allocations of deprivation based grants to county resulting from changes to Council's new deprivation status.
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	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.
35	RED	Constrained staff resources reduces the ability to identify and maximise investment opportunity.
36	RED	Government policy and the weakening regional governance arrangements could result in greater difficulty in promoting County Durham's economic interests.
37	RED	Inability to provide additional low cost affordable accommodation.

Corporate Theme – Altogether Better for Children and Young People

Ref	Service	Risk
38	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together.
39	CYPS	Failure to deliver integrated services (incl NHS) by Sept 2011, resulting in breach of grant condition and missed MTFP targets.
40	CYPS	Failure to deliver the restructured BSF programme on time and with minimal service disruption. **(CORPORATE STRATEGIC RISK)**
41	RED	Failure to adequately support young people into employment or training.

Corporate Theme – Altogether Safer

Ref	Service	Risk
42	RED	Disused un-maintained Coal Authority mine workings on DCC land could result in serious injury/financial claims against the Council.
43	AWH	A service failure of Safeguarding leads to death or serious harm to a service user. – AWH **(CORPORATE STRATEGIC RISK for Safeguarding)**.
44	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue) – CYPS. **(CORPORATE STRATEGIC RISK for Safeguarding)**.

Ref	Service	Risk
45	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services. **(CORPORATE STRATEGIC RISK)**
46	AWH	Unauthorised encampment.
47	NS	Damage to Highways assets as a result of a severe weather event.
48	AWH	Gypsy and Travellers Sites Health and Safety.
49	AWH	Violence and Aggression Staff.
50	AWH	Lone Working – Staff.
51	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service). **(CORPORATE STRATEGIC RISK for Safeguarding)**.

Corporate Theme – Altogether Healthier

Ref	Service	Risk
52	AWH	Potential failure in the external care provider market relating to residential care homes.
53	CYPS	Failure to meet escalating costs of external and high-cost placements effectively.
54	AWH	Inability to manage markets for the delivery of Adult Social Care Services.
55	AWH	Management and administration of service users' medications.
56	AWH	Potential financial, operational, and reputational risks arising from proposed NHS Reforms.
57	AWH	Inability to transform social care infrastructure and support systems in line with personalisation/transformation requirements.

Corporate Theme – Altogether Greener

Ref	Service	Risk
58	NS	Failure to identify and effectively regulate Contaminated Land.
59	NS	Failure to effectively develop the proposed Waste Management Solution **(CORPORATE STRATEGIC RISK)**.
60	RED	The Council does not meet its internally set targets for reducing operational CO_2 emissions.