

## **Audit Committee**

**24 July 2014**

### **Strategic Risk Management Progress Report for the Quarter period April to June 2014**



## **Report of Corporate Management Team**

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**Don McLure, Corporate Director Resources**

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### **Purpose of the Report**

1. 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 2014.

### **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 included 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 June 2014, there were 30 strategic risks, a reduction of one since 31 March 2014. 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.
  - Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.
  - Potential restitution of search fees going back to 2005.
  - The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract or the existing provider terminates the agreed contract early.
  - 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, such as 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 30 June 2014.
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.

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## **Appendix 1: Implications**

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**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: How the Council manages the Risk Management Framework**

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.

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: Progress on the management of the Council's 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 June 2014, there were 30 strategic risks, a reduction of one since 31 March 2014.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 June 2014. To highlight changes in each category during the last quarter, the number of risks as at 31 March 2014 is shown in brackets.

### **Overall number of Strategic Risks as at 24 June 2014**

<b>Impact</b>					
Critical	2 (2)	1 (1)	3 (3)		1 (1)
Major		3 (3)	4 (4)		
Moderate			8 (8)	5 (6)	1 (1)
Minor				1 (1)	1 (1)
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

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

#### **1 New Risks**

No new risks have been identified this quarter.

#### **2 Increased Risks**

No significant risks have increased during the quarter.

#### **3 Removed 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 risk of an *'adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in*

*Government legislation*, is no longer considered a strategic risk and has been removed from the register (**RED**).

**4 Reduced Risks**

No significant risks have reduced during the quarter.

**5 Key Risks**

The Council’s key risks are shown in the following table.

Key Risks Matrix

<b>Net Impact</b>					
Critical			Risk 1 MTFP Slippage Risk 4 New Banking Contract Risk 5 PSN Code of Connection		Risk 2 Ongoing Government funding cuts
Major					
Moderate					Risk 3 Restitution of Search Fees
Minor					
Insignificant					
<b>Net Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

In this matrix, the key risks have been arranged according to the net impact and net likelihood evaluations to illustrate their relative severity. The full title of each risk is shown in the Key Risks Schedule on the following pages.

## Key Risks Schedule

The schedule on the following pages contains information about how the key risks are being managed, including proposed key actions. Where there have been changes to the risk assessment during the last quarter, these are highlighted in the column headed 'Direction of Travel'. The final column states when it is anticipated that the risk will have been reduced to an acceptable level.

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	Ongoing Government 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.		This will be a significant risk for at least the next 4 years.
3	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		Lawyers, instructed through the LGA on behalf of local authorities, have produced a framework for settlement and this is currently being considered.

4	RES Risk Owner: Don McLure	Altogether Better Council	The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract	Critical	Possible	Pre-procurement meetings will be held with alternative providers to establish what services can and cannot be provided.  Awareness-raising at Tier 4 Manager level that banking arrangements are due to change.		The new contract is expected to be in place by September 2015 to ensure a smooth transition.
5	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, such as Revenues and Benefits, which rely on secure transfer of personal data	Critical	Possible	An ongoing project is in place to ensure compliance. Servers that cannot be made compliant or effectively relocated will be switched off.		June 2014



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

Based on the **Net** risk assessment as at 30 June 2014, the following tables highlight the risks for each Corporate Theme.

### **KEY**

**Tolerate** = management consider existing controls are adequate, or no further controls can be implemented

**New** = new risk in last quarter

### **Corporate Theme – Altogether Better Council**

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
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	Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.
3	RES	Potential restitution of search fees going back to 2005
4	RES	The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract
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, such as Revenues and Benefits, which rely on secure transfer of personal data
6	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	RES	The continuation of weak economic conditions, financial austerity and reduced household incomes may see increased pressure on areas of lower housing demand with consequent negative impacts on communities, neighbourhoods and local environments.
8	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.
9	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
10	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
11	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.

Ref	Service	Risk
12	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
13	RES	Major Interruption to IT Service Delivery
14	RES	Serious breach of Health and Safety Legislation
15	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 HRA under a Service Level Agreement, may be less than the corresponding loss of income from the SLA, resulting in a budget shortfall.
16	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
17	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.
18	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
19	CAS	School funding reforms & Dedicated Schools Grant reductions threaten viability of some centrally managed services for children and young people.

### Altogether Safer

	Service	Risk
20	NS	Gypsy Roma Travellers set up camp/ events on Council land without permission.
21	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
22	CAS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
23	NS	Damage to Highways assets as a result of a severe weather event.
24	CAS	Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending.
25	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
26	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### Altogether Wealthier

	Service	Risk
27	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.
28	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
29	NS	Coastal erosion and environmental improvements may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken.

### Altogether Greener

	Service	Risk
30	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.