

Audit Committee

19 May 2015

Strategic Risk Management Progress Report for the Quarter period January to March 2015



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 January to March 2015.

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 the 'gross risk' assessment), 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 March 2015, there were 29 strategic risks, a reduction of two since 31 December 2014. One new risk have been added and three have been removed being:
 - *"Failure to identify and effectively regulate Contaminated Land" (NS);*
 - *"The agreed 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." (RES); and*
 - *"Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability." (RED).*

In summary, the key risks to the Council remain as being:

- (a) 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;
- (b) Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services;
- (c) Potential restitution of search fees going back to 2005;
- (d) The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented;
- (e) If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria for our computer applications, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data;
- (f) The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

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

- 5 Appendix 4 of the report lists all of the Council's strategic risks as at 31 March 2015.
- 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

Finance – There are no direct financial implications but effective risk management helps to avoid or minimise financial loss.

Staffing - Staff training needs are addressed in the risk management training plan.

Risk – This report supports the delivery of the objectives of the Council’s Risk Management Strategy.

Equality and Diversity/Public Sector Equality Duty – ACE Management Team has identified the potential failure to consider equality implications of decisions on communities as a strategic risk.

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - ACE Management Team has identified the potential failure to consult with communities on major service and policy changes as a strategic risk.

Procurement – None.

Disability issues – None.

Legal Implications – There are no direct implications but effective risk management helps to ensure compliance with legal and regulatory obligations.

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 31 March 2015, there were 29 strategic risks, two less than as at 31 December 2014.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 31 March 2015. To highlight changes in each category during the last quarter, the number of risks as at 31 December 2014 is shown in brackets.

Overall number of Strategic Risks as at 31 March 2015

Impact					
Critical	2 (2)	1 (1)	3 (3)		1 (1)
Major		3 (3)	4 (6)	1 (0)	
Moderate			8 (8)	5 (5)	1 (1)
Minor				0 (1)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix;

- The risk assessed as Critical/Highly Probable is, “Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services.”
- The risk assessed as Moderate/Highly Probable is, “Potential restitution of search fees going back to 2005.”

These risks are reported in more detail in section 5 below.

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

1 New Risks

Following the findings of the planning inspector in an interim report on the County Durham Plan, one new risk has been identified this quarter, namely *“The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.” (RED)*

2 Increased Risks

No significant risks have increased during the quarter.

3 Removed Risks

The risks listed below are no longer considered strategic risks as all mitigating actions have been completed and management now consider existing controls to be adequate:

- *“Failure to identify and effectively regulate Contaminated Land” (NS).*

The Contaminated Land Strategy is in place and will be reviewed in the summer subject to Council approval. All mitigating actions are now in place reducing the likelihood of the risk to unlikely. This risk will be monitored on a regular basis at operational level.

- *“The agreed 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.” (RES).*

All mitigating actions have been implemented reducing the likelihood to unlikely.

- *“Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.” (RED).*

The Economic Development and Housing Service Management Team have removed this item as it is covered by the risk, *“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”.*

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

Net Impact					
Critical			Risk 1 MTFP Slippage Risk 5 New Banking Contract Risk 6 PSN Code of Connection		Risk 2 Ongoing Government funding cuts
Major				Risk 3 County Durham Plan	
Moderate					Risk 4 Restitution of Search Fees
Minor					
Insignificant					
Net Likelihood	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 2019/20 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	RED Risk Owner: Ian Thompson	Altogether Wealthier	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.	Major	Probable	<ul style="list-style-type: none"> Hearing sessions may be re-convened to seek to demonstrate Inspectors failings. Commence Judicial Review. 	New risk	

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		Lawyers, instructed through the LGA on behalf of local authorities, have produced a framework for settlement and this is currently being considered. Central Government has now agreed to underwrite a significant proportion of the cost and it is anticipated that this can be resolved by the end of June 2015.
5	RES Risk Owner: Don McLure	Altogether Better Council	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.	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 now in place and the transition between banks is under way.
6	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 for our computer applications, 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.		A backup ICT site is now in place. The equipment has been installed, data has been transferred, and a full test is planned once remedial electrical work is carried out at the Council's primary data site. This will remain on the register as an inherent strategic risk.

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

Based on the **Net** risk assessment as at 31 March 2015, 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	Ongoing Government funding cuts which now extend to at least 2019/20 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	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria for our computer applications, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data
5	RES	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.
6	RED	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.
7	NS	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings DCH homes both Technical and Building Services could see a loss of business.
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 ICO
10	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
11	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
12	RES	Major Interruption to IT Service Delivery
13	RES	Serious breach of Health and Safety Legislation
14	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
15	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.

Altogether Better for Children and Young People

	Service	Risk
16	CAS	Adverse financial and operational impacts from the transfer of health visitor commissioning responsibilities for 0-5 year olds from NHS England to Durham County Council by 1st October 2015.

Altogether Greener

No significant strategic risks have been identified under this theme.

Altogether Healthier

	Service	Risk
17	CAS	Adverse financial and operational impact of the Care Act 2014 on adult social care services
18	CAS	Additional operational and financial burden as a result of recent supreme court judgement relating to the threshold applied in determining whether an individual is deprived of their liberty.

Altogether Safer

	Service	Risk
19	NS	Gypsy Roma Travellers set up camp / events on Council land without permission.
20	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
21	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
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	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
26	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.
27	RED	There is a potential lack of available match funding within the public sector as a whole in County Durham and the NE LEP area, which could impact upon the ability to fully utilise external funding and in particular the European Structural Funds programme for 2014-2020.
28	NS	Coastal erosion and environmental improvements may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken.
29	RED	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.