

Audit Committee

30 November 2015

Strategic Risk Management Progress Report for the Quarter period 1 July to 30 September 2015



Report of Corporate Management Team

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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 July to September 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 30 September 2015, there were 26 strategic risks, one less than as at 30 June 2015. Since then two risks have been added and three removed, as detailed in Appendix 3.
- 5 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 more 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) 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.

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

- 6 Appendix 4 of this report lists all of the Council's strategic risks as at 30 September 2015.
- 7 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.
- 8 A recent internal audit report concluded that risks included in the Community Risk Register; such as severe weather events, network power losses and flu epidemics should be reported to members on a regular basis. The information needed to meet this requirement is readily available on the web page of the County Durham and Darlington Local Resilience Forum. A link to this page, which includes an explanation of the arrangements for managing these risks and a copy of the latest Community Risk Register, is provided in Appendix 2.

Recommendation and reasons

- 9 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 – 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 – None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation – None

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 Chief Internal Auditor and Corporate Fraud Manager, 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 monitors the progress of risk management across the Council, advises on strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees 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.

The Council is also jointly responsible for responding to civil emergencies such as severe weather events, network power losses and flu epidemics through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington [Local Resilience Forum](#).

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 September 2015, there were 26 strategic risks, one less than as at 30 June 2015.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 September 2015. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2015 is shown in brackets.

Overall number of Strategic Risks as at 30 September 2015

Impact					
Critical	1 (1)	1 (1)	2 (2)		1 (1)
Major		6 (4)	3 (4)	0 (1)	
Moderate			8 (8)	4 (4)	0 (1)
Minor					
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."

These risks are reported in more detail in section 10 below.

In summary, key points to draw to Members' attention are:

New Risks

- 1 A review of the risk, '*Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services*' has concluded that there should be separately managed risks to take account of two distinct issues that impact on different Council objectives.

Consequently, the existing risk has been revised to create the following two risks for inclusion in the Strategic Risk Register:-

- *'Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident'*, which impacts the objective to 'Protect vulnerable people from harm' and is managed jointly through the Local Resilience Forum. This has been evaluated as a **Major** impact with a **Possible** likelihood of occurrence.
- *'Failure to prepare for, respond to and recover from a disruptive event, leading to a major business interruption in the provision of essential services'*, impacts the objective 'Altogether Better Council / Effective Use of Resources' and is managed internally. This has been evaluated as a **Major** impact with an **Unlikely** chance of occurrence.

- 2 The risk, *'The financial pressures experienced by Residential/Nursing and Domiciliary Care providers as a result of changes to the National Minimum/Living Wage could put the continued operation of some providers at risk'* has been assessed as **Moderate** impact with a **Possible** likelihood of occurrence.

The above risk affects the Council's duty to ensure that there is a stable and diverse market for the delivery of social care services within the County to meet the assessed needs of vulnerable adults and children. There are a number of pressures facing the sector, which increase the likelihood of providers exiting the market including:

- Changes to the National Living Wage/Minimum Wage;
- Changes to the Care Quality Commission methodology; and
- Recruitment and retention of staff, especially qualified nurses.

Increased Risks

- 3 No significant risks have increased during the quarter.

Removed Risks

- 4 The *'Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending'* has been removed as the Transforming Rehabilitation programme has now been completed and the project board has been stood down. The likelihood of the risk occurring has been assessed as **Remote**.
- 5 The risk, *'Adverse financial and operational impact of the Care Act 2014 on adult social care services'* has been removed. Many of the issues were in relation to the financial reforms for 2016/17, which have since been postponed by the Government to 2020. The Social Care Reform Board, which was the accountable body for Care Act implementation, has since been stood down. The likelihood of the risk occurring has been assessed as **Remote**.

- 6 As a settlement has now been agreed '*The potential restitution of search fees going back to 2005*' risk has been removed.

Reduced Risks

- 7 The Council will be withdrawing the current County Durham Plan, following the Government's decision that the planning inspector's interim report be set aside and an amended, refreshed version will be submitted. These issues change substantially the nature of the strategic risk, '*The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.*' Consequently, the likelihood of the risk has been downgraded from Probable to Unlikely.

Emerging Risks

- 8 The Council has recently provisionally signed up to the Government's 'Devolution Deal' in its capacity as a member of the North East Combined Authority (NECA). The Deal potentially includes significant additional decision making powers, funding and responsibilities to the region. The agreement remains subject to the Government's spending review and the legislative process and is also conditional upon further public consultation and the formal agreement of the seven local councils which make up the combined authority.
- 9 Either outcome will present risks to the Council. If the agreement is declined by NECA, County Durham would potentially miss out on opportunities to improve economic development and transport through devolved powers and greater co-ordination across the North East Local Enterprise Partnership area. If the agreement is approved, there is a risk that re-designed economic development and transport services could be less favourable for County Durham than the status quo position.

Key Risks

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

Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage	Risk 3 PSN Code of Connection	Risk 2 Ongoing Government funding cuts
Major					
Moderate					
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	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.		The Government set criteria for the PSN CoCo compliance has changed again, one of the requirements being the need to submit a risk register. A meeting has been arranged between the Risk Officer and ICT to commence work on compiling the register to comply with PSN CoCo format.

Appendix 4: List of all Strategic Risks By Corporate Theme

Based on the **Net** risk assessment as at September 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	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
4	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.
5	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.
6	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
7	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
8	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
9	RES	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.
10	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
11	RES	Major Interruption to IT Service Delivery
12	ACE	Failure to prepare for, respond to and recover from a disruptive event, leading to a major business interruption in the provision of essential services
13	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
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.

Altogether Greener

No significant strategic risks have been identified under this theme.

Altogether Healthier

	Service	Risk
17	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.
18	CAS	The financial pressures experienced by Residential/Nursing and Domiciliary Care providers as a result of changes to the National Minimum/Living Wage could put the continued operation of some providers at risk.

Altogether Safer

	Service	Risk
19	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
20	ACE	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident
21	CAS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
22	NS	Damage to Highways assets as a result of a severe weather event.

23	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)
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Altogether Wealthier

	Service	Risk
24	RED	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
25	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.
26	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.

Appendix 5: Performance of Risk Management

Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	2015/16 Q1 Actual	2015/16 Q2 Actual
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (Quarterly)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (Quarterly)	No Outstanding Actions	No Outstanding Actions
Risks are being effectively managed	Number of current risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	None	None
To provide informed decision making	Key decisions reports with a risk assessment	100% (Quarterly)	100%	100%
The delivery of Council services via Significant partnerships is effectively risk managed	Significant partnerships with joint risk management arrangements in place within 6 months of being established	90% (Quarterly)	N/A	N/A
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance (Annual)	The 2014/15 review is complete. Draft Annual Governance Statement will be submitted to Audit Committee for approval on 29 June 2015.	The 2014/15 review is complete. The Annual Governance Statement was approved by Audit Committee on 30 September 2015.
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	2015/16 Q1 Actual	2015/16 Q2 Actual
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Members are adequately skilled in risk management	New Members (including co-opted members) attending risk management training course within 6 months of being elected/appointed.	75% (Quarterly)	No training provided in this quarter.	No training provided in this quarter.

Intangible Measures

Objective: To demonstrate that risks are being effectively managed and adding value			
KPI	Measure of Assessment	Frequency of Measurement	2015/16 Q2 Evidence
Good governance maintained	Gather information on risk management successes, and beneficial outcomes the Council achieve in managing risks	Reported quarterly	Through effective management of the <i>'Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending'</i> , the Council has maintained good, partnership working arrangements for statutory responsibilities and has helped minimise re-offending rates.
Successfully delivered projects	As above	As above	A two year, £3.4 million programme of repairs to Seaham North Pier, which is nearing completion, will protect the town from flooding and the risk of erosion.
Reputation protected	As above	As above	Proactive management of the risk, <i>'Gypsy Roma Travellers set up camp/ events on Council land without permission'</i> has helped to maintain the quality of life for residents and avoid negative publicity for the Council.
Innovative decisions that were risk managed	As above	As above	
Financial return for the Council	As above	As above	Proactive management of the risk, <i>'The potential restitution of search fees going back to 2005'</i> has helped to minimise the financial impact of claims.