

## Audit Committee

29 July 2016

### Strategic Risk Management Progress Report for the Quarter 1 2016/17 : Period April – June 2016



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## Report of Corporate Management Team Paul Darby, Interim Corporate Director Resources

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### 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 April to June 2016.

### 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 June 2016, there were 23 strategic risks, the same number as at 31 March 2016.
- 5 In summary, the key risks to the Council are:
  - (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) If we were to fail to comply with Central Government's Public Services Network Code of Connection and PPCI 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.

- (d) Failure to protect child from death or serious harm (where service failure is a factor or issue).
- (e) A service failure of Adult Safeguarding leads to death or serious harm to a service user.

- 6 Progress on addressing these key risks is detailed in Appendix 3, which also outlines in more detail the rationale for increasing the impact of risks d) and e) from major to critical, and thereby reporting them as key risks. Two new / emerging risks are also identified in Appendix 3, which will be subject to detailed assessment over the coming months.
- 7 Appendix 4 of this report lists all of the Council's strategic risks as at 30 June 2016.
- 8 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. The future restructure of senior management will further develop and strengthen the Council's governance arrangement.

#### **Recommendations 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.

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## **Appendix 1: Implications**

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**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.

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## **Appendix 2: How the Council manages the Risk Management Framework**

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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 June 2016, there were 23 strategic risks, the same number as at 31 March 2016.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 June 2016. To highlight changes in each category during the last quarter, the number of risks as at 31 March 2016 is shown in brackets.

### **Overall number of Strategic Risks as at 30 June 2016**

Impact					
Critical	1 (1)		4 (2)		1 (1)
Major		1 (2)	6 (7)		
Moderate			7 (7)	3 (3)	
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.” This risk is reported in more detail in section 9 below.

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

#### **New Risks**

- 1 There are no new risks this quarter.

#### **Increased Risks**

- 2 Following an incident in the data centre at Comeleon House when the overheating of a socket resulted in the fire alarm being activated, it highlighted a major concern of the lack of an adequate inspection and maintenance regime for Comeleon House. This has increased the likelihood of risk “*Major interruption to IT service delivery*” from **unlikely** to **possible** (RES).

3 The net impact of each of the following risks has increased from **major** to **critical**. As illustrated in the key risk matrix below, this combined with the net likelihood of possible raises them to key risk status. More information on the outlook for these risks, and how they are being managed, is included in the key risks schedule below.

(a) '*Failure to protect a child from death or serious harm (where service failure is a factor or issue)*' (CAS). The impact of this risk has been in response to a statutory change to when Serious Case Reviews are undertaken.

(b) '*A service failure of Adult Safeguarding leads to death or serious harm to a service user*' (CAS). The impact of this risk has increased as nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs.

### **Removed Risks**

4 No risks were removed this quarter

### **Reduced Risks**

5 No risks have been reduced this quarter.

### **Emerging Risks**

6 Following the referendum on Thursday 23 June 2016 where the United Kingdom voted to leave the European Union, it is anticipated that this will potentially adversely affect the economy, safety and welfare of the County, although the impact remains unknown at the present time. (ACE).

7 As the scope of potential liabilities related to outstanding equal value claims from 2005 becomes clearer, the financial risk to the Council could be significant and exceed the £9.5m earmarked reserve provision (RES).

### **Key Risks**

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

## Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage		Risk 2 Ongoing Government funding cuts
Major			Risk 3 PSN Code of Connection Risk 4 Safeguarding children Risk 5 Safeguarding adults		
Moderate					
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: Paul Darby	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: Paul Darby	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 and PCI 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. The risk register has been completed for submission in June 2016 and will be reviewed on a regular basis.



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	CAS Risk Owner – Carole Payne	Altogether Safer	Failure to protect child from death or serious harm (where service failure is a factor or issue)	Critical	Possible	Actions are taken forward from Serious Case Reviews and reported to the Local Safeguarding Children Board. Lessons learned are fed into training for front line staff and regular staff supervision takes place. Procedures are reviewed on a regular basis.	Net Impact increased	Nationally there has been a statutory change to when Serious Case Reviews are undertaken. This risk is long term.
5	CAS Risk Owner – Lesley Jeavons	Altogether Safer	A service failure of Adult Safeguarding leads to death or serious harm to a service user.	Critical	Possible	As the statutory body, the multi-agency Safeguarding Adults Board has a Business Plan in place for taking forward actions to safeguard vulnerable adults including a comprehensive training programme for staff and regular supervision takes place. Procedures are reviewed on a regular basis.	Net Impact Increased	Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs and this risk is long term.

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

Based on the **Net** risk assessment as at 30 June 2016, the following tables highlight the risks for each Corporate Theme.

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

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
1	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.
2	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.
3	RES	If we were to fail to comply with Central Government's Public Services Network Code of Connection and PCI 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.
4	RES	Major Interruption to IT Service Delivery
5	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.
6	NS	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings and the DCC capital programme going forward, both Technical and Building Services could see a loss of business.
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	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
10	RES	Serious breach of Health and Safety Legislation
11	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
12	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.
13	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.

### **Altogether Better for Children and Young People**

No significant strategic risks have been identified under this theme.

### **Altogether Greener**

No significant strategic risks have been identified under this theme.

### **Altogether Healthier**

	<b>Service</b>	<b>Risk</b>
14	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.
15	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**

	<b>Service</b>	<b>Risk</b>
16	CAS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
17	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
18	ACE	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident
19	NS	Damage to Highways assets as a result of a severe weather event.
20	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### **Altogether Wealthier**

	<b>Service</b>	<b>Risk</b>
21	RED	Diminishing Capital Resources, continuing depressed land values and cautious growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales.
22	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.
23	RED	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

## Appendix 5: Performance of Risk Management

### Performance Indicators - Tangible Measures

<b>Objective: To demonstrate that risks are being effectively managed</b>				
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>2015/16 Q4 Actual</b>	<b>2016/17 Q1 Actual</b>
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 <b>current</b> risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	One (County Durham Plan risk)	None
To provide informed decision making	Key decisions reports with a risk assessment	100% (Quarterly)	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 revised Local Code of Corporate Governance was approved by the Constitution Working Group on 14 March 2016 and will be proceed to Full Council for approval on 13 April 2016.	The revised Local Code of Corporate Governance was approved by Full Council on 13 April 2016. The Draft Annual Governance Statement 2015/16 approved by IPG and RMT, and will proceed to CMT and Audit Committee by 30 June 2016.

<b>Objective: To ensure that Officers and Members are appropriately skilled in risk management</b>				
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>2015/16 Q4 Actual</b>	<b>2016/17 Q1 Actual</b>
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course	Target N/A (Quarterly)	96 officers attended a 2-hour course, 'Managing Business Risks', delivered by Zurich Municipal, the Council's insurer.	None
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course	Target N/A (Quarterly)	See previous	See previous
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75% (Quarterly)	No training provided in this quarter, but a one-hour training course has been developed and approved by the Officer and Member Risk Champions.	None

### **Intangible Measures**

<b>Objective: To demonstrate that risks are being effectively managed and adding value</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Frequency of Measurement</b>	<b>2015/16 Q4 Evidence</b>
Good governance maintained	Gather information on risk management successes, and beneficial outcomes the Council achieve in managing risks	Reported quarterly	Around 25 significant consultations were completed during 2015/16, enabling the smooth implementation of policy changes and ensuring that services meet the needs of all sections of the community. Examples include home to school transport and in-house day services.
Successfully delivered projects	As above	As above	Implementation of the new car leasing scheme is nearing completion.
Reputation protected	As above	As above	
Innovative decisions that were risk managed	As above	As above	Managing the Devolution poll through to its conclusion.
Financial return for the Council	As above	As above	Protecting properties as part of the programme of works on flood management and community resilience programme