

## **Audit Committee**

**28 November 2016**

### **Strategic Risk Management Progress Report for the Quarter period July to September 2016**



## **Report of Corporate Management Team**

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**John Hewitt, 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 July and September 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 September 2016, there were 22 strategic risks, one less than as at 30 June 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 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;
- (f) Major Interruption to IT Service Delivery.

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 2016.
- 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.

### **Recommendations and reasons**

- 8 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 September 2016, there were 22 strategic risks, one less than as at 30 June 2016.

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

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

<b>Impact</b>					
Critical	<b>1</b> (1)		<b>4</b> (4)		<b>1</b> (1)
Major		<b>1</b> (1)	<b>4</b> (5)	<b>1</b> (1)	
Moderate			<b>7</b> (7)	<b>3</b> (3)	
Minor					
Insignificant					
<b>Likelihood</b>	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 key risks are reported in more detail below.

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

### **New Risks**

- 1 No new risks have been added to the strategic risk register this quarter.

### **Increased Risks**

- 2 No significant risks have increased during the quarter.

### **Removed Risks**

- 3 The risk '*Loss of business for Technical Services and Building Services*' was removed as it is considered to be an operational and not strategic risk.

### **Reduced Risks**

- 4 No significant risks have reduced during the quarter.

### **Emerging Risks**

- 5 Following the referendum in June 2016, in which the United Kingdom voted to leave the **European Union**, there are potential implications for the economy, safety and welfare. However, the nature of the impacts is still uncertain and CMT is monitoring developments (T&P).

## Key Risks

6 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 4 Child Safeguarding Risk 5 Adult Safeguarding		Risk 2 Ongoing Government funding cuts
Major				Risk 6 Major Interruption to IT Service Delivery	
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 below 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. A meeting has been arranged between the Risk Officer and ICT to commence work on compiling the register to comply with PSN CoCo format.



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	CYPS Risk Owner: Carole Payne	Altogether Better for Children and Young People	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.		Nationally there has been a statutory change to when Serious Case Reviews are undertaken. This risk is long term.
5	AHS 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.		Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs and concern about the pressure to discharge some service users under the Transforming Care programme without agreement on necessary resourcing to meet their multiple complex needs.  This risk is long term.
6	RES Risk Owner: Phil Jackman	Altogether Better Council	Major Interruption to IT Service Delivery	Major	Probable	CMT has approved a project to provide improved ICT resilience through a robust mechanical and electrical designed solution for the Council's main Data Centre.		The improvement works, which will significantly reduce the risks from electrical and mechanical failures, are planned for completion by November 2017.

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

Based on the **Net** risk assessment as at 30 September 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	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	Major Interruption to IT Service Delivery
4	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.
5	ReaL	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	T & P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
7	T & P	Risk that the Council does not respond to the Government's changes to Welfare Reform
8	T & P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
9	RES	Serious breach of Health and Safety Legislation
10	T & P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
11	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.
12	T & P	Failure to prepare for, respond to & recover from a disruptive event, leading to a major business interruption

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

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
13	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue)

### Altogether Greener

No significant strategic risks have been identified under this theme.

### Altogether Healthier

	Service	Risk
14	AHS	Additional burden as a result of recent change to the deprivation of liberty threshold
15	AHS	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
16	AHS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
17	T & P	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident
18	ReaL	Damage to Highways assets as a result of a severe weather event.
19	ReaL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### Altogether Wealthier

	Service	Risk
20	ReaL	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.
21	ReaL	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.
22	ReaL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

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## Appendix 5: Performance of Risk Management

### Performance Indicators - Tangible Measures

<b>Objective: To demonstrate that risks are being effectively managed</b>				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Quarter	This Quarter
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%	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 Annual Governance Statement was approved by Audit Committee on 30 September 2016	The revised Local Code of Corporate Governance will proceed to Audit Committee for approval on 28 November 2016.
<b>Objective: To ensure that Officers and Members are appropriately skilled in risk management</b>				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Quarter	This Quarter
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)	See above item.	See above item.
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.	Risk management training provided to Audit Committee. Member briefing sessions have been scheduled for 15 November 2016.

## 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>Evidence</b>
Good governance maintained	Gather information on risk management successes, and beneficial outcomes the Council achieve in managing risks	Reported quarterly	The annual corporate governance review achieved a positive outcome, as reflected in the AGS. The Council had received an award from the Municipal Journal magazine recognising our good Governance and Scrutiny arrangements.
Successfully delivered projects	As above	As above	The project to deliver major traffic improvement works at Leazes Bowl was successfully completed within target timescales, with minimal impact on commuters and local businesses.
Reputation protected	As above	As above	
Innovative decisions that were risk managed	As above	As above	The first of three contracts under the Digital Durham Programme, involving seven partner authorities, is now complete, providing access to fibre based broadband services to over 107,000 premises.
Financial return for the Council	As above	As above	The new salary sacrifice car leasing scheme was implemented.