

Audit Committee

28 June 2017



Strategic Risk Management Progress Report for the Quarter period January to March 2017

Report of Corporate Management Team John Hewitt, 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 2017.

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 2017, there were 22 risks on the corporate strategic risk register, one more than as at 31 December 2016. During quarter 4, three risks were added and two were removed.
- 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 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 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;

(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 31 March 2017.

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.

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 31 March 2017, there were 22 risks on the corporate strategic risk register, one more than as at 31 December 2016. During quarter 4, three risks were added and two were removed.

The following matrix profiles the strategic risks according to their Net risk evaluation as at 31 March 2017. To highlight changes in each category during the last quarter, the number of risks as at 31 December 2016 is shown in brackets.

Overall number of Strategic Risks as at 31 March 2017

Impact					
Critical	1 (1)		4 (4)		1 (1)
Major		2 (1)	3 (4)	1 (1)	
Moderate			10 (7)	0 (2)	
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."

The key risks are reported in more detail below.

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

New Risks

- 1 *“Proposed changes to the School Funding Formula threaten the viability of some schools”*. The Government is consulting about a National Funding Formula for mainstream primary and secondary schools, which will replace local formulas, taking effect from April 2019. The net evaluation of the risk is Major impact with a Possible likelihood of occurrence. **(CYP)**
- 1 *“Progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken”*. There has been incremental movement, land slippage and evidence of carriageway failure over many years on a section of the A690, the main access road to Durham City. Various remedial works have been undertaken in an attempt to address the problem and monthly monitoring inspections are now being made. **(REAL)**
- 2 *“Potential adverse financial and operational impacts of the Homelessness Reduction Act on the Housing Solutions service”*. The introduction of the Homelessness Reduction Act 2017 will have a significant impact on the Housing Solutions Service as it makes changes to the current homelessness legislation contained in the Housing Act 1996. It will place additional duties on local authorities to intervene at an earlier stage to prevent homelessness in their areas. It will require councils to help all eligible people find secure accommodation for 56 days before they become homeless or for a further 56 days if they are already homeless. This risk is compounded by austerity budget reductions to prevention services, which could increase the impact. **(REAL)**

Increased Risks

- 3 No corporate strategic risks have increased during the quarter.

Removed Risks

- 4 The evaluations of the following risks have been reduced to reflect current circumstances and the effectiveness of mitigating controls. Consequently, they are now below the corporate risk appetite and have been removed from the corporate strategic risk register. They will continue to be managed and reported at service grouping level.
 - *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 have an unacceptable impact upon the ability to fully utilise external funding and in particular the European Structural Funds programme for 2014-2020. (REAL)*Reduced from Major impact and Possible likelihood to Moderate / Unlikely.

- *The continuation of weak economic conditions, financial austerity, the impact of Brexit and reduced household incomes may see increased pressure on areas of lower housing demand with consequent negative impacts on some communities, neighbourhoods and local environments. (REAL)*

Reduced from Moderate impact and Probable likelihood to Moderate / Unlikely. These issues continue to exist and the Council is doing what it can to monitor the situation; if matters change or escalate, the risk will be revisited.

Reduced Risks

5 The evaluation of the following risk has been reduced to reflect current circumstances and the effectiveness of mitigating controls. The revised evaluation remains above the corporate risk appetite and the risk will remain on the corporate strategic risk register.

- *Diminishing Capital Resources, continuing depressed land values and cautious growth in the private sector may have an impact on the ability to deliver major projects and Town initiatives within proposed timescales. (REAL)*

Reduced from Moderate impact and Probable likelihood to Moderate / Possible.

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					
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 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: Alan Patrickson	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. A PSN risk register has been completed and is reviewed on an ongoing basis and as part of the annual review.		This risk is long term.

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: Lee Alexander	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: Alan Patrickson	Altogether Better Council	Major Interruption to IT Service Delivery	Major	Probable	A programme for an electrical upgrade has been developed		It is anticipated that works will be completed by December 2017.

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

Based on the **Net** risk assessment as at 31 March 2017, 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	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	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
6	T&P	Risk that the Council does not respond to the Government's changes to Welfare Reform
7	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
8	RES	Serious breach of Health and Safety Legislation
9	REAL	Potential adverse financial and operational impacts of the Homelessness Reduction Bill on the Housing Solutions service.
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 and recover from a disruptive event, leading to a major interruption to the provision of essential services by the Council.

Altogether Better for Children and Young People

Ref	Service	Risk
13	CYP	Failure to protect child from death or serious harm (where service failure is a factor or issue)
14	CYP	Proposed changes to the School Funding Formula threaten the viability of some schools

Altogether Greener

No significant strategic risks have been identified under this theme.

Altogether Healthier

Ref	Service	Risk
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

Ref	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, leading to a civil emergency.
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

Ref	Service	Risk
20	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
21	REAL	Diminishing Capital Resources, continuing depressed land values and cautious growth in the private sector may have an impact on the ability to deliver major projects and Town initiatives within proposed timescales.
22	REAL	Progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken.

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)	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 current risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	None	Three
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 Constitution Working Group recommended that Council approve the updated Local Code of Corporate Governance to replace the existing version in the Council's Constitution.	The Council approved the updated Local Code of Corporate Governance to replace the previous version in the Council's Constitution.
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
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)	No training provided in this quarter.	No training provided in this quarter.
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)	14 members attended a risk management briefing session in November 2016.	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	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 following risk, the Council has helped realise economic opportunities and growth for Co Durham. <ul style="list-style-type: none"> <i>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 have an unacceptable impact upon the ability to fully utilise external funding and in particular the European Structural Funds programme for 2014-2020. (REAL)</i>
Successfully delivered projects	As above	As above	
Reputation protected	As above	As above	Through effective management of the following risk, the Council has helped reduce or contain both the number of empty properties and anti-social behaviour. <ul style="list-style-type: none"> <i>The continuation of weak economic conditions, financial austerity, the impact of Brexit and reduced household incomes may see increased pressure on areas of lower housing demand with consequent negative impacts on some communities, neighbourhoods and local environments. (REAL)</i>
Innovative decisions that were risk managed	As above	As above	
Financial return for the Council	As above	As above	Through effective management of the following risk, the Council has helped secure inward investment into town centres and made a positive contribution to levels of employment. <ul style="list-style-type: none"> <i>Diminishing Capital Resources, continuing depressed land values and cautious growth in the private sector may have an impact on the ability to deliver major projects and Town initiatives within proposed timescales. (REAL)</i>

Appendix 6: Emerging Risks

The following emerging risks have been highlighted by service management teams. In this context, emerging risks are newly developing or changing risks which are difficult to quantify, but which may have a major impact on the Council if they materialise in the future.

Ref	Emerging Risk	Comments
1	Following a recent ruling by the European Court of Justice in a case involving Westminster City Council, there is a possibility of recovery of licence fees by traders from local authorities. (AHS)	Officers are looking at the implications of the ruling.
2	Inflationary pressures have seen some suppliers increase the cost of their products due to the value of the dollar against the pound which has impacted on some service budgets. (RES)	Officers are monitoring developments.
3	Following the referendum in June 2016, in which the United Kingdom voted to leave the European Union (Brexit) , there will potentially be adverse effects on the economy, safety and welfare of the County. (T&P)	There is still uncertainty about the impacts and CMT is monitoring developments.
4	The General Data Protection Regulation will replace the Data Protection Act in May 2018, which will require significant changes to the way services use personal data. (T&P)	A risk assessment will be completed in the 2017/18 quarter 1 review.
5	The introduction of the new Homelessness Reduction Bill will see a significant impact on the Housing Solutions Service as it will place additional duties on local authorities to intervene at an earlier stage to prevent homelessness in their areas. This is compounded by austerity budget reductions to prevention services, which could compound the impact. (REAL)	This risk has now been added to the corporate strategic risk register.
6	Increasing numbers of equal pay claims from staff using a specific group as a comparator. (RES)	Officers are monitoring developments and there are ongoing negotiations and consultation with trade unions.