

Audit Committee

30 November 2017

Strategic Risk Management Progress Report for the Quarter period July to September 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 July to September 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 the Deputy Leader and Finance 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 2017, there were 23 risks on the corporate strategic risk register, the same as at 30 June 2017. During quarter 2, one risk was added and one was 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) Failure to protect child from death or serious harm (where service failure is a factor or issue);
- (d) A service failure of Adult Safeguarding leads to death or serious harm to a service user;
- (e) 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 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.

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Appendix 1: Implications

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

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

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

Equality and Diversity/Public Sector Equality Duty – 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 the Deputy Leader and Finance 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 and the Director of Transformation and Partnerships 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 2017, there were 23 risks on the corporate strategic risk register, the same as at 30 June 2017. During quarter 2, one risk was added and one was removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 30 September 2017. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2017 is shown in brackets.

Overall number of Strategic Risks as at 30 September 2017

Impact					
Critical	1 (1)	0 (1)	4 (4)		1 (1)
Major		4 (3)	3 (3)		
Moderate			9 (9)	1 (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."

The key risks are reported in more detail below. In summary, key points to draw to your attention are:

New Risks

- 1 'Potential breach of the EU General Data Protection Regulations'.

The EU General Data Protection Regulations (GDPR) will replace the Data Protection Act in May 2018 and will require significant changes to the way services use personal data, including additional responsibilities for data controllers and new rights for data subjects. A GDPR Action Plan, reflecting latest ICO guidance, was approved by CMT in February 2017, and a sub-group of the Information Governance Group has been established to oversee the implementation. A detailed risk assessment concluded that the potential impact was major with an unlikely chance of occurrence. **(T&P)**

Increased Risks

2 No corporate strategic risks have increased during the quarter.

Removed Risks

3 One risk was removed during the quarter because, in September 2017, the Council achieved the necessary accreditation from Central Government.

- *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. (RES)*

Reduced from critical impact and unlikely occurrence to critical / remote.

Reduced Risks

4 No corporate strategic risks have reduced during the quarter.

Other Changes

5 New guidance from the Chartered Institute of Public Finance and Accountancy will be used to further strengthen the Council's counter fraud arrangements, including the development of a fraud risk register for key functions. This will help to mitigate the following strategic risk:-

'Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption'. (RES)

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 Child Safeguarding Risk 4 Adult Safeguarding Risk 5 Major Interruption to IT Service Delivery		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 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: Jeff Garfoot	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: Jeff Garfoot	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	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.

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	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.
5	RES Risk Owner: Alan Patrickson	Altogether Better Council	Major Interruption to IT Service Delivery	Critical	Possible	A programme for an electrical upgrade has been developed		Following a change to the scope of works required by ICT, the anticipated completion date for the electrical upgrade has been put back from December 2017 to March 2018.

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

Based on the **Net** risk assessment as at 30 September 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	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
5	T&P	Risk that the Council does not respond to the Government's changes to Welfare Reform
6	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
7	REAL	Potential adverse financial and operational impacts of the Homelessness Reduction Bill on the Housing Solutions service.
8	RES	Serious breach of Health and Safety Legislation
9	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services
10	T&P	Potential breach of the EU General Data Protection Regulations
11	T&P	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 corruption.
13	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
14	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
15	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
16	CYPS	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

	Service	Risk
17	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
18	AHS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
19	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.
20	REAL	Damage to Highways assets as a result of a severe weather event.
21	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
22	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
23	REAL	Progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs.

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)	One	None
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 28 June 2017.	The Annual Governance Statement was approved by Audit Committee on 29 September 2017.
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)	No training provided in this quarter.	Five DCC members attended a risk management briefing. Training was provided to officers and members from the town councils of Peterlee, Ferryhill and Sedgfield.

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	Effective management of the following risk has helped maintain the delivery of critical services such as revenues and benefits, and to avoid financial penalties and reputational damage. <ul style="list-style-type: none"> ‘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’. (RES)
Successfully delivered projects	As above	As above	Twelve capital projects were completed during the quarter
Reputation protected	As above	As above	Effective management of the following risks, including maintaining awareness of the issue throughout the organisation, seeks to ensure that the Council is protected against cyber-attacks. <ul style="list-style-type: none"> ‘Major Interruption to IT Service Delivery’. (RES) ‘If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services during the period of recovery’. (T&P)
Innovative decisions that were risk managed	As above	As above	
Financial return for the Council	As above	As above	

Appendix 6: Emerging Strategic Risks

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	Description	Risk Owner	Update and Actions
1	Fire safety	<p>The fire at Grenfell Tower, Kensington in June 2017 has raised new concerns about fire safety, particularly in large, multi-storey buildings with cladding made from Aluminium Composite Material. The Government has ordered a public inquiry, which may result in changes to fire safety regulations.</p> <p>There is no high rise residential accommodation in County Durham, either in existing property stock or social housing.</p>	Ian Thompson	<p>The nature of this risk has changed. Potential changes to building regulations may lead to increased responsibilities for the Council and consequent financial impacts. Fire safety issues continue to be managed as follows.</p> <p>In County Durham, investigations are largely complete in reviewing the risks for other types of building in the light of recent events with no issues raised in terms of health and safety. At the present time, no new formal safety advice has been issued by central government or local fire and rescue services.</p> <p>A Public Safety Review Group has been convened and this will continue to monitor guidance and instruction from the Grenfell Tower expert advisory panel and any other central government guidance and act upon this accordingly.</p> <p>Other ongoing actions include:-</p> <ul style="list-style-type: none"> • Signposting social housing providers, the Council's business tenants and other service providers to central government guidance post Grenfell and reminding them of their statutory duties and fire safety responsibilities. • Compiling a list of all Council premises to evidence that suitable and sufficient fire safety standards are in place. • Preparing reassurance communications for the general public in relation to the situation within County Durham, actions being taken by the Council and how to report any concerns regarding fire safety. • Reviewing emergency procedures to take on board any lessons learnt from Grenfell

Ref	Emerging Risk	Description	Risk Owner	Update and Actions
2	European Union	<p>Following the referendum in June 2016, in which the United Kingdom voted to leave the European Union, there will potentially be adverse effects on the economy, safety and welfare of the County.</p> <p>Potential economic impacts include loss of EU funding for DCC regeneration and employment programmes, and valuable programmes such as Durham Works are vulnerable.</p>	Sarah Robson	<p>There is still uncertainty about the impacts and CMT is monitoring developments.</p> <p>Preliminary mitigations include:-</p> <ul style="list-style-type: none"> • Tracking of visitor economy & perceptions • Monitoring business concerns, which are being lobbied at national level • Tracking the national legislative position • Tracking the position on EU funding and applying for other sources of funding where possible.
3	Potential increase in equal pay claims	Increasing numbers of equal pay claims from staff using a specific group as a comparator.	John Hewitt	Officers are monitoring developments and there are ongoing negotiations and consultation with trade unions.