

## Audit Committee

31 July 2018

### Strategic Risk Management Progress Report for 2018/19 Review 1 January 2018 – 31 May 2018



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## Report of Corporate Management Team John Hewitt, Corporate Director of 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 between January and May 2018.

### 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 of 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 May 2018, there were 23 risks on the corporate strategic risk register, the same number as at 1 January 2018. During this period, no risks were added and none were removed.
- 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 2019/20 and the possible negative impact of the Fair Funding Review 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 A list of all of the Council's strategic risks as at 31 May 2018 is included in **appendix 4**.
- 7 Management has identified and assessed these risks using a structured and systematic approach, and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the Council.
- 8 A list of emerging risks, which may have a major impact on the Council if they materialise in the future, is included **appendix 5**.
- 9 To provide assurance that strategic risks are being effectively managed and that officers and members are appropriately skilled in risk management, performance against key indicators is set out in **appendix 6**.

#### **Recommendations and reasons**

- 10 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 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:

- (a) Gross impact and likelihood are based on an assessment of the risk without any controls in place;
- (b) 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 May, there were 23 risks on the corporate strategic risk register, the same number as at 1 January 2018. During this period, no risks were added and none were removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 31 May. To highlight changes in each category during the last period, the number of risks as at 1 January 2018 is shown in brackets.

### **Overall number of Strategic Risks as at 31 May 2018**

| Impact        |        |          |          |          |                 |
|---------------|--------|----------|----------|----------|-----------------|
| Critical      | 1 (1)  |          | 4 (4)    |          | 1 (1)           |
| Major         |        | 4 (4)    | 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 2019/20 and the possible negative impact of the Fair Funding Review 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 corporate strategic risks were identified during the period.

#### **Increased Risks**

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

#### **Removed Risks**

- 4 No corporate strategic risks were removed during the period.

## Reduced Risks

- 5 In October 2017, Cabinet approved a framework for a strategic review of educational provision to be undertaken on a locality basis across the county, to ensure that County Durham has an appropriate mix and the right number of high performing, financially sustainable schools. This framework reflects the Council's strategic approach of engagement and consultation with the public and schools. Key actions have been taken with the aim of reducing the impacts of the risk, '*Changes to the School Funding Formula threaten the viability of some schools*', and consequently management now consider that the impact if this risk occurs will be moderate rather than major. However, this remains a significant risk. Details of consultations carried out for various schools can be found on the [DCC consultations page](#) (page 11, risk 16).

## Key Risks

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

### Key Risks Matrix

| <b>Net Impact</b>     |        |          |  |          |  |
|-----------------------|--------|----------|--|----------|--|
| Critical              |        |          | Risk 1 MTFP Slippage<br>Risk 3 Child Safeguarding<br>Risk 4 Adult Safeguarding<br>Risk 5 Major Interruption to IT Service Delivery |          | Risk 2 Ongoing Government funding cuts |
| Major                 |        |          |  |          |  |
| 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<br>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<br>Owner: Jeff Garfoot     | Altogether Better Council                       | Ongoing Government funding cuts which now extend to 2019/20 and the possible negative impact of the Fair Funding Review will continue to have an increasing major  | 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<br>Owner: Helen Fergusson | 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<br>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.<br><br>This risk is long term. |
| 5   | RES Risk<br>Owner: Alan Patrickson | Altogether Better Council | Major Interruption to IT Service Delivery   | Critical   | Possible       | A programme for an electrical upgrade has been developed   |                     | Construction and installation work began in May 2018. A preferred contractor has been selected and onsite meetings have taken place to agree project details.  |

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

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 2019/20 and the possible negative impact of the Fair Funding Review 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 Act 2017 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 Greener**

No significant strategic risks have been identified under this theme

### 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    | 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     | Pressures nationally across residential, nursing and domiciliary care providers, could affect the availability, delivery, continuity, quality, sustainability and capacity of care provision within County Durham. |

### 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

|    | <b>Service</b> | <b>Risk</b>  |
|----|----------------|--|
| 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 to be undertaken. |

## Appendix 5: 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   | 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; 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"> <li>• Tracking of visitor economy &amp; perceptions</li> <li>• Monitoring business concerns, which are being lobbied at national level</li> <li>• Tracking the national legislative position</li> <li>• Tracking the position on EU funding and applying for other sources of funding where possible.</li> </ul> |
| 2   | 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.  |
| 3   | Terror Attack                          | Potential terror attack at a public event  | Ian Thompson | Officers in REAL are working at a strategic level with the police & other agencies to agree an approach to managing this risk.   |

## Appendix 6: Performance of Risk Management

### Performance Indicators

| Objective: To demonstrate that risks are being effectively managed                          |   |  |   |   |
|---|---|--|---|---|
| KPI   | Measure of Assessment   | Target & (Frequency of Measurement)  | Last Period   | This Period   |
| 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  | One risk  |
| 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 updated Local Code of Corporate Governance was approved by Audit Committee on 30 November 2017. | The draft Annual Governance Statement was approved by Audit Committee on 1 June 2018. |
| Objective: To ensure that Officers and Members are appropriately skilled in risk management |   |  |   |   |
| KPI   | Measure of Assessment   | Target & (Frequency of Measurement)  | Last Period   | This Period   |
| Appropriate staff are adequately skilled in risk management                                 | Number of officers attending risk management training course  | Target N/A (Quarterly)   | No training provided in this period.  | No training provided in this period.  |
| 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 period.  | No training provided in this period.  |