

Audit Committee

29 November 2018

Strategic Risk Management Progress Report for 2018/19 Review 2: 1 June – 30 September 2018



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 between June and September 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, 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 2018, there were 26 risks on the corporate strategic risk register, three more than as at 31 May 2018. During this period, three 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 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 A list of all of the Council's strategic risks as at 30 September 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 is included in **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

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 2018, there were 26 risks on the corporate strategic risk register, three more than as at 31 May 2018. During this period, three risks were added and none were removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 30 September. To highlight changes in each category during the last period, the number of risks as at 31 May 2018 is shown in brackets.

Overall number of Strategic Risks as at 30 September 2018

Impact					
Critical	1 (1)		4 (4)		1 (1)
Major		5 (4)	4 (3)		
Moderate			8 (9)	2 (1)	
Minor				1 (0)	
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 *"Volatile and high-cost, demographic demands of looked after children on the Children's Services budget in 2018/19 may result in adverse impacts on finance and service delivery"* (appendix 4, risk 16).

Some elements of this budget, particularly, looked after children, are high cost and volatile, and current external demographic demands are creating a strain on financial resource allocation. A range of mitigating controls are in place, including both financial and quality monitoring. The Council is also leading on establishing a regional organisation for adoption in collaboration with partners.

The net impact has been evaluated as moderate with a probable likelihood of occurrence. **(CYPS)**

- 2 *“Increasing demand on the Dedicated Schools Grant budget for High Needs Block special educational needs services may result in adverse impacts on finance and service delivery”* (appendix 4, risk 18).

The forecast overspend in County Durham for special educational needs school funding for 2018/19 is currently at £5.1 million, where demand for these services has increased significantly in recent years. Councillors are being asked to authorise an application to the Secretary of State for Education asking for permission to transfer funding from the mainstream school budget to the special educational needs budget. It is hoped that transferring funds from the mainstream schools funding block will help address the shortfall in funding for pupils with special educational needs. The net impact has been evaluated as minor with a probable likelihood of occurrence. **(CYPS)**

- 3 *“Risk that the Council breaches it’s Adult Care – Residential Care Charging Policy and Deferred Payment Policy and is subject to legal challenge by Providers.”* (appendix 4, risk 20).

This risk reflects the potential implications of the circumstances under which the Council exercises its discretion, under the Care Act 2014. Significant work has been completed in this area to review and update the Council’s Adult Care – Residential Care Charging Policy and Deferred Payment Policy. Consequently, the net impact has been evaluated as major with an unlikely chance of occurrence. **(AHS)**

Increased Risks

- 4 *“Government moves towards a National Funding Formula threaten the viability of some schools”* (appendix 4, risk 17).

The net impact of this risk has been marginally upgraded from moderate to major to reflect the potential implications of the funding changes. **(CYPS)**

Reduced Risks

- 5 No risks had their net evaluation reduced during the period.

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: 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 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		The electrical upgrade works are underway and are scheduled to be completed by the end of December 2018.

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

Based on the **Net** risk assessment as at 30 September 2018, 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 Act 2017 on the Housing Solutions service.
8	RES	Serious breach of Health and Safety Legislation
9	T&P	The Council may be unable to effectively deliver essential services during the period of recovery following a cyber-attack.
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	Volatile and high-cost, demographic demands of looked after children on the Children's Services budget in 2018/19 may result in adverse impacts on finance and service delivery.
17	CYPS	Government moves towards a National Funding Formula threaten the viability of some schools.
18	CYPS	Increasing demand on the Dedicated Schools Grant budget for High Needs Block special educational needs services may result in adverse impacts on finance and service delivery.

Altogether Greener

No significant strategic risks have been identified under this theme.

Altogether Healthier

	Service	Risk
19	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.
20	AHS	Risk that the Council breaches it's Adult Care – Residential Care Charging Policy and Deferred Payment Policy and is subject to legal challenge by Providers.

Altogether Safer

	Service	Risk
21	AHS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
22	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.
23	REAL	Damage to Highways assets as a result of a severe weather event.
24	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
25	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
26	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. Risks 1 and 2 in the table below have been included in earlier Audit Committee reports and updates are provided.

Ref	Emerging Risk	Description	Risk Owner	Update and Actions
1	European Union	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, particularly in the event of a “no deal Brexit”.	Lorraine O'Donnell	To inform the Council's planning arrangements, officers are reviewing the Government guidance for local authorities on how to prepare if the United Kingdom leaves the European Union with no deal.
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.

Appendix 6: 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 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. However, the Council's insurer, Zurich Municipal, will delivering a major programme of training for managers in early 2019.
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.