

## Cabinet

19 February 2009



### The Work of Corporate Risk Management in the Quarter period October 2008 – December 2008

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#### Report of Stuart Crowe, Corporate Director - Resources on behalf of the Corporate Risk Management Group [Cabinet Portfolio Member for Risk Management, Councillor Clive Robson]

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#### 1. Purpose of Report

The purpose of this report is to give an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period October - December 2008.

As well as good management practice, this report also positively responds to the Key Lines of Enquiry in the Use of Resources element of the Comprehensive Performance Assessment. Risks are assessed and managed at both a service and corporate level. Throughout this report all risks are reported as Net Risk, which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

#### 2. Local Government Review (LGR)

Risks related to LGR are being managed within the LGR Programme, and these risks are distinct from the service and corporate risks of the County Council covered by the remainder of this report. The Corporate Risk Manager of the County Council is providing support to the Programme in the management of risk. Management assessed that the overall risk of failing to implement the LGR Programme is low, as it is being effectively addressed by the existing programme governance structure. Internal Audit have recently undertaken a review to determine an independent level of assurance of the governance arrangements over the Programme.

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#### 3. Current Status of Risks to the Council

At the end of December 2008, the major risks being managed were:

- Legal challenges on equal pay will potentially result in a significant financial cost to the Council. Management continue on an ongoing basis to actively address these risks.
- Failure to deliver the Building Schools for the Future programme within time and budget, with minimal disruption to service delivery. Risks are managed by the project team, and key risks are highlighted monthly to the project board.
- Failure to effectively implement the proposed Waste Management Contract. Risks are managed by the project team, and key risks are highlighted to the joint Member/ Officer Waste Management Contract project board.
- Failure to achieve successful implementation of new Financial Systems. Steps are in place to address issues which occurred after the system went live in November 2008, and project management controls and a plan are in place to integrate District systems into Oracle during 2009/ 10.

#### **4. Changes to major risks in this quarter**

There have been no significant changes to the major risks during the quarter.

#### **5. Emerging risks**

In the quarter September to December 2008, the major item which emerged as raising a potential risk is the Government Connect Project. This is a project to implement secure arrangements for transferring data with central government departments, such as the Department for Works and Pensions. Management are currently assessing the risks to the Council if this project is not implemented by September 2009.

In the quarterly report for July to September 2008, the major item which emerged was the implications for local authorities of the current global financial crisis. Management continue to monitor the situation to identify and manage any risks as they arise.

#### **6. Summary of Key risks facing the District Councils**

Appendix 2 highlights the key risks currently faced by the District Councils.

#### **7. Recommendation**

Cabinet are requested to note this report.

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on behalf of the Corporate Risk Management Group**

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## **Appendix 1: Implications**

### **Local Government Reorganisation**

**(Does the decision impact upon a future Unitary Council?)**

Risk management covers the Council's progress towards a Unitary Council.

### **Finance**

Addressing risk appropriately reduces the risk of financial loss.

### **Staffing**

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

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Sustainability**

Moving forward, risk management will increasingly highlight the key risks around sustainability.

### **Human rights**

None

### **Localities and Rurality**

Managing risk will positively impact localities by improving the Community Leadership of the Council.

### **Young people**

None

### **Consultation**

None

### **Health**

None

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## **Current Major Risks facing the District Councils**

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The following is a brief summary of the key risks faced by each of the District Councils. Further details can be provided by the risk managers in each of the Councils if required.

### **Chester-le-Street**

The Council has 12 headline strategic risks which were subject to formal annual review in May 2008. Key risks include:

- implications of change as a result of LGR
- failure to manage retention, recruitment and workload
- failure to sustain the Councils positive direction of travel

The Council has management arrangements in place linked to its Transition Plan to ensure that performance, including key strategic risks, is actively managed and reported through to vesting day. During the production of the Annual Governance Statement for 2008-09 for the outgoing Authority, key risks will be reviewed with managers in support of the assurance process.

### **Derwentside**

The most significant risks facing the Council are:

- Recovery of monies invested in Icelandic financial institutions which are in receivership or administration. The Local Government Association, on behalf of the affected Councils, is negotiating with central government. Management continues to monitor and analyse all relevant information on the Council's debt and investment portfolios.
- Increased targeting of Council staff by other organisations with the inevitable impact on service delivery. Management continues to monitor the impact upon service delivery of the loss of key service personnel.
- The effect upon staff of the single status process. Management continues to monitor all relevant information with regard to problems between other authorities and unions and its effect upon the single status process in Derwentside.

### **Durham City**

The most significant risks facing the Council are its ability to maintain business as usual and continuity of service during this transition year, the impact of changes in the money markets (the credit crunch) on the Council's financial position, because of its effect on the housing market and the disposable income of residents, and the Council's continuing ability to retain staff. Members and Officers of the Council are monitoring the continuity of service delivery, the Council's financial position and staff turnover statistics on a regular basis, and taking appropriate action where necessary.

## **Teesdale**

The most significant risks facing the Council currently are the difficulties in retaining and recruiting staff due to local government reorganisation and therefore sustaining business as usual, and the lack of a fully developed vision for the local economy – the Barnard Castle Vision has been adopted, but the strategic options and employment land study were deferred. The Council has action plans in place to address both of these risks.

## **Wear Valley**

The most significant risks facing the Council are

- The increasing difficulty of retaining or replacing key service delivery staff due to local government reorganisation.
- Delivery of our transition plan.
- Capital programme being not completed by 31<sup>st</sup> March 2009.
- Our ALMO (Dale and Valley Homes) not achieving the decent homes standard.

Management have action plans in place to address these risks.

## **Easington**

The most significant risks facing the Council are:

- The implications arising from Local Government Re-organisation; primarily the loss of key staff and associated recruitment difficulties leading to capacity and capability issues. An LGR transitional plan is in place which is regularly reviewed and updated in addition, a separate and detailed risk assessment and action plan has been completed with regard to LGR
- Impact of Regional policy changes (Northern way/City Regions) and the ability of the Council to influence local debate. Positive representation and involvement on District, Sub Regional, Regional & National areas to ensure the local view is promoted for the benefit of the locality;
- East Durham Homes does not achieve 2-Star status and the inability to achieve Decent Homes Standard. Three Year Action Plan in place (2008-2011) contained within the Council's Housing Strategy and EDH's Delivery Plan together with pro-active monitoring arrangements
- Community aspirations and expectations are not met by the Decent Homes Standard leading to resident dissatisfaction. Various Strategies and Business, Service and Delivery plans are in place together with monitoring and review arrangements through Housing Strategy Unit.
- The Council do not fully implement or integrate the adopted Partnership Framework. Partnership framework is in place and an action plan has been developed to proportionally address priority partnerships taking into account LGR.
- The identified gap between the Councils short term strategic approach to managing deprivation versus the long term strategic approach that is

required, to manage deep seated deprivation levels. Promote the requirement for local needs and priorities to be properly addressed and resourced as part of the new Unitary Authority and Area Based Grant arrangements

## **Sedgefield**

As well as the generic risks surrounding LGR, key risks include:

- Failure to deliver Decent Homes Standard and a quality housing management service - The July 2008 LSVT ballot produced a positive result and intensive action is underway aimed at establishing Sedgefield Borough Homes from 1 April 2009. Appropriate consultants have been appointed and an officer Implementation Team has been set up to deliver all the preparatory work prior to April. Appointments to the housing company positions of Chief Executive and Directors have been made, and the Heads of Service appointments process has commenced. The delivery of Decent Homes Standard and a quality housing management service are top priorities within the new Sedgefield Borough Homes organisation.
- Failure to deliver satisfactory property services within the revised contractual arrangement - The Housing repairs and construction service has been operated by the selected partner (Mears ) since February 2008. Continual improvements have been made, with performance management being a key element of the monitoring processes introduced. Further improvements are planned as part of an agreed development planning process. This partnering arrangement will transfer from the Council to Sedgefield Borough Homes from April 2009.
- Failure to deliver the Private Sector Housing Master Plan - Steady progress is being made in delivering the Plan in relation to negotiated acquisition of property identified for clearance within Phase 1 ( years 2007-2010 ) of the programme.