

23 November 2006



**Corporate Risk Management
Report of the Quarter period July –
September 2006.**

**Report of the Deputy Chief Executive on behalf of the Corporate
Risk Management Group**

1. Purpose of Report

The purpose of this report is to provide an update on the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the quarter period July – September 2006, and highlights the current status of risk across the Council. As well as good management practice, this report also positively responds to a Key Line of Enquiry in Use of Resources under the Comprehensive Performance Assessment. The report is broken down into a summary in paragraphs 2 to 5, focusing on the current major risks to the Council and external changes on the horizon which may lead to potential new risks. Detail supporting this summary is to be found in the attached Appendices 3 to 6.

2. Current Status of Risks to the Council

Risks are assessed and managed at both a service and corporate level. Throughout this report, both in the summary and the Appendices, 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. At the end of September 2006, the major risks being managed were:

- Ineffective commissioning of adult social care services leading to failure to release resources to invest in promoting independence and developing preventative services.
- Poor health of workforce, for example resulting from work related stress, which impacts in high levels of staff absence and turnover and less effective and efficient working.
- Failure to deliver the Building Schools for the Future programme within time and budget, with minimal disruption to service delivery.
- Failure to effectively implement the proposed Waste Management Contract. As well as reputational damage, the financial implications may require funding to be diverted from other Council budgets or additional revenue.
- Lighting column collapse. Although not a strategic risk, management in the Environment service consider that this risk will have a catastrophic impact if it

materialises, such as injury or loss of life, and they consider that there is a high likelihood that the risk may occur.

- Increasing fuel and energy costs, and their financial implications for the Council. For example, the increased cost to the Council for 2006-07 is estimated at up to £3 million. The profile of this risk is raised due to the likelihood that these costs will continue to increase in the foreseeable future.
- The failure to improve educational attainment of children in public care. Although management consider that they have adequate controls in place to significantly reduce the likelihood that this risk will occur, this is still considered a significant risk.

3. Emerging risks

- In this quarter, the major item which emerged as raising a potential risk was the Bournemouth Judgement. This relates to service users who at the time of admission, lacked the capacity to consent or object to residential or nursing care, and where this involved a restriction of liberty or informal detention. The potential risk for the Council is litigation in the event of a challenge regarding the admission of the service user.
- In the last quarter, the identified emerging risks was the Lyons Enquiry on local government. The potential risks surrounding this are being monitored.

4. Changes to major risks in this quarter

- Services will be reviewing their risks in October and November, a process which takes place every six months. Consequently, in the next quarterly report, we will be able to highlight more clearly whether actions to mitigate major risks are being implemented, and that the level of risk exposure is reducing.
- The following, which focuses on the risk of major business disruption, demonstrates that actions are being implemented to reduce major risks to the Council. A comprehensive Business Impact Analysis exercise has been undertaken across all Services, and work is underway to update and improve business continuity plans. As well as positively responding to the Comprehensive Performance Assessment, and meeting statutory requirements, this work will reduce to a more manageable level both the impact of an incident and the likelihood of it critically affecting service delivery.
- A revised draft Strategic Risk Register has now been prepared by the Corporate Risk Management Group, and will be submitted to the Corporate Management Team (CMT) for final review and approval. A number of new corporate strategic risks have been identified, compared to the existing Strategic Risk Register in place, such as the impact of climate change and increasing issues around adult care.

5. Progress this Quarter

- A process to ensure effective assessment and reporting of risks associated with Key Decisions has been approved by the Corporate Management Team and

Cabinet, and is now being applied to reports on a pilot basis, working in conjunction with the Acting Director of Corporate Services.

- Internal risk management performance indicators have been developed, and data is being collected to establish their adequacy and effectiveness in measuring performance.
- The risk management training plan for 2006-07 has been approved and both the content and timetable of the training is currently being agreed with the training providers.
- The major partnerships in the Council have now been recorded on the Partnership Register. As part of the review of governance arrangements, these partnerships have been risk assessed using the guidance provided by corporate risk management.

6. In the next Quarter

Moving forward, we are proposing that Chief Officers should agree their Service Risk Register with the Cabinet Member responsible for their Portfolio Service.

7. Recommendation

Members are requested to note this report.

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on behalf of the Corporate Risk Management Group**

Appendix 1: Implications

Finance

Addressing risk appropriately reduces the risk of financial loss.

Staffing

Staff training needs will be addressed in the 2006-07 risk management training plan.

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

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

Appendix 2: Background

To date within the Council, a large amount of work has already been carried out in shaping and developing our approach to risk management. In summary, Cabinet and the Corporate Management Team have designated the Deputy Leader of the Council and the Deputy Chief Executive as Member and Officer Risk Champions respectively. Together they jointly take responsibility for embedding risk management throughout the Council, and are supported by Keith Thompson (Assistant County Treasurer) and Burney Johnson (Head of Transport Strategy and Design), the lead officers responsible for risk management, as well as the Corporate Risk Manager. Each Service also has a designated member of staff (the Service Risk Manager) to lead on risk management at a Service level, and act as a first point of contact for staff who require any advice or guidance on risk management.

Collectively, the Service Risk Managers and the Corporate Risk Manager meet together as a Corporate Risk Management Group. This group monitor the progress of risk management across the Council, advise on corporate and strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting and awareness training.

It is the responsibility of the Chief Officers 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 their respective Service.

Appendix 3: Current Major Risks facing Durham County Council (summary)

This table reports the top 15 Net Risks as at 30 September 2006, extracted from the strategic risk register managed by Corporate Management Team, and the risk registers managed by each Service. These risks have both a high impact and are considered at least possible to occur with the existing controls in place. Details for each of these risks are included in Appendix 4.

	Catastrophic					Risk 2	Risk 1
						Risk 3	
						Risk 4	
↑	Major			Risk 13	Risk 8		
						Risk 6	
						Risk 7	
						Risk 9	
						Risk 10	
IMPACT	Moderate					Risk 11	Risk 5
						Risk 15	
						Risk 12	
						Risk 14	
↓	Minor						
	Insignificant						
	LIKELIHOOD	Remote	Unlikely	Possible	Probable	Highly Probable	
	← →						

Appendix 4: Current Major Risks facing Durham County Council (details)

This table reports the details of each Net Risk highlighted in Appendix 3.

Risk No.	Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
1	Environment	Lighting column collapse	<ul style="list-style-type: none"> • Road accident. • Personal injury or fatality. • Claim on Public Liability Insurance. • Health and Safety Executive (HSE) investigation. • County Council and staff liable to Corporate Manslaughter charges. • Potential large costs in testing and replacing columns to meet HSE requirements. • Statutory implications of cutting down lighting columns which fail strength test. 	<ul style="list-style-type: none"> • Bid for funding to replace vulnerable columns. • Increase Street Lighting Budget to fund increased structural testing and replacement programme.
2	Adult and Community Services	Ineffective commissioning of adult social care services leading to failure to release resources to invest in promoting independence and developing preventative services.	<ul style="list-style-type: none"> • Significant costs in improving buildings to meet standards. • Significant opportunity costs given higher cost of in-house services and need for internal inspection regime. • Falling demand for in-house provision leads to excess capacity and negative CPA assessment (e.g. use of resources). • Declining performance standards, affecting star ratings, and bringing critical inspection reports. • Increasing dissatisfaction with existing services causing rising complaints. • Services will not meet needs and aspirations of service users – damage to public perception of Council. 	<ul style="list-style-type: none"> • Political support for external commissioning strategy. • Continuing need for growth funding • Developing joint commissioning with PCT and District Councils. • Need to identify new alternative providers in voluntary and community sector.
3	Environment	Failure to effectively implement the proposed Waste Management Contract	<ul style="list-style-type: none"> • Funds will be diverted from other Council budgets. • Extra funding from increased Council Tax. • Reputational damage. 	<ul style="list-style-type: none"> • Effective leadership and management of the project.

Risk No.	Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
4	Strategic	Poor quality health of workforce (e.g. work related stress, exposure to health and safety risks, general standard of health of community where majority of the workforce sourced) resulting in high levels of staff absence/turnover and less effective and efficient working.	<ul style="list-style-type: none"> • Reduced productivity. • Targets not attained. • Lack of commitment. • No psychological contract. • Potential high turnover. • Lack of employee satisfaction leading to poor engagement with customers. • Higher recruitment and training costs. • High absence level/turnover. 	<ul style="list-style-type: none"> • 'Well-being at Work' strategy being developed. • Reviewing role of Occupational Health unit • Stress Policy and Framework being implemented. • Links into 'Strategic Health Improvement' initiative for improving health in the community, which will positively impact on DCC workforce. • Improve link with Corporate Health and Safety group to horizon spot emerging work-related issues. • Leadership Programme to widen to operational managers. • Further embed appraisal system to improve management of individual performance. • Improvement to make induction more consistent.
5	Strategic	Financial implications of increasing fuel and energy costs. For example, the increased cost to the Council for 2006-07 are estimated at up to £3 million.	<ul style="list-style-type: none"> • Increased cost to the Council for 2006-07 estimated at up to £3 million. Evidence for this is based on examples such as street lighting costs which have increased by £1 million in the last 12 months. • This increased cost may lead to budgetary pressures on frontline services. • Increasing fuel costs may reduce the potential for businesses to invest in the County, and therefore impact the achievement of the 'Economic Well-being' targets. • Charges to the public to use Community facilities e.g. schools, may increase, reducing the use of these facilities, particularly by lower income groups. • Damaged reputation of the Council if the media reports that gas and electricity not being procured in a way which demonstrates greatest Value for Money. 	<ul style="list-style-type: none"> • Flexible pricing agreement now in place. • Internal – review group established. • External – Procurement energy expert to be employed by Regional Consortium. • Refocus energy management control unit.
6	Environment	Failure to deliver Environmental Improvements to the Smaller Town & Village Centres	<ul style="list-style-type: none"> • Resentment from communities. • Disrepute to the County Council not being able to deliver what has been promised. 	<ul style="list-style-type: none"> • Investigate the availability for match funding. • Place new bids for capital resources from Cabinet. • Place new bids for staff resources from

Risk No.	Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
				Cabinet.
7	Environment	Planning enforcement procedures do not follow the due process in planning control	<ul style="list-style-type: none"> • Legal challenge by aggrieved parties. • Quashing of Notices. • Bad publicity for County Council. • Costs associated with above. 	<ul style="list-style-type: none"> • Draft and issue County Council Procedures to public and operators. • Rigorous monitoring in accordance with new Government Regulations due to be introduced in April 2006, including Council requirement to include Recording System and agreement of Monitoring regimes with Operators.
8	Strategic	Failure to deliver the Building Schools for the Future programme within time and budget, with minimal disruption to service delivery	<ul style="list-style-type: none"> • Programme not delivered within timescales. • Budget overruns lead to extra funding required from the Council. • Opportunities missed for radical change in use of school sites/ buildings. • Programme cannot be agreed by Members. • Deterioration in relationships with District Councils where they do not agree with the Programme. • Damaged reputation of Council if it fails to deliver. • Education standards reduce at individual schools due to disruption of major building works. 	<ul style="list-style-type: none"> • Decision surrounding LEP, ICT managed service and financial resourcing to be made in December 2006. • Outline Business Case will be presented to Cabinet in February 2007. • New project manager to start in November 2006. • Director of Learning Skills Council and a Head Teachers representative to become members of the project board.
9	Strategic	Failure to comply with employee legislative requirements, such as not implementing an equality proofed pay structure under Single Status.	<ul style="list-style-type: none"> • Employee litigation. • Financial cost of equal pay/equal value claims. • Poor employee relations. • Conflict including potential for industrial action. • Demotivated workforce. • Performance fall off. • Customer dissatisfaction. • Failure to comply with minimum standards. • Failure to improve/project Council image. • Increased absence rates. • Injury to employees – duty of care. • Inability to complete single status exercise with trade unions, leading to employee relations issues, and diversion of resources back to equal pay claim activity. 	<ul style="list-style-type: none"> • Undertake review of the Council's people management policy framework. • Develop Health and Safety training programme. • Leadership Programme to widen to operational managers. • Completion of Single Status project • Maintain awareness of national agenda on Single Status.
10	Adult and Community Services	Failure to effectively manage Gypsy and Traveller sites	<ul style="list-style-type: none"> • Complaints to Ombudsman. • Investigation by the Commission for Racial Equality. • Legal challenge. • Health risk to site residents. 	Tolerate risk

11	Adult and Community Services	Reduction in Supporting People Funding	<ul style="list-style-type: none"> • De-stabilisation of Supported Housing market. • Learning Disability providers facing reduced funding. • Costs transferred to Adult and Community Service budgets, increasing budget pressures. • Damage to reputation of DCC. 	Tolerate risk.
12	Strategic	Impact of climate change may lead to significant environmental changes in County Durham.	<ul style="list-style-type: none"> • Increasing cost of repairing damage caused. • Increasing cost of preventative work e.g. flood prevention, coastal erosion, drainage systems in the road network. • Adverse impact on tourism. • Increased demand for housing and associated demographic pressures as flood-prone areas e.g. Tees Valley, restrict further housing development. • Changing rural economy. • Loss of key infrastructure e.g. East Durham rail link, and corresponding impact on economic regeneration. 	A cross-service action plan to deal with this risk in the long term is being developed
13	Adult and Community Services	Budget Management - insufficient funding to meet demand for eligible services.	<ul style="list-style-type: none"> • Reduced performance against PAF, CSCI and CPA. • Recruitment and retention problems. • Rise in number of complaints and drop in user satisfaction. • Damage to reputation of service. • Financial overspend. • Increased risk of market failure. • Cycle of escalating costs due to failure to invest in preventative services. 	<ul style="list-style-type: none"> • Reduce service levels and performance to the minimum acceptable standard and statutory duties only. • Improve commissioning relationship and information. • Introduce new ways of delivering services e.g. Telecare, intensive home care. • Freeze fees or set new performance criteria for fee increases.
14	Adult and Community Services	Failure to deliver the Local Area Agreement target for Direct Payments	<ul style="list-style-type: none"> • Failure to gain of reward grant. • Damage to LAA relationships. • Damage to reputation of Council. 	<ul style="list-style-type: none"> • Training needed to raise awareness of DP within services. • Review capacity of service to deliver against LAA target. • Direct Payments actively marketed to services users by care managers.
15	Strategic	Failure to effectively manage a major civil incident	<ul style="list-style-type: none"> • Loss of life and limb • Unable to deliver critical services due to restrictions caused by incident • Damaged reputation of Council if perception is that planning was inadequate, particularly where non-compliance to the Civil Contingencies Act • Impact on local economy 	<ul style="list-style-type: none"> • Implement actions for improvement identified from the Civil Contingencies self-assessment, and the national assessment

- Diversion of resources into dealing with the incident may impact on delivery of other frontline services
- Financial cost of dealing with the incident

Appendix 5: Total of Current Major Risks facing Durham County Council

This table reports the total number of Net Risks as at 30 September 2006. It usefully highlights the number of risks which have a high impact but are considered unlikely to occur, and also those which have a low impact but are considered highly probable to occur.

IMPACT ↑ ↓	Catastrophic	2	1	0	3	1
	Major	3	8	2	5	0
	Moderate	12	40	30	10	1
	Minor	23	0	24	4	2
	Insignificant	14	2	4	1	45
		Remote	Unlikely	Possible	Probable	Highly Probable
			←	LIKELIHOOD	→	

Appendix 6: Summary of High Impact and High Likelihood Risks

This table reports the Impact and Likelihood of the major Net risks to the Council, and supports the table in Appendix 5. The conclusion refers to the approach that management consider is appropriate to managing the risk. If further actions to reduce the level of risk are proposed, the risk will be treated. Where further actions are not cost-effective or practical, then the existing level of risk is tolerated.

Service	Risk	Net Impact	Net Likelihood	Conclusion
Environment Services	A lighting column collapse	Catastrophic	Highly Probable	Treat
Strategic	Failure to deliver the Building Schools for the Future programme within time and budget, with minimal disruption to service delivery	Catastrophic	Probable	Treat
Environment Services	Failure to effectively implement the proposed Waste Management Contract	Catastrophic	Probable	Treat
Adult & Community Services	Ineffective commissioning of adult social care services leading to failure to release resources to invest in promoting independence and developing preventative services	Catastrophic	Probable	Treat
Environment Services	Failure to deliver 'Environmental Improvements' to the Smaller Town & Village Centres	Major	Probable	Treat
Adult & Community Services	Management of Gypsy and Traveller sites	Major	Probable	Treat
Environment Services	Planning enforcement procedures not procedurally correct	Major	Probable	Treat
Corporate Services	Poor quality health of workforce impacting on service delivery	Major	Probable	Treat
Adult & Community Services	Reduction in Supporting People Funding	Major	Probable	Treat
Adult & Community Services	Budget Management - insufficient funding to meet demand for eligible services	Major	Possible	Treat
Strategic	Financial implications of increasing fuel and energy costs	Moderate	Highly Probable	Treat
Strategic	Failure to comply with employee legislative requirements	Moderate	Probable	Treat
Adult & Community Services	Failure to deliver LAA target for Direct Payments	Moderate	Probable	Treat
Strategic	Impact of climate change may lead to significant environmental changes in County Durham	Moderate	Probable	Treat
Strategic	Failure to effectively manage a major civil incident	Moderate	Probable	Treat
Adult & Community Services	Budget cuts to the Welfare Rights Service will affect ability of Welfare Rights to raise or save money	Moderate	Probable	Treat
Adult & Community Services	Failure to observe the legislation that surrounds Gypsy and Traveller issues	Moderate	Probable	Treat
Corporate Services	Lack of a corporate programme of training/ inspection of accessible vehicles	Moderate	Probable	Treat

Service	Risk	Net Impact	Net Likelihood	Conclusion
Adult & Community Services	Failure to implement a Gypsy and Traveller strategy may have a negative impact on the lives of the Gypsy and Travelling Community, and the settled community	Moderate	Probable	Treat
Environment Services	Failure to deliver 'Environmental Improvements' to the Major Centres and Rural Major Centres	Moderate	Probable	Treat
Chief Executive's Office - Customer Services	Inadequate level of service delivery to end users	Moderate	Probable	Treat
Environment Services	That BV103 (satisfaction with Public Transport Information) may remain in 4th Quartile after next survey in Autumn 2006	Moderate	Probable	Treat
Chief Executive's Office - Customer Services	Adequate and effective IT Strategy not in place	Moderate	Possible	Treat
Chief Executive's Office	Contact Centre not in place	Moderate	Possible	Treat
Adult & Community Services	Death or Harm caused by an Adult service user where service failure has been identified	Moderate	Possible	Treat
Environment Services	Failure to advise on key decisions	Catastrophic	Unlikely	Treat
Corporate Services	Poor performance of contractor resulting in delay and cost overrun, leading to financial collapse of the contractor.	Catastrophic	Remote	Treat
Corporate Services	Incorrect procurement advice due to ignorance/error/non compliance	Catastrophic	Remote	Treat
Environment Services	Not following due process in determining planning applications, resulting in applications being determined as procedurally incorrect	Major	Unlikely	Treat
Chief Executive's Office - Customer Services	Failure of the County Durham E-Government Partnership	Major	Unlikely	Treat
County Treasurer	Failure to achieve the target savings included in the 2006/7 Budget	Major	Unlikely	Tolerate
Environment Services	Failure to meet reporting deadlines	Major	Unlikely	Treat
Chief Executive's Office - Customer Services	Inability to attract and retain staff and skills	Major	Unlikely	Treat
Strategic	Local Area Agreement may not work effectively	Major	Unlikely	Treat
Chief Executive's Office - Customer Services	Major Interruption to IT Service Delivery	Major	Unlikely	Treat
Adult & Community Services	Non delivery of Community Safety Strategies	Major	Unlikely	Tolerate
County Treasurer	Dual Responsibility Arrangements do not deliver anticipated benefits	Major	Remote	Tolerate
County Treasurer	Failure to set a budget within the statutory date	Major	Remote	Tolerate
County Treasurer	Failure to set a robust budget to manage the Authority's finances	Major	Remote	Tolerate
Children and Young Peoples Service	Failure to manage high-cost placements effectively	Moderate	Unlikely	Tolerate
Children and Young Peoples Service	Failure to protect child from death or serious harm (where service failure is a factor or issue).	Moderate	Unlikely	Tolerate