

Cabinet

22 February 2007



**Corporate Risk Management
Report of the Quarter period October
– December 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 October – December 2006, and highlights the current status of risk across the Council. As well as good management practice, this report also positively responds to the Comprehensive Performance Assessment Use of Resources Key Lines of Enquiry. 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 to be found in the attached Appendices 3 to 5.

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 December 2006, the major risks being managed were:

- Failure to comply with employee legislative requirements, such as not implementing an equality proofed pay structure under Single Status, has always been a major risk to the Council. However, as a result of recent litigation involving other local authorities regarding Job Evaluation, the potential financial risk to the Council has increased considerably, as further claims may be made.
- 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. As well as reputational damage, the financial implications may require funding diverted from other Council budgets or other revenue. To date, there has been only minimal reduction of the level of risk, but as the project progresses, the risks will be addressed.
- 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 key risk, as it is one of our priorities for improvement.

3. Emerging risks

- In this quarter, October to December 2006, the major item which emerged as raising a potential risk is the impact on Services due to the increased migration from Eastern Europe.
- In the last quarter, July to September 2006, the major emerging risk was the Bournemouth Judgement, which 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 risks surrounding this are still being monitored, but the risk exposure is not expected to be as significant as initially anticipated.
- Looking forward, risks will inevitably arise from any changes to local government in the County as a result of the proposed bids by the County Council and separately by the District Councils.

4. Changes to major risks in this quarter

Services have been reviewing their risks during November and December, a process which takes place every six months. This involves identifying new and redundant risks and re-assessing existing risks. Consequently, there have been a number of changes to the top 15 risks compared to the last quarter. Major changes to note include:

- The likelihood of injury or fatality due to a lighting column collapse has been re-assessed, and in light of the current controls now in place, is no longer ranked as a major risk to the Council.
- The failure to manage Gypsy and Traveller sites was previously a significant risk, but following a number of improvement measures, management consider the level of risk has reduced to a more manageable level.
- The risk of increasing fuel and energy costs, and their implications for the Council, was raised due to the likelihood that these costs would continue to increase. Although energy costs have decreased in recent months,

and the financial impact on the Council has consequently been reduced, the increasing worldwide demand may lead to further increases.

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.

A separate report will be provided in due course as an update on business continuity.

6. In the next Quarter

Moving forward, risk management training courses for all Members, and separate courses for appropriate staff, are scheduled for February and March 2007.

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. In addition, the lead Members for Overview and Scrutiny on risk management are the Chair and Vice Chair of the Overview and Scrutiny Corporate Sub-Committee. 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, 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 CSCI, 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 probability that the risk will occur over a given period. The assessment is confirmed by the Service Management Team, and Chief Officers agree their Service Risk Register with the Cabinet Member responsible for their Portfolio Service.

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

This table reports the top 15 Net Risks as at 31 December 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					
↑	Major					
IMPACT	Moderate					
↓	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	Strategic	Failure to comply with employee legislative requirements, such as not implementing an equality proofed pay structure under Single Status. Recent case law surrounding Job Evaluation has increased the potential financial risk considerably.	<ul style="list-style-type: none"> • Employee litigation. (including recent case law regarding job evaluation) • Financial cost of equal pay/equal value claims. • Poor employee relations. • 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 	<ul style="list-style-type: none"> • 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.
2	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.
3	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 require extra funding from 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 by February 2007. • Outline Business Case will be presented to Cabinet in February 2007. • Director of Learning Skills Council and a Head Teachers representative to become members of the project board.

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. • 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. • 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"> • External – Procurement energy expert to be employed by Regional Consortium. • Refocus energy management control unit.

Risk No.	Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
6	Adult and Community Services	Failure to effectively implement the Contact Centre	<ul style="list-style-type: none"> • Impaired service delivery • Reputation damage. 	<ul style="list-style-type: none"> • Involvement of service in the commissioning of the contact centre. • Project management from Head of Service
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	Environment	Failure to deliver Environmental Improvements to the Smaller Town & Village Centres	<ul style="list-style-type: none"> • Disappointment and sometime 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.
9	Adult and Community Services	Weakened negotiating position with existing and potential partners	<ul style="list-style-type: none"> • Loss of confidence leading to low investment in care market • Long term damage to structure of care sector • Loss of capacity to meet future demand • Challenges by independent sector to fairness of fee structure • Damage to credibility and reputation of service 	<ul style="list-style-type: none"> • Building Capacity Group engaging providers. • Member and Officer group looking at future of in house provider
10	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 . • 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 and corresponding impact on economic regeneration. 	A cross-service action plan to deal with this risk in the long term is being developed

Risk No.	Service	Risk	Potential Impact	Proposed Treatment
11	Adult and Community Services	Potential prosecution by the CSCI/ HSE following a specific incident	<ul style="list-style-type: none"> • Damage to reputation of council • Financial impact if found liable for damages due to negligence • Loss of confidence in modernisation of services 	<ul style="list-style-type: none"> • Internal investigation and report led by senior manager. • Full cooperation with HSE and CSCI
12	Adult and Community Services	Loss of external funding for new projects	<ul style="list-style-type: none"> • Loss of funding leading to closure of services and damage to reputation of council • Redundancy of staff • Low staff morale leading to rise in turnover and reduced recruitment • Impact on partners of community projects 	<ul style="list-style-type: none"> • Policy Officer reviewing and scanning for new funding opportunities • Service management group regularly reviews and monitors external funding requirements
13	County Treasurer	Failure to exercise control over expenditure leading to loss of Local Area Agreement Grant. This includes failure to spend full grant allocation, lack of adequate accountability for expenditure, and failure to submit required information to Government Office	<ul style="list-style-type: none"> • Financial losses • Damaged reputation • Failure to deliver strategic objectives. 	Management believe that, at the present time, no further controls can be implemented to add to the existing controls in place.
14	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 • Diversion of resources into dealing with the incident may impact on delivery of other frontline services • Financial cost of dealing with the incident 	Implement actions for improvement identified from the Civil Contingencies self-assessment, and the national assessment

Risk No.	Service	Risk	Potential Impact	Proposed Treatment
15	Corporate Services	Failure to carry out and manage operational risk assessments	<ul style="list-style-type: none"> • Project overrun • Cost overrun • Impaired service delivery • Reputation damage. 	Management believe that, at the present time, no further controls can be implemented to add to the existing controls in place.

Appendix 5: Summary of High Impact and High Likelihood Risks

This table reports the Impact and Likelihood of the major Net risks to the Council. 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 controls are considered adequate to contain the level of risk.

Service	Risk	Net Impact	Net Likelihood	Conclusion
Strategic	Failure to comply with employee legislative requirements	Major	Probable	Treat
Environment	Failure to effectively implement the proposed Waste Management Contract	Major	Probable	Treat
Strategic	Failure to deliver the Building Schools for the Future programme within time and budget: with minimal disruption to service delivery	Major	Probable	Treat
Strategic	Poor quality health of workforce impacting on service delivery	Major	Probable	Treat
Environment Services	Planning enforcement procedures not procedurally correct	Major	Probable	Treat
Environment Services	Failure to deliver Environmental Improvements, to the Smaller Town & Village Centres	Major	Probable	Treat
Adults & Community Services	Weakened negotiating position with existing and potential partners	Major	Probable	Treat
Adults & Community Services	Potential prosecution by the CSCI/ HSE following a specific incident	Major	Probable	Treat
Strategic	Financial implications of increasing fuel and energy costs	Moderate	Highly Probable	Treat
Corporate Services	Failure to carry out and manage operational risk assessments	Moderate	Probable	Treat
Strategic	Impact of climate change may lead to significant environmental changes in County Durham	Moderate	Probable	Treat
Adults & Community Services	Loss of external funding for new projects	Moderate	Probable	Treat
County Treasurers	Lack of financial control over the Local Area Agreement	Major	Possible	Treat
Strategic	Failure to effectively manage a major civil incident	Moderate	Possible	Treat
Corporate Services	Corporate Training Programme for accessible vehicles	Moderate	Possible	Treat
Environment Services	Transport Asset Management Plan not produced by March 2007	Moderate	Possible	Treat

Service	Risk	Net Impact	Net Likelihood	Conclusion
Environment Services	Failure to deliver Environmental Improvements, to the Major Centres & Rural Major Centres	Moderate	Possible	Treat
Chief Executive's Office	Inadequate level of IT service delivery to end users	Moderate	Possible	Treat
Chief Executive's Office	Breakdown in working relationship with third party IT provider on BSF	Moderate	Possible	Treat
Children and Young Peoples Service	Failure to meet targets in Key Stage 3 and Key Stage 4 attainment and/or staying on into post-16 structured learning.	Moderate	Possible	Treat
Children and Young Peoples Service	Failure to protect child from death or serious harm (where service failure is a factor or issue).	Catastrophic	Unlikely	Existing controls considered adequate
Environment Services	Injury or loss of life due to a lighting column collapse	Catastrophic	Unlikely	Treat
Environment Services	Failure to advise on key decisions	Major	Unlikely	Treat
Corporate Services	Incorrect procurement advice due to ignorance/error/non compliance	Major	Unlikely	Treat
Corporate Services	Contractor collapse/Lack of performance	Major	Unlikely	Treat
Strategic	Local Area Agreement may not work effectively	Major	Unlikely	Treat
Corporate Services	Inability to attract & retain staff & skills	Major	Unlikely	Treat
Environment Services	Not complying with Traffic Management Act Regulations	Major	Unlikely	Treat
Environment Services	Applications determined procedurally incorrectly	Major	Unlikely	Treat
Chief Executive's Office	Major Interruption to IT Service Delivery	Major	Unlikely	Treat
Chief Executive's Office	Failure of the County Durham E-Government Partnership	Major	Unlikely	Treat
Environment Services	Failure to meet reporting deadlines	Major	Unlikely	Treat
County Treasurers	Failure to achieve the target savings included in the Budget	Major	Unlikely	Existing controls considered adequate
County Treasurers	Failure to set and monitor a robust budget to manage the Authority's finances	Major	Remote	Existing controls considered adequate
Children and Young Peoples Service	Failure to manage high-cost placements effectively	Moderate	Unlikely	Existing controls considered adequate