

Cabinet

16 August 2007



**The Work of Corporate Risk
Management in the Quarter period
April 2007 – June 2007**

**Report of Stuart Crowe, County Treasurer on behalf of the
Corporate Risk Management Group
[Cabinet Portfolio Member for Risk Management, Councillor
Clive Robson]**

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 April – June 2007.

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, 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. The report consists of a summary of current strategic risks in attached Appendices 3 and 4.

2. Current Status of Risks to the Council

At the end of June 2007, 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 and Job Evaluation. Management continue 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. Further reports have been presented to the management team to update on the latest developments.

- 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. Changes to major risks in this quarter

As a number of major risks have been re-assessed, there are changes to the strategic risks compared to the last quarter period. These changes include:

- Inconsistent approach to managing commercial relationships and projects - Risks surrounding this have been identified, and have been assessed as significant enough to be included in the strategic risk register.
- Failure to effectively implement the concept of a corporate Contact Centre - The level of risk surrounding this risk has reduced, as much of the project has been implemented and many of the concerns of the Services affected by this change have been addressed. Consequently, this is no longer considered a strategic risk to the Council.
- The risk that planning enforcement procedures do not follow the due process in planning control has reduced, following the implementation of a number of measures. Management believe that, at the present time, no further controls can be implemented to add to the existing controls in place. Again, this is no longer considered a strategic risk to the Council.

4. Emerging risks

In the quarter April to June 2007, no major items emerged which raise a potential significant risk.

5. Executive and Member Risk Champions

During the quarter, a new Member risk champion was designated (Deputy Leader, Councillor Clive Robson), and a new Executive risk champion was also designated (County Treasurer, Stuart Crowe), who replaced Chris Tunstall in this role.

6. Progress this Quarter

As part of the 2006-07 Internal Audit plan, the Council's risk management process has been reviewed by internal audit, using the CIPFA Risk Management Framework as the basis for the audit. A report has been issued in June 2007, which concluded that, in general, the Council is successfully embedding risk management within its business planning and wider business processes, but improvements could be made, which were outlined in a

number of recommendations. The Corporate Risk Management Group will manage the implementation of actions to meet these recommendations. Benchmarked against the CIPFA Risk Management Framework, the Council's risk maturity is at level 3 (Risk Defined).

7. In the next Quarter

Moving forward, Local Government Review will have a major impact on the work of risk management.

Risk management training courses for all Members, and separate courses for appropriate staff, including the Chief Officers, are scheduled for July and August 2007.

Work on further developing the Magique risk management software, which is already well underway, will be progressed. The aim is to devolve access to the data and software to the Services, and the Environment Service risk manager will pilot this redeveloped software, on behalf of the Corporate Risk Management Group.

8. Recommendation

Members are requested to note this report.

**Contact: David Marshall, Corporate Risk Manager Tel: 0191 3835726
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 2007-08 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 County Treasurer as Member and Executive 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 likelihood 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 as at 30 June 2007 (summary)

This table reports the top 15 Net Risks (i.e. the Council’s strategic risks) as at 30 June 2007. 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 5.

	Catastrophic					
↑	Major			Risk 6 Risk 7 Risk 8	Risk 3 Risk 4	Risk 2 Risk 1
IMPACT	Moderate			Risk 14 Risk 13 Risk 15	Risk 11 Risk 12 Risk 10	Risk 9 Risk 5
↓	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.

Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
Strategic	Failure to comply with employee legislative requirements, such as not implementing an equality proofed pay structure under Single Status. Recent case law surrounding Equal Pay 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"> • Complete Single Status Project • Set in place monitoring and improvement framework for policy development.
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"> • The next milestone which will be completed by the end of August 2007 is the evaluation of the PQQ response from the OJEU procurement notice.

k	Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
	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"> • PID developed and awaiting final approval. • Longer-term cost and risk issues will be addressed during the work undertaken to produce a Strategic Business Case. • Short term issues will be addressed in the Medium Term Financial Plan.
	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.
	Strategic	Financial implications of increasing fuel and energy costs.	<ul style="list-style-type: none"> • 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 cannot demonstrate greatest Value for Money in procurement. 	<ul style="list-style-type: none"> • External – Procurement energy expert to be employed by Regional Consortium. • Refocus energy management control unit.

Service	Risk	Potential Impact	Proposed Further Treatment to mitigate the Risk
Chief Executives Office	Failure to identify alternative funding streams to fund social and economic regeneration projects.	<ul style="list-style-type: none"> • Money not available for new businesses; • Resources not available for County Council Services; • Funding not available for Community projects 	<ul style="list-style-type: none"> • Lobbying Government Office North East and One North East for better deal for Durham • Participating in regional negotiations for new funding programmes • Researching new opportunities
Environment	Failure to deliver Environmental Improvements to the Smaller Town & Village Centres	<ul style="list-style-type: none"> • Disappointment and 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.
Adult and Community Services	Weakened negotiating position with existing and potential partners	<ul style="list-style-type: none"> • Loss of confidence leads 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 fee structure • Damage to credibility and reputation of service 	<ul style="list-style-type: none"> • Building Capacity Group engaging providers to explore issues and opportunities for development. • Further developmental work to be undertaken with overview and scrutiny regarding opportunities for service reconfiguration.
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 . • Changing impact on tourism and rural economy • Increased demand for housing and associated demographic pressures as flood-prone areas e.g. Tees Valley, restrict further housing development. • Loss of key infrastructure 	A cross-service action plan to deal with this risk in the long term is being developed
Corporate Services	Inconsistent approach to managing Projects across the Council	<ul style="list-style-type: none"> • CPA Use of Resources not positively responded to. • Support processes do not provide consistent information for Annual Efficiency Statement • Changes not prioritised in terms of business need and aligned to corporate and services priorities • Projects not delivered on time and within budgets • Duplication of effort as more than one Service tackling a common change • Inconsistent approach to tracking and measuring project benefits 	<ul style="list-style-type: none"> • Recognise and fund project management development • Identify and develop potential project management • Focus all projects over an agreed value to Project Office • Expose all projects to appropriate Gateway Reviews • Project Management to be a core competency • Adopt a consistent and appropriate project management methodology

Service	Risk	Potential Impact	Proposed Treatment
Corporate Services	The commercial relationships with external commercial partners are not managed effectively increasing the risk that the Council will not obtain best value from the relationship	<ul style="list-style-type: none"> • Council may over commit itself in a Contract • Contracts agreed which are not the best deal negotiable • Council 'tied in' to suppliers • Excessive termination penalties • Legal challenges against award of contract • Reduced quality of service delivery when service level requirements of contract are weak 	<ul style="list-style-type: none"> • Develop Contract Management skills and focus through Project • Consolidate Contract Management through consistent software • Establish procurement dual accountability with Services
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 • 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
Adult and Community Services	Potential prosecution by the 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
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.
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 (Single Status, Job Evaluation)	Major	Highly 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
Environment	Failure to effectively implement the proposed Waste Management Contract	Major	Possible	Treat
Strategic	Poor quality health of workforce impacting on service delivery	Major	Possible	Treat
Strategic	Financial implications of increasing fuel and energy costs	Moderate	Highly Probable	Treat
Chief Executive's Office	Failure to identify alternative funding streams to fund social and economic regeneration schemes	Major	Possible	Treat
Environment	Failure to deliver 'Environmental Improvements' to the Smaller Town & Village Centres	Major	Possible	Treat
Adult & Community Services	Weakened negotiating position with existing potential partners	Major	Possible	Treat
Strategic	Impact of climate change on environment in County Durham	Moderate	Possible	Treat
Corporate Services	Inconsistent approach to Managing Projects	Moderate	Possible	Treat
Corporate Services	Inconsistent approach to Commercial Relationship Management	Moderate	Possible	Treat
Adult & Community Services	Loss of external funding for new projects	Moderate	Possible	Existing controls considered adequate
Adult & Community Services	Potential prosecution by the HSE following a specific incident	Moderate	Possible	Existing controls considered adequate
Corporate Services	Failure to carry out and manage operational risk assessments	Moderate	Possible	Existing controls considered adequate
Chief Executive's Office	Breakdown in working relationship with third party IT provider on BSF	Moderate	Possible	Treat

Service	Risk	Net Impact	Net Likelihood	Conclusion
County Treasurer	Lack of financial control – Local Area Agreement	Moderate	Possible	Existing controls considered adequate
Environment	Failure to deliver 'Environmental Improvements' to the Major Centres & Rural Major Centres	Moderate	Possible	Treat
Environment	Transport Asset Management Plan not produced by March 2008	Moderate	Possible	Treat
Chief Executive's Office	Inadequate level of service delivery to end users	Moderate	Possible	Treat
Environment	Planning enforcement procedures not procedurally correct	Moderate	Possible	Treat
Adult & Community Services	Failure to engage effectively with communities and their representatives to shape the future of social care services	Moderate	Possible	Existing controls considered adequate
Adult & Community Services	Failure to develop / fund and implement preventative strategy for addressing vulnerability of Service Users in the community	Moderate	Possible	Existing controls considered adequate
Environment	Inconsistent inspection regime of vehicles	Moderate	Possible	Treat
Environment	Minerals element of Minerals and Waste Development Framework document not implemented on time	Moderate	Possible	Treat
Adult & Community Services	Failure to sustain and develop the existing estate infrastructure	Moderate	Possible	Existing controls considered adequate
Chief Executive's Office	Corporate Contact Centre not in place / access points not delivered	Moderate	Possible	Existing controls considered adequate
Children and Young Peoples Service	Failure to protect child from death or serious harm (where service failure is a factor or issue)	Catastrophic	Unlikely	Treat
Environment	Injury or loss of life due to a lighting column collapse	Catastrophic	Unlikely	Treat
Environment	Failure to advise on key decisions	Major	Unlikely	Treat
Chief Executive's Office	Major Interruption to IT Service Delivery	Major	Unlikely	Treat
Environment	LTP2 delivery not being to Centre of Excellence Standard	Moderate	Possible	Treat
Strategic	Failure to effectively manage a major civil incident	Moderate	Possible	Treat
Corporate Services	Outside influences on procurement strategies	Moderate	Possible	Existing controls considered adequate
Adult & Community Services	Failure to respond to increased prevalence of vulnerability of Service Users in the community	Moderate	Possible	Existing controls considered adequate
Children & Young People's Services	Children and families experience a lack of interface between Adult and Children's Services	Moderate	Possible	Existing controls considered adequate