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**RISK MANAGEMENT – PROGRESS REPORT 2009/10**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To update Members on the approach to and outcomes from the Risk Management processes.

**Summary**

2. Positive progress continues to be made within the Authority regarding the management of key strategic risks and with the work undertaken by the Corporate Risk Management Group to manage operational risk. In addition, pro-active risk management work has once again received recognition at European and national level this year.

**Recommendation**

3. It is recommended that this Risk Management Report be noted

**Reasons**

4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's approach to Risk Management.

**Paul Wildsmith  
Director of Corporate Services**

**Background Papers**

- (i) Council's Risk Management Strategy
- (ii) Departmental Risk Registers
- (iii) Medium Term Corporate Plan 2009-13
- (iv) Annual Risk Management Report 2008/09 to 27 March 2009 Audit Committee
- (v) Corporate Risk Management Group minutes
- (vi) Property Risk Management Group minutes

George Cornforth : Extension 2324

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There is no specific health and well-being impact
Sustainability	There is no specific sustainability impact
Diversity	There is no specific diversity impact
Wards Affected	All wards are affected equally
Groups Affected	All groups are affected equally
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'call-in' procedure this does not represent an urgent matter
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements
Efficiency	There continues to be a reduction in insurance claims as a result of the pro-active risk management work undertaken

## MAIN REPORT

### Background

5. Risk Management is an essential part of effective and efficient management and planning and strengthens the ability of the Council to achieve its objectives and enhance the value of services provided within the Authority. It is also an integral requirement of the Council's Use of Resources Assessment and as such is an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA / SOLACE Framework of Corporate Governance.
6. Risk Management continues to be 'well embedded' within the Authority as confirmed within the 2008 Use of Resources Assessment with the Authority maintaining its maximum score of 4/4; this equates to 'well above minimum requirements – performing strongly'.

### Information and Analysis

#### External Recognition

7. Darlington Borough Council's pro-active approach to risk management has again received external recognition and publicity at European and national level this year. The following awards have been achieved during the past few months.

- (a) May 2009 – StrategicRISK European Risk Management Awards

Finalist – Best Risk Management Approach in the Public Sector

The award is for managing risk and opportunity within the successful transformation of Cultural Services following the refurbishment of the Dolphin Centre, Arts Centre and Head of Steam.

These awards are open to both public and private sector organisations. Darlington Borough Council has featured within these European Risk Management Awards for three consecutive years.

- (b) June 2009 – ALARM (The Public Risk Management Association)

Winner – Strategic Risk Category  
Highly Commended – Asset Risk Category

It is pleasing to report that the Authority was the winner of this year's ALARM Strategic Risk Award for the innovative work undertaken within the Council and with partners in managing partnership risk and the development of the electronic Partnership Toolkit.

The Asset Risk category recognised the risk management work undertaken within the Cultural Services restoration.

## Strategic Risk Outcomes

8. A key element of the service planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified together with the officer responsible for managing that risk. These risks are plotted onto a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. Risk matrices, showing the current Council risks included within the Corporate Plan and Departmental Service Plans for 2009/10 are attached at Appendices A-E.
9. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. In addition, senior managers are required to confirm in their Annual Assurance Statements that processes are in place to ensure that controls identified to support the positioning of risks on the risk matrices are in place and working.
10. The information that follows, provided by appropriate staff in departments, details progress made on improvement actions for those risks identified as above the risk appetite line, emerging risks and those risks that have moved since the previous report in March 2009.

### (a) Corporate Risks (Appendix A) – Five corporate risks have been identified

#### **Implementation of recommendations from the Capital Process Review is needed to enable an effective capital project management methodology to be in place.**

- (i) The Capital Process Review has now been completed and a new Capital Project Management approach is in the process of being implemented. Relevant members of staff have been trained on the methodology and received a copy of the Council's Project Management Handbook. The training took the opportunity to refresh understanding on Financial Procedures Rules, Procurement Rules, Delegated Powers, Health and Safety as well as decision making and reporting requirements.

A Capital Programme Review Board has been established to oversee the strategic position of the Council on capital projects. A Project Position Statement is now actively used by all departments on a monthly basis with reporting produced for use in the Capital Programme Review Board and quarterly to Resources Scrutiny. The Control Point documentation has been introduced on many projects and is expected to be developed for all remaining projects over the course of the next year.

The methodology is expected to improve continually over time and with use. In addition a Quarterly Review Group has been set up to ensure that all departments have the chance to raise opportunities, issues or questions relating to procedures.

The risk is therefore considered still to be above the line until the revised

approach is fully embedded.

**The international economic downturn may adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS).**

- (ii) The Council agreed a Corporate Plan for 2009 to 2013 in February 2009. Short to medium term plans were revised, taking account of the global economic downturn, though the long-term SCS vision remained unaltered. There remains a risk that the downturn could be more severe or prolonged and further impact on resources, and demand for services.

A corporate group, chaired by the Chief Executive, has been established to co-ordinate responses to the recession. Actions have been taken to support residents and local businesses and manage the impact upon the Council's own finances and these will continue. Financial management arrangements have been further strengthened and a higher level of reserves is retained in the Medium Term Financial Plan to provide additional cover for the financial risk. All plans will continue to be monitored and revised as necessary.

**Corporate Premises Risks**

- (iii) The Corporate Property Risk Working Group created following an audit undertaken on the Corporate Premises Risk and Facilities Management database during 2008/09 is continuing to systematically work through the Audit Improvement Action Plan produced following the outcomes of the audit. Although progress continues to be made it has been slower than anticipated due to resourcing and ICT technical issues in respect of providing wider access to the database for establishment users and integration with other feeder systems. These issues are currently being addressed to achieve a satisfactory resolution.

**Information Governance, Council unable to meet its obligations under information governance agenda**

- (iv) The Corporate Information Governance Policy and associated implementation programme have been in place since February 2008 (minute C175/Feb/2008) and considerable advances have been made in records and information management across the Council. A detailed breakdown of progress was provided to the Audit Committee in June 2009. This report included reference to the development and implementation of a strategic framework of information governance policies and guidance, outlined staff and member training initiatives and referred to the information governance audit tool that is to be applied across selected data sets within departments by Audit Services as part of the 2009/10 Audit Plan.

**A flu pandemic could affect delivery of key services and affect business continuity planning**

- (v) This existing risk has been upgraded to significant to reflect the increased likelihood of occurrence since the last report.

The Council is currently implementing its Corporate Pandemic Flu Plan including

- a) Categorising services to identify those that are mission critical, and those that could potentially be temporarily reduced
- b) Developing a database of staff skills to allow the Council to deploy staff flexibly
- c) Provide relevant health and personal hygiene information to staff
- d) Develop and deliver briefings to senior managers
- e) Identify key areas where service specific business continuity plans are still to be completed and provide support to enable them to be urgently progressed.

In addition, a multi-disciplinary team of officers with support from the Durham and Darlington Civil Contingencies Unit is meeting weekly to progress an action plan. Briefings are being prepared and communicated to senior elected Members and Corporate Management Team as required.

- (b) **Chief Executive Risks (Appendix B)** – One risk has been identified.

**Investment in regeneration projects is vulnerable to the wider economy, to loss of external funding, and/or to shortfalls in capital receipts from asset disposals.**

- (i) Effective project planning and risk management seek to minimise this risk. The Council's capacity to respond to changing circumstances that threaten projects and secure positive outcomes is well proven. Engagement with investors and developers is regarded as effective. Bids are being made for new funding released by government in response to the economic downturn, to help bring forward regeneration projects in Darlington. This risk is to be kept under review as the full impact of the credit crunch, economic downturn and recession emerge.

- (c) **Children's Services Risks (Appendix C)** – Five risks have been identified.

**Recruitment and retention of key staff**

- (i) This has now been raised to a significant risk due to an increase in the number of referrals to social care following the Baby P Case and the increasing difficulty in being able to recruit suitably qualified and experienced staff. There is an increasing turnover in staff with an increase in the use of agency staff. This is an emerging issue which needs to be managed both nationally and locally.

**Recruitment and retention of foster carers**

- (ii) This risk has also been raised to a significant risk. The Authority has recently had to increase the number of external placements for looked after children as there are insufficient local authority foster carers to meet demand. Several

fostering campaigns have been run to promote the service. Current payment to foster carers which is considered to be at the lower end of the market rate will be part of a review which will look at fostering placements.

#### **Capacity to deliver MTFP**

- (iii) This risk has increased mainly due to the increased costs associated with uncontrollable budget pressures from external placements, mentioned above. £50,000 efficiency savings targets for each Assistant Director have been achieved; in addition a review of foster placements is taking place.

#### **Maintaining core services while managing change**

- (iv) A Project Team has been established to manage this risk in respect of the change process associated with locality working and social care referrals process implementation that may disrupt service delivery. An action plan is in place with regular reporting to Children's Services Senior Management Team. A communications strategy is currently being developed to engage with service users and staff and the level of referrals is being monitored. Key appointments have now been made to posts of Integrated Service Manager (ISM) and Team Managers. One ISM post and manager post remains vacant (out for advertisement). A Children's Services Senior Management Team (CSSMT) away day has been arranged this month to review the location of residual services within the Partnership Division. The situation is to be kept under review. Outstanding cases are to be authorised more quickly. Levels of referrals will be monitored over future months and may have to look at capacity. The system for recording has been amended which has resulted in a decrease in the number of referrals of children in need per 10,000 children. Process mapping within the Duty Team to identify pinch points is ongoing.

#### **Bedding down of interoperability in ICT systems**

- (v) A Systems Administration Group has been set up to maximise the potential of ICT systems within Children's Services to improve data quality and to provide core information to assist service delivery. A Business to Business module, EMS/SIMS – (Education Management Systems / Schools Information System) has been procured to assist the management of this risk. The system will enable real time updating of data between both modules to allow efficient sharing of up to date information within the Department and Schools.
- (d) **Community Services (Appendix D)** – One risk has been elevated, one has reduced and another has been removed from the risk register

#### **Community Services staff capacity to deliver service improvements**

- (i) This risk has been elevated as a result of having two vacant Assistant Director posts, one within Building Services and the other within Adult Services. Actions to mitigate this risk were implemented immediately and resource was made available from existing staff to cover the vacant posts. A new Assistant Director for Building Services commenced employment with the Authority 1 September

2009. A revised management structure for Adult Services is currently being considered which takes account of the personalisation and integration agenda. The Assistant Director of Housing Services is currently taking responsibility for Adult Services to ensure a seamless service delivery in this transition phase.

**The Council fails in its implementation of the Traffic Management Act 2004 and is subject to ‘interventions’ by the Secretary of State.**

- (ii) This risk has been reduced as the Traffic Management Act has now been implemented and an action plan is in place to monitor the intervention criteria, this is being monitored by Economy and Environment Scrutiny.

**Unable to manage the budget due to the reduction of Supporting People Admin and Grant Funding**

- (iii) This risk has now been removed from the risk register as all mitigating actions have been completed and revised working arrangements implemented.
- (e) **Corporate Services Risks (Appendix E)** – One emerging risk has been identified and another risk has been elevated since the previous report.

**Failure to satisfactorily implement the International Reporting Standards (IFRS)**

- (i) Implementation of IFRS is identified as a project that is critical to the Council’s external audit of its statutory accounts and its Use of Resources Assessment. It is a potential reputational risk for the Council. The project manager has to date arranged briefings with managers to raise awareness of IFRS issues and he is liaising with other colleagues within the public sector to share good practice, knowledge and potentially some tasks. In addition he is working with the Council’s external auditor during implementation.

**Fraud – in general**

- (ii) This risk has been elevated as a result of recent investigations and the current economic downturn.

**Operational Risk Outcomes**

- 11. The Corporate Risk Management Group, an established and effective forum within the Council continues to co-ordinate and manage operational risk with positive results through the five task groups:-

Motor / Transportation Risk  
Property / Security / Fire Risk  
Health and Safety Initiatives / Liabilities  
Highways  
Tree Risk Management



12. The Health and Safety Team continue to work very closely with individual schools and departmental management teams on initiatives to progress a continuous improvement approach to health and safety management. Reportable accidents have again reduced during the past year contributing to a 73% reduction since 2003/04; in addition lost time as a result of accidents has also decreased in the past year, and by 78% since 2003/04.
13. Five Darlington Schools have achieved the Royal Society for the Prevention of Accidents (RoSPA) Safety Awards this year. Eight schools in total have now gained silver or bronze awards in the past two years demonstrating a commitment to health and safety systems and practices within schools.
14. Three editions of the new risk management newsletter 'Risk Aware' have been produced in the past year to assist the risk management process within the Authority. 'Risk Aware', which is supported by Zurich Municipal the Council's Insurer, compliments information that is available within the Risk and Insurance Intranet service. Both the newsletter and the intranet service continue to receive favourable comments from senior managers and staff.
15. A programme of Risk Management training continues to be undertaken for Members, staff, Governors and Head Teachers, co-ordinated by the Corporate Risk Management Group. The Authority liaises with Zurich Municipal and other Risk Management bodies to deliver and raise awareness of risk issues as part of this development. In recent months School Governor and Insurance Management training seminars have taken place with positive feedback received from those who attended. Further risk awareness training, based on need, will continue to be arranged throughout the coming year.
16. An initiative to develop the management of risk and opportunity within schools, adopting the Council's standard risk management methodology, continues to be rolled out. A positive response has been received to date from those schools who have so far been involved with this project which supports the Financial Management Standards in Schools (FMSiS). In addition Risk Management awareness talks have been undertaken within three schools for Governing Bodies, a progress report has been presented to the Children's Services Joint Consultative Group in May 2009 and the Risk and Insurance Manager gave a presentation to the Chair of Governors Group regarding this issue earlier this month. Further schools and Governing Bodies will join the initiative during the coming months.
17. To assist the management of property risk, the Corporate Risk Management Group has recently issued each school with a new supply of Smartwater, a solution used to mark property with a 'forensic fingerprint' that links anyone in possession of stolen items with the crime scene. Ahead of a national publicity campaign by Smartwater, the Council has liaised with Darlington Police to demonstrate Smartwater to pupils, teachers and parents in one school to publicise its use within Darlington Schools. Further local publicity is scheduled in the coming months to link in with this national Smartwater publicity campaign. The use of Smartwater in Darlington schools has contributed to a 63% reduction in school property insurance claims within the Authority since 2005. In addition Darlington Borough Council is featured within the Smartwater website for its successful use of Smartwater to protect school property.

18. The pro-active approach to risk management has contributed to a reduction in insurance claims. During the past year Public Liability and Motor insurance claims have again reduced along with the School Property claims within the Authority

### **Conclusion**

19. The Council's pro-active approach to risk management continues to produce positive results for the Authority. This is demonstrated by the Council's Use of Resources score, the various external risk management awards and the successful initiatives currently being undertaken.

### **Outcome of Consultation**

20. There has been no formal consultation in the preparation of this report.

**APPENDIX A - CORPORATE RISKS**

<b>LIKELIHOOD</b>	<b>A</b> <b>Very High</b>				
	<b>B</b> <b>High</b>				
	<b>C</b> <b>Significant</b>			<b>1 3 6 7 9</b> ↑	
	<b>D</b> <b>Low</b>		<b>5</b>	<b>2 3 4 8</b>	
	<b>E</b> <b>Very Low</b>				
	<b>F</b> <b>Almost Impossible</b>				
		<b>IV</b> <b>Negligible</b>	<b>III</b> <b>Marginal</b>	<b>II</b> <b>Critical</b>	<b>I</b> <b>Catastrophic</b>
<b>IMPACT</b>					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1.</b>	Implementation of recommendations from Capital Process Review is needed to enable an effective capital project management methodology to be in place	Cliff Brown
<b>2</b>	The <i>Leading Edge</i> programme is delivering change to key services and we need to ensure that there is continuing quality of service delivery during reorganisation	Paul Wildsmith
<b>3</b>	A flu pandemic could affect delivery of key services and affect business continuity planning	Paul Wildsmith
<b>4</b>	There is a capacity issue around how the authority can address major change	Ada Burns
<b>5</b>	The local government re-organisation taking place in neighbouring authorities in the region could have an adverse impact	Ada Burns

<b>6</b>	The international economic downturn may adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS)	Paul Wildsmith
<b>7</b>	Corporate Premises Risks	Paul Wildsmith
<b>8</b>	Business Continuity Plans not in place or tested for key critical services	Paul Wildsmith
<b>9</b>	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith

**APPENDIX B - CHIEF EXECUTIVE'S**

<b>LIKELIHOOD</b>	<b>A Very High</b>				
	<b>B High</b>		<b>4 5</b>		
	<b>C Significant</b>		<b>2 6</b>	<b>7</b>	
	<b>D Low</b>		<b>1 8 9</b>	<b>3 10 11 12 13 14 15</b>	
	<b>E Very Low</b>				
	<b>F Almost Impossible</b>				
		<b>IV Negligible</b>	<b>III Marginal</b>	<b>II Critical</b>	<b>I Catastrophic</b>
<b>IMPACT</b>					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	The Corporate Reputation	Chris Sivers
<b>2</b>	Advertising revenue cannot be predicted and levels can fluctuate	Cassandra Ferguson
<b>3</b>	Delivery of targeted efficiencies and procurement savings	Richard Alty
<b>4</b>	Changes to the statutory minimum bus concession	Simon Holdsworth
<b>5</b>	Pressures around supported bus services	Simon Holdsworth
<b>6</b>	Financial impacts of grant funding expiring	Richard Alty
<b>7</b>	Investment in regeneration projects is vulnerable to the wider economy, to loss of external funding, and/or to shortfalls in capital receipts from asset disposals	Richard Alty

<b>8</b>	Leading Edge strand – integrated communications strategy to include the public, employees, members and other stakeholders	Cassandra Ferguson
<b>9</b>	Leading Edge strand –community engagement strategy on the future of the town and public services	Chris Sivers
<b>10</b>	The management of Council risks in respect of Darlington Partnership	Richard Alty
<b>11</b>	The management of Council risks in respect of the prosperous Darlington Partnership theme group	John Anderson
<b>12</b>	The management of Council risks in respect of the Crime and Disorder Reduction Partnership theme group	Rob Jones
<b>13</b>	The management of Council risks in respect of the Healthy Darlington theme group	Miriam Davidson
<b>14</b>	The management of Council risks in respect of Greener Darlington Partnership theme group	Steve Petch
<b>15</b>	The management of Council risks in respect of other Partnerships	Richard Alty

**APPENDIX C - CHILDREN'S SERVICES**

<b>LIKELIHOOD</b>	<b>A Very High</b>				
	<b>B High</b>		2 →	2 6 9 1 5	
	<b>C Significant</b>		1 4 7	5 8	
	<b>D Low</b>			3 10 11	
	<b>E Very Low</b>				
	<b>F Almost Impossible</b>				
		<b>IV Negligible</b>	<b>III Marginal</b>	<b>II Critical</b>	<b>I Catastrophic</b>
<b>IMPACT</b>					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Recruitment and retention of key staff	Murray Rose
<b>2</b>	Recruitment and retention of foster carers	Jenni Cooke
<b>3</b>	Schools in categories and schools causing concern	Andrew Dunn
<b>4</b>	Mismatch of demand and supply of child care places	Gill Walker
<b>5</b>	Capacity to deliver MTFP	Murray Rose
<b>6</b>	Maintaining core services while managing change	Murray Rose
<b>7</b>	Major Capital Scemes – BSF/Hummersknott/Eastbourne Academy/Primary Capital Programme	George McQueen
<b>8</b>	Increase in LAC and insufficient 'in-house' provision	Jenni Cooke
<b>9</b>	Bedding down of interoperability in ICT systems	George McQueen
<b>10</b>	The management of Council risks in respect of the	Melanie Brown

	Children's Trust	
<b>11</b>	The management of Council risks in respect of other partnerships	Murray Rose



**APPENDIX D - COMMUNITY SERVICES**

<b>LIKELIHOOD</b>	<b>A</b> Very High				
	<b>B</b> High				
	<b>C</b> Significant		6	2	
	<b>D</b> Low			1 2 3	
	<b>E</b> Very Low		5	4 3	
	<b>F</b> Almost Impossible				
		<b>IV</b> Negligible	<b>III</b> Marginal	<b>II</b> Critical	<b>I</b> Catastrophic
<b>IMPACT</b>					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Impact of any unpredicted increase in demand for community care	Pauline Mitchell
<b>2</b>	Community Services staff capacity to deliver service improvements	Cliff Brown
<b>3</b>	The Council fails in its implementation of the Traffic Management Act 2004 and is subject to 'interventions' by the Secretary of State	Dave Winstanley
<b>4</b>	Implementation of the new waste contract	Ian Thompson
<b>5</b>	Depot relocation impacting on service delivery	Cliff Brown
<b>6</b>	Unable to manage the budget due to the reduction of Supporting People Admin and Grant Funding	Pauline Mitchell

**APPENDIX E - CORPORATE SERVICES**

<b>LIKELIHOOD</b>	<b>A</b> Very High				
	<b>B</b> High				
	<b>C</b> Significant				
	<b>D</b> Low		1 10 17 2 ↑	3 4 5 6 7 8 9 11 12 13 14 16 18 ↘	
	<b>E</b> Very Low		2 15		
	<b>F</b> Almost Impossible				
		<b>IV</b> Negligible	<b>III</b> Marginal	<b>II</b> Critical	<b>I</b> Catastrophic
<b>IMPACT</b>					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	VAT (Planning expenditure in terms of capital)	David Hall
<b>2</b>	Fraud – in general	Brian James
<b>3</b>	Council Tax collection, targets are significantly impacted	David Hall
<b>4</b>	ICT Security arrangements inadequate	Ian Miles
<b>5</b>	Non-achievement of Use of Resources Score of 3 out of 4 impacts upon the Council’s overall rating	Brian James
<b>6</b>	Xentrall business case financial savings are not realised	Paul Wildsmith
<b>7</b>	Increased sickness absence adversely affects service delivery	Lesley Blundell
<b>8</b>	Leading Edge Strand – Delivering a new integrated HR Strategy	Lesley Blundell
<b>9</b>	Leading Edge Strand – Delivering a new ICT Strategy	Ian Miles

<b>10</b>	Failure to deliver DDA improvements to operational buildings	Guy Metcalfe
<b>11</b>	A sustained reduction in Departmental income (e.g. Car Parks and Land Charges) adversely impacts upon the MTFP	Paul Wildsmith
<b>12</b>	Loss of critical staff	Lesley Blundell
<b>13</b>	Significant exposure to Equal Pay claims	Lesley Blundell
<b>14</b>	New Investment loss due to bank crises / failure	David Hall
<b>15</b>	Failure to meet NI14 target, (Reducing Avoidable Contact)	Cath Whitehead
<b>16</b>	Failure to deliver Civil Parking Enforcement (CPE) within timescale	Bill Westland
<b>17</b>	Leading Edge strand – Business transformation change projects to address specific service weaknesses and or national policy shifts	Brian Boggon
<b>18</b>	Failure to satisfactorily implement the International Financial Reporting Standards (IFRS)	David Hall