AUDIT COMMITTEE
26 MARCH 2010

ITEM NO. ....

ANNUAL RISK MANAGEMENT REPORT 2009/10

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Risk Management processes for 2009/10.

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 external 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 2010-14
(iv)   Risk Management Report to 25 September 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.

Information and Analysis

Use of Resources Score

6. Under the new Use of Resources methodology the Council's risk management arrangements are no longer scored separately but are included within the Governing the Business Theme element of 'does the organisation manage its risks and maintain a sound system of control'. The Council scored strongly on this element at 3; this equates to 'performs well, exceeds minimum requirements.

Review of Risk Management Strategy

7. The Council's updated Risk Management Strategy was approved by Cabinet in February 2010 (Min Ref C137/Feb/10) following endorsement by this Committee.

External Recognition

8. Darlington Borough Council's pro-active approach to risk management has again received external recognition and publicity at European and national level this year. In May 2009 the Council was a Finalist in the StrategicRISK European Risk Management Awards within the Best Risk Management Approach in the Public Sector category. The award was 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. Darlington Borough Council has now featured within these European Risk Management Awards for three consecutive years.

9. In June 2009 the Council was the winner of the ALARM (The Public Risk Management Association) Strategic Risk Management award for the innovative work undertaken within the Council, and with partners, in managing partnership risk and the development of the electronic Partnership Toolkit. In addition the Authority was Highly Commended within the Asset Risk category for the risk management work undertaken within the Cultural Services restoration.

10. In October 2009, ALARM submitted the Council's winning Partnership Risk submission from the ALARM Awards as their UK entry within the PRIMO (Public Risk Management Organisation - Europe) Awards. The Authority was the winner of the Strategic Risk Management Award for the work undertaken in managing partnership risk and received publicity across Europe for this achievement.

Strategic Risk Outcomes

11. 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 are attached at Appendices A-E.

12. 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.

13. 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.

    (a) Corporate Risks (**Appendix A**) – Six 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 revised Capital Process Methodology has now been in use for several months, on which the initial feedback is positive; staff have welcomed the process.

            As previously advised, an integral part of the process requires that Projects are monitored corporately, for this purpose a completed and a new Capital Project Management approach is in the process of being implemented. A Project Position Statement (PPS) is now in place and details updated on a monthly basis to record the current position on all projects currently being undertaken within the Council over £75,000 in value.

            The PPS provides data on the projects status, project values, timeliness, details of project managers and states where risk logs are in place and contracts are signed etc. To validate the accuracy of the PPS, staff within the project team carryout selective monthly project audits.

            The methodology continues to improve and will benefit from feedback received from the Quarterly Review Group meetings. The positioning of the risk will be kept under review to reflect the outcome of project audits undertaken.

            The Council has insufficient skills and capacity to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process.

(ii)   The transformation programme is managed in a structured way with project management methodology, teams with specific roles and defined reporting relationships to monitor progress. The Council has allocated £0.5m to support this programme.

Future resource availability, particularly Government grant, may adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS).

(iii)   The Council agreed a Corporate Plan for 2010 to 2014 in February 2010. Short to medium term plans were revised, taking account of the outlook for public finances, though the long-term SCS vision remained unaltered. In particular future resource projections were revised. There remains a risk that future resource levels could be below those assumed in the Plan, potentially impacting on the Council's ability to deliver its Corporate Plan and its part in the SCS.

In November 2009, Cabinet approved a new Business Model to respond appropriately to the longer-term outlook, which is central to the Corporate Plan and Medium Term Financial Plan (MTFP). The 2010-14 MTFP includes headroom (uncommitted resources) of up to £2million per year and a higher level of uncommitted reserves to provide additional cover for the financial risk. The corporate group established in 2009, chaired by the Chief Executive, continues to co-ordinate responses to the recession and actions to support residents and local businesses and manage the impact upon the Council's own finances. All plans will continue to be monitored and revised as necessary.

(b) Corporate Premises Risks

(i)   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 the adoption of new IT system to integrate systems working in different parts of the Council. These issues are currently being addressed to achieve a satisfactory resolution.

Council unable to meet its obligations under information governance agenda.

(ii)   In December 2009 Cabinet approved a refreshed Corporate Information Governance Policy together with an Information Governance Strategy, Information Security Policy and associated delivery framework. This developed a strategic risk based approach to information governance and information security management, supported by senior management, that will ensure legal and regulatory requirements and best practice are embedded into business as usual activities and consistently applied across the Council. The implementation of the policies and delivery of the work programme will provide the Council, its partners and inspectorates with an appropriate level of assurance that information is managed in an efficient, effective and secure manner.

The Corporate Information Governance Group (CIGG), a cross departmental group of officers, has the critical role in the development and implementation of information management related policies, procedures and working practices. CCIG reports six monthly to the ICT Strategy Group on progress and planned developments and in turn the ICT Strategy Group is required to report six monthly to the Audit Committee on progress in implementation of the ICT Strategy that includes in its delivery programme 'the implementation of robust and secure information management processes and systems'. The first such report of the ICT Strategy Group is the subject of a separate report on the agenda of this Committee.

Potential issues regarding Safeguarding Children arising from difficulties in recruiting Social Workers within Children's Services and in obtaining agreement across Tees Valley for a common approach.

(iii)   This was identified as an emerging risk since the publication of the last Risk Management Report in September 2009. Increased resources of £230,000 have been invested in new social worker posts, a new practitioner post and an additional legal post to manage the increased workload that has resulted from the increase in child care referrals. In addition, agreement is being developed with neighbouring authorities regarding a unified approach to recruitment, retention and remuneration of social workers.

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

Investment in regeneration projects is not delivered.

(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 recession, and its impact on investment in projects, continues.

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

Recruitment and retention of key staff

(i)   This is 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. As mentioned above appropriate steps are being taken regarding the appointment of three staff and partnership working with neighbouring authorities to manage this risk.

Recruitment and retention of foster carers.

(ii)   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.

(iii)   Capacity to deliver MTFP

    This risk has increased mainly due to the increased costs associated with budget pressures from external placements, as mentioned previously within this Report together with increases in transportation costs. The main risk over the longer term is the cessation of grants that currently fund many care services within Children's Services.

(iv)   Maintaining core services while managing change

    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 Managers (ISM) and Team Managers. One ISM post and manager post remains vacant (out for advertisement). 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 has been completed.

(v)   Bedding down of interoperability in ICT systems

    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, B2B, will enable real time updating of data between both modules to allow efficient sharing of up to date information within the Department and Schools. The installation of B2B is ongoing.

(e) Community Services (**Appendix D**) – No risks have been identified.

(f)   Corporate Services Risks (**Appendix E**) – One risk has been elevated since the previous report.

    (i)   Significant exposure to Equal Pay claims

            The Council has a number of ongoing equal pay claims currently within the legal system. Although the Council's exposure in this area has been substantially reduced with the implementation of Single Status and ongoing effective management of claims, there still remains the potential that such claims could result in a financial liability for the Authority, hence the increase in the risk. The situation is closely monitored on a regular basis in liaison with the Council's legal advisor's and appropriate action taken to limit exposure and liability as and when necessary.

Operational Risk Outcomes

14. 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:

(a) Motor/Transportation Risk
(b) Property/Security Fire Risk
(c) Health and Safety Initiatives/Liabilities
(d) Highways
(e) Tree Risk Management

15. 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 and lost time as a result of accidents continue to decrease within the Authority as detailed within the Corporate Health and Safety Report to this Committee (Min Ref A18/Sept/2009).

16. In addition eight Darlington Schools have now achieved the Royal Society for the Prevention of Accidents (RoSPA) Safety Awards during the past two years demonstrating a commitment to health and safety systems and practices within schools.

17. Two editions of the 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.

18. 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. During the past year general training has been undertaken for Governors, Departmental Senior Management Teams and specifically, Insurance Management / Claims Investigation, Property Risk and Fraud. Positive feedback has been received from those who attended this training and further risk awareness training, based on need, will continue to be arranged throughout the coming year.

19. 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 Governors and Head Teachers; this project supports the Financial Management Standards in Schools (FMSiS). In addition the Council's Risk and Insurance Manager has been invited to Governing Body and School Senior Management Team meetings to deliver risk awareness talks in addition to progress reports presented to the Children's Services Joint Consultative Group in May 2009 and the Chair of Governors Group in September 2009.

20. To assist the management of property risk, the Corporate Risk Management Group has 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. In addition the Council has liaised with Darlington Police to demonstrate Smartwater to pupils, teachers and parents in two primary schools to publicise its use within Darlington Schools. Further local publicity is scheduled in the coming months. 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 Smartwater publicity for its successful use of Smartwater to protect school property.

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

Conclusion

22. 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 Report, the various external risk management awards and the successful initiatives currently being undertaken.

Outcome of Consultation

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

CORPORATE RISKS

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

Risk No.	Risk	Responsible Person
1.	Implementation of recommendations from Capital Process Review is needed to enable an effective capital project management methodology to be in place	Cliff Brown
2	The Council has insufficient skills and capacity to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process	Paul Wildsmith
3	A flu pandemic could affect delivery of key services and affect business continuity planning	Paul Wildsmith
4	The local government re-organisation taking place in neighbouring authorities in the region could have an adverse impact	Ada Burns

5	Future resource availability, particularly Government Grant may adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS)	Paul Wildsmith
6	Corporate Premises Risks	Paul Wildsmith
7	Business Continuity Plans not in place or tested for key critical services	Paul Wildsmith
8	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith
9	Potential issues regarding Safeguarding Children arising from difficulties in recruiting Social Workers within Children's Services and in obtaining agreement across Tees Valley for a common approach	Murray Rose

The following two risks were deleted from the Risk Register during the year and replaced by Risk 2 above.

	The *Leading Edge* programme is delivering change to key services and we need to ensure that there is continuing quality of service delivery during reorganisation	Paul Wildsmith
	There is a capacity issue around how the authority can address major change	Ada Burns

The Following Risk has been downgraded within the current Risk Register for the reasons given

	A flu pandemic could affect delivery of key services and affect business continuity planning	To reflect the fact that we are now coming out of a pandemic, however should a pandemic occur, the Council has a Corporate Pandemic Flu Plan in place

The following risk was deleted from the Risk Register

	The local government re-organisation taking place in neighbouring authorities in the region could have an adverse impact	No longer considered a risk to the Authority

CHIEF EXECUTIVE'S

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

Risk No.	Risk	Responsible Person
1	The Council's reputation is undermined by poor assessment results	Chris Sivers
2	Advertising revenue cannot be predicted and levels can fluctuate	Cassandra Ferguson
3	Targeted efficiencies and procurement savings are not delivered	Ada Burns
4	Unforeseen increases in the cost affect the concessionary fares travel scheme	Simon Holdsworth
5	Supported bus services are terminated by operators	Simon Holdsworth
6	Financial impacts of grant funding expiring	Richard Alty

7	Investment in regeneration projects is not delivered	Richard Alty
8	Implementation of the new Business Model is delayed or disrupted by ineffective communication	Cassandra Ferguson
9	Progress on the new Business Model is frustrated by lack of community support	Chris Sivers
10	The management of Council risks in respect of Darlington Partnership	Seth Pearson
11	The management of Council risks in respect of the prosperous Darlington Theme Group	John Anderson
12	The management of Council risks in respect of the Crime and Disorder Reduction Partnership theme group	Chris Sivers
13	The management of Council risks in respect of the Healthy Darlington Theme Group	Miriam Davidson
14	The management of Council risks in respect of Greener Darlington Theme Group	Steve Petch
15	The management of Council risks in respect of Tees Valley Unlimited and other significant partnerships	Steve Petch
The following risks has been downgraded within the current Risk Register for the reasons given		
	Changes to the statutory minimum bus concession	Reduction in risk for the Authority
	Pressures around supported bus services	
The following risk was deleted from the Risk Register		
	Financial impacts of grant funding expiring	The risk related to the ending of funding for Local Motion and is no longer a risk for the Authority

CHILDREN'S SERVICES

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

IMPACT

Risk No.	Risk	Responsible Person
1	Recruitment and retention of key staff	Murray Rose
2	Recruitment and retention of foster carers	Jenni Cooke
3	Schools in categories and schools causing concern	Andrew Dunn
4	Mismatch of demand and supply of child care places	Gill Walker
5	Capacity to deliver MTFP	Murray Rose
6	Maintaining core services while managing change	Murray Rose
7	Major Capital Schemes – BSF/Hummersknott/Eastbourne Academy/Primary Capital Programme	George McQueen

8	Increase in LAC and insufficient 'in-house' provision	Jenni Cooke
9	Bedding down of interoperability in ICT systems	George McQueen
10	The management of Council risks in respect of the Children's Trust	Melanie Brown
11	The management of Council risks in respect of other partnerships	Murray Rose

COMMUNITY SERVICES

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

Risk No.	Risk	Responsible Person
1	Impact of any unpredicted increase in demand for community care	Pauline Mitchell
2	Community Services staff capacity to deliver service improvements	Cliff Brown
3	Implementation and development of Traffic Management Act duties and the Network Management Plan	Dave Winstanley
4	Implementation of the new waste contract	Ian Thompson
5	Depot relocation impacting on service delivery	Cliff Brown
6	Difficulties in developing a Housing Business Plan and regenerating areas of greatest need when the future financial position of the HRA and the economic climate are uncertain	Pauline Mitchell

7	Ability to adequately address the affordable housing requirements	Pauline Mitchell
8	Insufficient skills capacity in Adult Social Care to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process	Pauline Mitchell
9	ICT interface issues and time impact of resolution	David Forrest
10	MTFP efficiencies and the risk to business continuity if premium payments and call out are approved	Elizabeth Davison

The Following Risk has been downgraded within the current Risk Register for the reasons given

	Community Services staff capacity to deliver service improvements	This risk has been downgraded following the appointment of two Assistant Directors within Adults Services and Building Services and actions taken to revise management structures

The following risk was deleted from the Risk Register

	Implementation of the new waste contract	New waste contract now implemented

CORPORATE SERVICES

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

Risk No.	Risk	Responsible Person
1	VAT (Planning expenditure in terms of capital)	David Hall
2	Fraud – in general	Brian James
3	Council Tax collection, targets are significantly impacted by a down turn in the economy and local employment market	David Hall
4	ICT Security arrangements inadequate	Ian Miles
5	Non-achievement of Use of Resources Score of 3 out of 4 impacts upon the Council's overall rating	Brian James
6	Implementation of Xentrall business case financial savings are not realised	Paul Wildsmith

7	Increased sickness absence adversely affects service delivery	Lesley Blundell
8	Leading Edge Strand – Delivering a new ICT Strategy	Ian Miles
9	Failure to deliver DDA improvements to operational buildings	Guy Metcalfe
10	A sustained reduction in Departmental income (e.g. Car Parks and Land Charges) adversely impacts upon the MTFP	Paul Wildsmith
11	Significant exposure to Equal Pay claims	Lesley Blundell
12	Instability within financial markets	David Hall
13	Failure to meet NI14 target, (Reducing Avoidable Contact)	Cath Whitehead
14	Failure to deliver Civil Parking Enforcement (CPE) within timescale	Bill Westland
15	Failure to satisfactorily implement the International Financial Reporting Standards (IFRS)	David Hall
16	Non delivery of the Contest / Prevent Agenda	Bill Westland
17	Financial risk to the Authority from the implementation of the Carbon Reduction Scheme	Brian Boggon
18	Grant reduction greater than provided for within Medium Term Financial Plan	David Hall

The following Risks have been amalgamated with Corporate Risk 2 on page 11.		
	Leading Edge strand – Business transformation change projects to address specific service weaknesses and or national policy shifts	Brian Boggon
	Leading Edge Strand – Delivering a new integrated HR Strategy	Lesley Blundell
	Loss of critical staff	Lesley Blundell