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**RISK MANAGEMENT - 2006/07 PROGRESS REPORT**

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**Purpose of Report**

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

**Background**

2. The Council's Risk Management Strategy recognises that the function is an essential part of effective and efficient management and planning. It is a fundamental part of the CIPFA/SOLACE framework on Corporate Governance adopted by the Council in 2002/03 through the Local Code of Corporate Governance. Risk Management is also an integral requirement of the Comprehensive Performance Assessment (CPA) and as such is an important element in demonstrating continuous improvement.

**Information and Analysis**

**Structural Arrangements and CPA Scores**

3. Historically, Risk Management within the Corporate Services Department has been a split function involving two people. The Chief Internal Auditor is responsible for co-ordination of the inclusion of strategic risks within service plans working through the Corporate Planning Network (CPN) by providing appropriate advice and guidance. The Risk and Insurance Manager within the Financial Services Section, working through a cross-departmental Corporate Risk Management Group (CRMG) and task-groups has responsibilities to focus upon the delivery of strategies to reduce the cost of claims against the Council and to minimise the risk of financial losses and disruption to the efficient delivery of services to the community.
4. This overall approach to risk management proved successful in previous years. The score for risk management under the CPA auditor scored judgements, based largely on the Council's approach to strategic risk, increased from an initial 2/4 in 2003/04 to 3/4 in 2004/05, as greater member involvement in the process could be demonstrated and risk management was the subject of favourable comment in the CPA Corporate Assessment Report of April, 2005.
5. However, the CPA Use of Resources "harder test" framework for 2005 raised the bar significantly in terms of strategic risk management requirements and as a result the score for the function fell back to 2/4, although it was commented upon in the Annual Audit and Inspection Letter for 2005 that systems of risk management were well embedded.
6. An improvement action plan was drawn up, based upon the Use of Resources key lines of enquiry guidance, with the objective to increase the score to 3/4 in 2006/07 and to generally strengthen the position prior to the next CPA Corporate Assessment. Actions required included: -

- (a) The development of electronic risk registers to facilitate the effective and efficient recording; presentation and review of risk over time and to further develop a robust identification of mitigating controls against risk and those responsible for them.
  - (b) Periodic reports to the Member Committee with responsibility for risk management to monitor that appropriate action is taken to ensure that corporate business risks are actively managed.
  - (c) Documenting risks in relation to partnerships, using the corporate approach, to enable assurance to be obtained that those risks are reviewed and managed.
  - (d) Staff/Member training awareness programme to be developed, delivered and evidenced.
  - (e) Continuing the good work already achieved through operational risk management.
7. In order to have a corporate focal point for risk management, to provide greater resilience for the function and to resource the CPA use of resources improvement action plan, with the agreement of Corporate Management Team, the post of Risk and Insurance Manager was transferred from the Financial Services Division to report to the Chief Internal Auditor with effect from 1st January, 2006, and an additional post was created under the Risk and Insurance Manager funded by an additional charge included in the annual departmental insurance recharges.
  8. Progress against the improvement action plan has been positive. A new system has been acquired to develop electronic risk registers and work is underway to populate the software; risks in relation to significant partnerships have been documented; this is the second report to Members on the management of identified business risks following that presented to Cabinet on 7th March 2006; the CRMG continues its good work on operational risk and intends, at their October 2006 meeting, to discuss the content of a risk training programme for all staff and Members to be delivered during the next two years

### **Strategic Risk Outcomes**

9. A key element of the service planning process is that areas of potential risk, which could adversely impact on the ability to meet objectives, are identified together with the officer responsible. 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. The risk matrices included in the 2006/07 Corporate Plan and Departmental Service Plans are attached at Appendices A-F. The Director of Development and Environment has taken the opportunity to rationalise the risks outlined in his Departmental Service Plan to assist effective reporting.
10. Managers are required to confirm in their Annual Assurance Statements, to be completed formally for the first time in the spring of 2007, 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.

11. The information that follows, provided by appropriate staff in Departments, details those risks identified as above the risk appetite line and the improvement actions taken.

**(a) Corporate Risks (Appendix A) – One corporate risk was identified.**

- (i) This concerns a strategy for strengthening the project management methodology with external organisations that emerged from the recommendations of the Resources Scrutiny Committee following a review of the circumstances in which a gas main was found during the course of the Pedestrian Heart works. Cabinet, on 11th July 2006 noted that officers would be taking forward the recommendations of Resources Scrutiny and in the light of the level of major capital schemes, approved the establishment of the post of Assistant Director (Capital Projects). The Chief Executive has instigated a review of how capital projects are managed from inception to delivery and control under the Leading Edge methodology and the Director of Development and Environment is progressing recruitment to the Assistant Director (Capital Projects) post. At present, the risk is still considered above the line.

**(b) Community Services (Appendix D) – Two risks have been identified.**

- (i) In respect of the risk to Adults Services maintaining performance in a time of change together with the delivery on the Future of Health and Social Care, a new Assistant Director of Adult Services has recently been appointed and three third tier managers will be taking up posts in October. Monthly performance monitoring reports are produced for Team Leaders to monitor progress and a service review meeting is held each month with the Director and senior managers of the Department to assist with this process. Risk still above the line for the time being.
- (ii) The risk from a pandemic flu outbreak is being managed as a corporate risk and strategies are in place in the event of an outbreak. The Council's Pandemic Influenza Plan has been approved by CMT and will be referred to Cabinet on 10th October 2006. Links have been established with the Primary Care Trust and the Council is working with other key partners including the Health Protection Agency. Contact has also been made with independent service providers.

**(c) Corporate Services (Appendix E) – Four risks were identified.**

- (i) Roll out of the Council's Records Management Policy has been slower than anticipated. Initial discussions are taking place with Children's Services staff with the intention of progressing this matter by way of a pilot in that Department. The risk remains above the line at present.
- (ii) Good progress is being made in respect of the new payroll system. Contracts have been signed, hardware delivered and software installed. There is also regular monitoring of progress against the timetable in the project plan by the Director of Corporate Services. At present, the risk is still considered above the line but it is envisaged that the position will change in the next few months.
- (iii) The risks to the delivery of existing services, as initial work is carried out in connection with the potential Darlington / Stockton Partnership has been actively

managed by the re-alignment of work and backfilling of staff where necessary. For the time being the risk remains above the line and this position will continue to be monitored regularly.

- (iv) Sickness Absence continues to improve; there has been reductions of 13.5% since 2003/04 to an outturn of 9.69 days in 2005/06 and statistics for the current year 2006/07 are running at a very similar level to the same period as last year. Pro-active work in relation to the management of sickness absence and health care promotion initiatives should further improve the position and it is hoped that the risk can be moved to below the line if future quarterly reports show the same trends.

**(d) Development and Environment (Appendix F) – Four risks were identified.**

- (i) Three relate to staff issues in terms of securing suitable staff for service delivery, workloads increasing stress and pressure of work diverting senior managers from management to hands-on work. The Framework Agreements with consultancy partners have reduced some of the risk as has the relevant training for staff in respect of stress management and the prioritisation and delegation of work. However, the risks are still considered above the line since work upon workforce planning is required.
- (ii) The other risk concerned disruption to service delivery in having to vacate Hopetown House following expiry of the lease in October 2006. This issue is being actively managed by the Director of Development and Environment but the risk remains above the line until future arrangements are formally established.
- (iii) In addition, the risk of project delivery of the Pedestrian Heart Scheme being vulnerable to poor management is now considered above the line. This issue is to be the subject of a full report to Council on 28th September 2006.

**Operational Risk Outcomes**

- 12. The main focus upon the management of operational risks within the Council is the Corporate Risk Management Group (CRMG), an established and effective forum that operates five task groups, namely: -
  - (a) Motor Transportation Risk
  - (b) Property/Security/Fire Risk
  - (c) Health and Safety Initiatives/Liabilities
  - (d) Highways
  - (e) Tree Risk Management
- 13. The successful Smartwater initiative, launched in April 2005 using a DNA type forensic solution that is applied to valuable property, has assisted in the reduction of vandalism and theft within schools. It has also resulted in the recovery this year, by Darlington Police, of five stolen projectors from schools as all were marked with the Smartwater solution.
- 14. The Council has received two ‘Highly Commended’ Awards from ALARM, the National Forum for Risk Management in the Public Sector for property risk initiatives undertaken in

the past two years. The Group also works very closely with the Durham and Darlington Fire and Rescue Service and Darlington Police in an effort to continually reduce risk to Council owned properties.

15. Risk awareness training for staff has been delivered in partnership with Zurich Municipal, the Council's Insurer's and Crutes Solicitors. Topics covered have been Corporate Manslaughter, Property, Security and Fire, Highways and Partnerships. In addition, Crutes arranged a mock trial for Highways staff who are required to give evidence in Court for the Council.
16. A new Lone Working System is currently being piloted within the Authority, using technology linked within our CCTV Unit. This system, when operational, will provide staff with the facility to raise the alarm, using sim-card technology, should they feel in danger when working alone. The system is very close to being finalised.
17. This pro-active approach to risk management within the Authority, together with our good insurance claims history, has enabled the Council to negotiate a £90,000 reduction for both 2006/07 and 2007/08 in insurance premiums with our Insurer's, Zurich Municipal.

### **Legal Implications**

18. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

### **Section 17 of the Crime and Disorder Act 1998**

19. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

### **Recommendation**

20. It is recommended that the Risk Management Progress Report for 2006/07 be noted.

**Paul Wildsmith**  
**Director of Corporate Services**

### **Background Papers**

- (i) Council's Risk Management Strategy
- (ii) Departmental Risk Registers
- (iii) Report on Risk Management to 7 March 2006 Cabinet.
- (iv) Corporate Risk Management Group minutes
- (v) Property Risk Management Group minutes

George Cornforth : Extension 2324  
TAB

## APPENDIX A – CORPORATE RISKS

<b>LIKELIHOOD</b>	<b>A V. High</b>				
	<b>B High</b>				
	<b>C Signif.</b>		<b>1 6</b>	<b>3</b>	
	<b>D Low</b>			<b>2 4 5 7 8 9 10</b>	
	<b>E V. Low</b>				
	<b>F Almost Imposs.</b>				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		<b>IMPACT</b>			

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1.</b>	The timing for future capital funding is not always known.	John Buxton
<b>2</b>	To meet the demands of the White Paper, ‘Every Child Matters’ Children’s Services must ensure continuing quality of service delivery during re-organisation	Margaret Asquith
<b>3</b>	The Council works hard to attract capital investment to the Borough and often has many Capital projects ongoing at any one time	John Buxton
<b>4</b>	The Leading Edge programme is delivering change to key services and we need to ensure that there is continuing quality of service delivery during re-organisation	Lorraine O’Donnell
<b>5</b>	There has been a major review of employee terms and conditions through job evaluation / single status	Paul Wildsmith
<b>6</b>	Possible re-organisations to neighbouring or nearby PCT’s and / or Police could impact on existing working relationships and approaches to joint working	Ada Burns
<b>7</b>	Adult Services has recently become part of Community Services Department. Continued quality service delivery is needed during re-organisation	Cliff Brown

<b>8</b>	A flu pandemic could affect delivery of key services	John Buxton
<b>9</b>	Street Scene services have been reviewed and it is essential that seamless provision of service occurs during the change to new practices	Cliff Brown
<b>10</b>	The current waste management contract is due to expire in 2008 and it is essential that the Authority procures an effective solution	John Buxton

**APPENDIX B – CHIEF EXECUTIVE’S**

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

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	The Corporate Reputation	Lorraine O’Donnell
<b>2</b>	Advertising revenue cannot be predicted and levels can fluctuate	Steve Jones
<b>3</b>	Leading Edge programme fails to improve service delivery	Lorraine O’Donnell

**APPENDIX C – CHILDREN’S SERVICES**

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

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Retention of key staff including social care	Margaret Asquith
<b>2</b>	Retain / recruit foster carers for older children / complex needs	Alison Walton
<b>3</b>	Schools in Ofsted categories and schools causing concern	Gill Walker
<b>4</b>	Mismatch of demand and supply of child care places in Early Years	Chris Archer
<b>5</b>	Failure to secure the Darlington Academy	Margaret Asquith
<b>6</b>	Library performance impact of the CPA culture block performance	Ruth Bernstein

**APPENDIX D – COMMUNITY SERVICES**

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

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Job Evaluation and Single Status on service delivery of Environmental Services which have an impact on the quality of life for residents of the town.	Ian Thompson
<b>2</b>	Non delivery of outcomes of Street Scene	Ian Thompson
<b>3</b>	Time scale for Waste Management Review	Denis Watson Ian Thompson
<b>4</b>	Outcomes of the Repair and Maintenance on the MTFP	Cliff Brown
<b>5</b>	Financial targets not met following capital receipts – Dolphin Centre	Steve Thompson
<b>6</b>	Delivery on the Future Health and Social Care (deleted and incorporated within 10 below)	
<b>7</b>	Domiciliary Care – lack of capacity / increased demand	Jane Breheny
<b>8</b>	Learning Disability Commissioning	Jane Breheny
<b>9</b>	Meeting recommendations following inspection of Repairs and Maintenance and Youth Service	Pauline Mitchell Steve Thompson
<b>10</b>	Maintain performance of Adults Services in time of change and delivery on the Future Health and Social Care	Jane Breheny
<b>11</b>	Flu Pandemic	Corporate Risk

**APPENDIX E – CORPORATE SERVICES**

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

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Pension Fund	Brian Boggon
<b>2</b>	Budget Setting / Management / Control of decision making	David Hall
<b>3</b>	Capital Expenditure / Resources available	Brian Boggon
<b>4</b>	Insufficient insurance cover	Brian James
<b>5</b>	VAT (Planning expenditure in terms of capital)	Brian Boggon
<b>6</b>	Projects of customers not recognised / consulted upon	SMT led by Brian James
<b>7</b>	Fraud – in general	Brian James
<b>8</b>	Loss of Land Charges Income	Cath Whitehead
<b>9</b>	Council Tax collection	David Hall
<b>10</b>	Records Management	Brian James
<b>11</b>	Customer Services Centre and Call Centre Implementation	Ken Walker
<b>12</b>	ICT Security	Ken Walker
<b>13</b>	Address the requirements of the revised CPA ‘Use of Resources’ methodology	Ian Wilson
<b>14</b>	Implementation of new payroll system	Lesley Blundell
<b>15</b>	Darlington / Stockton Partnership – staffing motivation element, threat to reputation	Paul Wildsmith
<b>16</b>	Darlington / Stockton Partnership – Capacity (threat to delivery), affect upon delivery of day job	Paul Wildsmith
<b>17</b>	Sickness Absence	Lesley Blundell

**APPENDIX F – DEVELOPMENT AND ENVIRONMENT**

<b>LIKELIHOOD</b>	<b>A V. High</b>				
	<b>B High</b>				
	<b>C Significant</b>		<b>2aiv 2av 4</b>	<b>9, 10/14 15</b> ↑	
	<b>D Low</b>		<b>2b 2avi 3 6 7</b>	<b>1 2ai 2aii 2aiii 11 13</b>	
	<b>E V. Low</b>			<b>5 8 12</b>	
	<b>F Almost Impossible</b>				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		<b>IMPACT</b>			

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
<b>1</b>	Investment in regeneration projects is vulnerable to the wider economy	Richard Alty
<b>2</b>	Project delivery is vulnerable to poor management	
	- 2ai Central Park	Richard Alty
	- 2aii Pedestrian Heart	John Buxton
	- 2aiii Dolphin Centre	Brian Dobinson
	- 2aiv Darlington Eastern Transport Corridor	Simon Holdsworth
	- 2av Education Village Surplus Schools Sites	Guy Metcalfe
	- 2avi Schools Projects	Guy Metcalfe
<b>2b</b>	Other Major Projects	Richard Alty
<b>3</b>	Licensing Act requirements must be satisfied	Peter Roberts
<b>4</b>	Failure to follow statutory procedures	John Buxton
<b>5</b>	Service partners fail to deliver	John Buxton
<b>6</b>	Failure to deliver DDA improvements to buildings	Guy Metcalfe
<b>7</b>	Lack of competitiveness in bidding for resources	Richard Alty

<b>8</b>	Income from car parks, commercial property and/or crematorium falls	Barry Pearson
<b>9</b>	Unable to secure staffing required for service delivery	John Buxton
<b>10</b>	Workloads lead to more stress and less satisfaction	Peter Roberts
<b>11</b>	Commercial Street development frustrates a key economic regeneration/town centre project	Richard Alty
<b>12</b>	CPA 2005 onwards – D&E / Environment Services do not score as well under the new regime	Peter Roberts
<b>13</b>	Crematorium equipment fails and/or new mercury emissions regulations cannot be met, resulting in loss of service and reduced income	Bill Westland
<b>14</b>	Pressure of work diverts senior managers from management to hands-on work, and results in a reduced level of service to the public and Members	John Buxton
<b>15</b>	Service delivery is disrupted by having to vacate Hopetown House following expiry of the current lease in October 2006	Guy Metcalfe