ITEM NO. ....

RISK MANAGEMENT – PROGRESS REPORT 2010/11

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.

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 26 March 2010 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	Insurance premium savings are being achieved through a pro-active approach to risk management within the Council together with positive management of the insurance programme

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 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. Until recently, Risk Management was an integral requirement of the Council's Use of Resources Assessment 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 for 2008/09 for this element at 3; this equates to 'performs well, exceeds minimum requirements'. However, in May 2010, the new Government announced that the Comprehensive Area Assessment (CAA) was to be abolished. Although the external Auditor will continue to produce an annual audit letter for the Authority, they will no longer report a score for the Use of Resources.

Strategic Risk Outcomes

7. 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.

8. 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.

9. 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**) – Seven 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)   A new Capital Project Management approach has been adopted and rolled out on a phased basis across the Council. Relevant staff have been trained in the methodology and related procedures and received a copy of the Council's Project Management Handbook. The Council's intranet has also been developed to provide useful reference and supporting material.

An Asset Management and Capital Programme Review Board, a cross-departmental group chaired by the Director of Corporate Services, has been established to oversee the strategic position of the Council on capital projects.

A Projects Office has also been created and has taken responsibility for the production and monitoring of a Project Position Statement (PPS). The PPS provides a single source of key information relating to the Council's commitments on capital projects and programmes and enables challenge to be made on projects that are starting to deviate from time, cost or quality and the resources assigned to key roles within the project environment. The PPS is reported monthly to the Asset Management and Capital Programme Review Board and regularly through Resources Scrutiny.

The Capital Project methodology is expected to continue to be developed with use and over time by the Projects Office in conjunction with interested parties.

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 through the Transformation Team reporting into the Transformation Board (CMT). The Transformation Team along with colleagues in departments are being trained in LEAN techniques and project management methodology. Programme Managers with specific roles and defined reporting relationships to monitor progress have also been established.

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

(iii)   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.

In February 2010 the Council agreed a Corporate Plan for 2010 to 2014. 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 downwards.

Following in-year reductions in 2010-11 grants, Cabinet approved changes to the 2010-14 MTFP in July 2010 to reduce both revenue and capital spending. The Governments emergency budget in June 2010 signalled significant future reductions in resources. The MTFP for 2011-15 is currently being developed to reflect revised resource expectations. The Governments Spending Review, to be announced in October 2010, will provide further indications of future funding and the grant settlement in December will provide more detail. 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.

Corporate Premises Risks

(iv)   Following an audit undertaken on the Corporate Risk and Facilities Management database during 2008/09, work is continuing to address the Audit Improvement Action Plan. A new IT system, designed to ease the capture and monitoring of compliance data has been developed to integrate systems working in different parts of the Council, particularly in relation to cyclical maintenance contracts being undertaken through Community Services.

Council unable to meet its obligations under information governance agenda

(v)   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. CIGG 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 second 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.

(vi)   This was identified as an emerging risk last year. Increased resources 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 CMT are currently reviewing proposals in respect of a revised staffing structure to assist the recruitment retention and remuneration of social workers and the Council is still liaising with neighbouring authorities regarding the adoption of a unified approach to manage this risk

The Council's Reputation

(vii)   This risk has been transferred from the Chief Executive's Department risk register following the ending of the Comprehensive Area Assessment and the much reduced exposure to inspection and the assessment processes. However there remains a significant risk to the Council's reputation that will now be monitored and managed by CMT, arising from reduced budgets impacting upon services.

(b) Chief Executive Risks (**Appendix B**) – Two risks have 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. The Local Economic Partnership, for which a submission to government was made in September 2010, will provide the main vehicle for securing and co-ordinating investment, and the Council is working with Tees Valley partners on Regional Growth Fund bids. This risk is kept under review as the recession, and its impact on investment in projects, continues. Whilst the controls in place reflect a comprehensive response to the risk, it is considered to be above the risk appetite line due to economic uncertainty and variable factors beyond the control of the Council, combined with the importance of investment in regeneration to the delivery of a range of key outcomes. A risk management plan is therefore in place to manage this risk.

Progress on the new Business Model is frustrated by lack of community support.

(ii)   The effective implementation of the Business Model, particularly in light of the full impact of the financial climate on the public sector, rests on the ability of local communities to become more resilient and self sustaining in meeting a range of local needs. This risk has been upgraded in the absence of a detailed understanding of the challenge that will be put to communities or of their capacity to respond. Initial discussions are taking place to

further develop links to Community Partnerships and other Voluntary and Community Sector (VCS) Groups in addition to working closely with Evolution to develop this new culture challenge.

(c) Children's Services Risks (**Appendix C**) – One risk has been identified.

Primary admissions and shortage of places and implications for capital programme

(iii) This is an emerging risk. Improved data analysis and school capacity assessments have assisted early identification of issues to enable realistic solutions to be achieved. The Council's commitment to s106 planning obligation funding for schools is being strengthened and potential funding streams to support increases, where necessary are being identified. Capacity has been increased at High Coniscliffe Primary School.

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

(e) Corporate Services Risks (**Appendix E**) – Two risks have been identified.

Significant exposure to Equal Pay Claims

(iv) 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.

Failure to deliver Civil Parking Enforcement (CPE) within timescale

(v) The provisional date to introduce Civil Parking Enforcement was set as October 2010 for the purposes of the application to the Department for Transport. The Council confirmed it was ready to accept the transfer of powers in August 2010 to trigger the parliamentary process of transferring the powers. Unfortunately, the Department for Transport has indicated they are unable to hit the 11th October 2010 due to other legislative commitments. They propose to provide us with potential start dates imminently. This has escalated the likelihood of failing to introduce CPE in October but not increased the risk of introducing the project. It will potentially be delayed by a timeframe yet to be determined

Operational Risk Outcomes

10. 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 various task groups.

11. A programme of Risk Management training continues to be undertaken within the Authority, co-ordinated by the Corporate Risk Management Group. The Council liaises with Zurich Municipal and other Risk Management bodies to raise awareness of risk issues as part of this development. Recent training undertaken includes Property, Fire and Security Risk Awareness and Managing Risk and Opportunity within Schools tailored for School Governors. 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.

12. A positive response continues to be received from Governors and Head Teachers in respect of the initiative to develop the management of risk and opportunity within schools, adopting the Council's standard risk management methodology to support the Financial Management Standards in Schools (FMSiS). In addition, risk awareness talks have been given by the Risk and Insurance Manager to Governing Bodies and Senior Management Teams upon request.

13. Theft and vandalism within school property continues to fall. There has been a 40% reduction in insurance claims during the past year; this is due to the continued management of property risk within the Authority and the use of Smartwater, a solution used to mark property with a 'forensic fingerprint' that links anyone in possession of stolen items with the crime scene and deters crime.

14. The severe winter weather from December onwards caused considerable damage to the Borough's road network, including 1,250 individual defects being identified. This resulted in a 78% increase in the number of insurance claims for compensation being received, the majority attributable to the winter damage. To assist the risk management process, the initial reaction to the winter damage included enhanced inspections and prompt repairs; this was followed by a programme of permanent repairs to provide a long term solution. The estimated cost of this work is £660,795, with £148,000 financed from the Department of Transport. Due to the Council's robust maintenance regime of inspection and repair, only two of the insurance claims have so far resulted in payments being made to claimants.

15. A pro-active approach to managing Council owned trees within the Authority continues to produce positive results. In the past year in excess of 5,000 trees have been surveyed, only 30 trees were identified as diseased. A similar tree survey ten years ago identified in excess of 300 diseased trees that required attention. The reduction of tree failures is a direct result of this pro-active approach that has been adopted together with a regular inspection and maintenance regime that has enabled the Council to successfully defend tree insurance claims. In addition a programme is in place to undertake tree surveys within schools and tree planting is regularly undertaken with the help of school children as part of their environmental studies.

Conclusion

16. The Council's pro-active approach to risk management continues to produce positive results for the Authority.

Outcome of Consultation

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

LIKELIHOOD	A Very High					
	B High					
	C Significant				1 2 4 5 7 8 9	
	D Low				3 6	
	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	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
5	Corporate Premises Risks	Paul Wildsmith

6	Business Continuity Plans not in place or tested for key critical services	Paul Wildsmith
7	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith
8	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
9	The Council's reputation	Ada Burns
The following risk has now been included with Risk 6, Business Continuity, within the Risk Register		
3	A flu pandemic could affect delivery of key services and affect business continuity planning	To reflect the fact that we are now out of a pandemic. However, the Council has a Corporate Pandemic Flu Plan in place within Business Continuity Plans

LIKELIHOOD	A Very High				
	B High				
	C Significant		2 3	6 8	
	D Low		1 5 7 8	9 10 11 12 13 14 4	
	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 efficiency and procurement savings are not delivered	Richard Alty / Chris Sivers
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	Investment in regeneration projects is not delivered	Richard Alty

7	Implementation of the new Business Model is delayed or disrupted by ineffective communication	Cassandra Ferguson
8	Progress on the new Business Model is frustrated by lack of community support	Chris Sivers
9	The management of Council risks in respect of Darlington Partnership	Seth Pearson
10	The management of Council risks in respect of the prosperous Darlington Theme Group	John Anderson
11	The management of Council risks in respect of the Crime and Disorder Reduction Partnership theme group	Chris Sivers
12	The management of Council risks in respect of the Healthy Darlington Theme Group	Miriam Davidson
13	The management of Council risks in respect of Greener Darlington Theme Group	Steve Petch
14	The management of Council risks in respect of Tees Valley Unlimited and other significant partnerships	Steve Petch
The following risk was deleted from this Risk Register		
1	The Council's reputation is undermined by poor assessment results	The end of CAA and much reduced exposure to assessment enables this risk to be deleted. However the 'Corporate Reputation' risk has now been transferred to the Corporate Risk Register
The following risk has been upgraded		
4	Unforeseen increases in costs affects the concessionary fares travel scheme	This risk has been upgraded due to budget pressures faced by the Council

LIKELIHOOD	A Very High				
	B High		2	1 6 9 12	
	C Significant		4	5 8 13	
	D Low		7	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	Ensure the safety and stability of looked after children	Jenni Cooke
3	Schools in categories and schools causing concern	Murray Rose
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 through efficiency, Transformation and organisational restructure	Murray Rose
7	Major Capital Schemes	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
12	Primary admissions and shortage of places and implications for capital programme	Murray Rose
13	Academies Bill - implication for the sustainability of high cost centrally provided services e.g. SEN, Transport etc	Murray Rose
The following risks have been deleted		
1	Recruitment and retention of key staff	These three risks have been deleted and are now being managed as part of corporate risk 2 regarding transformational change agenda
5	Capacity to deliver MTFP	
6	Maintaining core services while managing change through efficiency, Transformation and organisational restructure	
9	Bedding down of interoperability in ICT systems	This is no longer seen as a risk and has been deleted from the risk register

LIKELIHOOD	A Very High				
	B High				
	C Significant		5 6 8 9 10 7		
	D Low			1 2 3	
	E Very Low		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	Depot relocation impacting on service delivery	Cliff Brown
5	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

6	Ability to adequately address the affordable housing requirements	Pauline Mitchell
7	Insufficient skills capacity in Adult Social Care to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process	Pauline Mitchell
8	ICT interface issues and time impact of resolution	David Forrest
9	MTFP efficiencies and the risk to business continuity if premium payments and call out are approved	Elizabeth Davison
10	Reduced levels of Continuing Health Care funding	Pauline Mitchell
The Following Risk has been deleted from the Risk Register		
7	Insufficient skills capacity in Adult Social Care to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process	A new management team is now in place and a new structure is being developed. The risk is now being managed as part of the corporate transformational change agenda.
The following new risk has been included within the Risk Register		
10	Reduced levels of Continuing Health Care funding	This risk is managed by robust systems for monitoring CHC income, challenging high cost packages and regular liaison with the PCT at senior manager level to ensure assessments are fair and equitable

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

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 could be adversely affected by downturn in the economy	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	Non delivery of the 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 adversely impacts on financing costs and investments	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 Risk has been deleted from the Risk Register

5	Non-achievement of Use of Resources Score 3 out of 4 impacts upon the Council's overall rating	Risk deleted following the announcement by the coalition government in May 2010 of its intention to abolish Comprehensive Area Assessment (CAA). Shortly after the announcement the Audit Commission instructed auditors to halt all work on the Use of Resources assessment
9	Failure to deliver DDA improvements to operational buildings	The Council continues to monitor the need for DDA improvements to its

		operational buildings and it is now considered a low enough to be deleted from the risk register
13	Failure to deliver NI14 target, (Reducing Avoidable Contact)	As part of the Smarter Government initiative, 18 national indicators (NIs) have been removed from the national indicator set (NIS), and NI14 is one of these
18	Grant reduction greater than provided for within Medium Term Financial Plan	Risk materialised and reflected in amendment to MTFP approved by Cabinet July 2010. Residual risk recognised within risk 4 in the Corporate Risk Register
The following risks have been downgraded within the current Risk Register for the reasons given		
15	Failure to satisfactorily implement the International Financial Reporting Standards (IFRS)	There is an Action Plan in place, the main elements of which have already been identified and agreed with our external auditors (PwC) with a view to moving forward and producing an IFRS compliant set of Accounts within the relevant statutory timescales.
16	Non delivery of the Contest / Prevent Agenda	A joint Contest Board is now in place covering Darlington and Durham that has brought more combined resources to this area of work