
ANNUAL RISK MANAGEMENT REPORT 2006/07

Purpose of Report

1. To update Members on the approach to and outcomes from the Council's Risk Management processes for 2006/07.

Background

2. 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 Comprehensive Performance Assessment (CPA) 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 on Corporate Governance.

Information and Analysis

Structural Arrangements and CPA Scores

3. The Council's approach to risk management within the Authority has proved to be successful for a number of years. The score for risk management under CPA auditor score judgements based largely on the Council's approach to strategic risk, increased from an initial 2/4 in 2003 to 3/4 in 2004 and was the subject of favourable comments in the CPA Corporate Assessment report of April 2005.
4. Following the revised CPA Use of Resources 'Harder Test' framework for 2005, which raised the bar significantly in terms of strategic risk management requirements, the score fell back to 2/4 although it was acknowledged within the Annual Audit and Inspection letter that systems of risk management were well embedded within the Authority.
5. As a result, an improvement action plan was drawn up, based upon the 2005 Use of Resources Key Lines of Enquiry guidance with the objective to increase the score back to 3/4 in 2006 and to generally strengthen the position in readiness for our next CPA Corporate Assessment. This approach has been successful and a score of 3/4 has been achieved.
6. The positive progress in risk management processes during 2006/07 includes :-
 - (a) Development of electronic risk registers to facilitate the effective and efficient recording, presentation and review of risks over time together with a robust identification of mitigating controls and those responsible for them. Such registers are to be implemented to enhance the 2007/08 risk management process;

- (b) Periodic risk management reports are now presented to members to inform on action taken to actively manage corporate risks;
- (c) Development of an improved corporate approach to obtain assurance that significant partnership risks are identified and reviewed using the partnership toolkit approved by Cabinet in March 2007;
- (d) Review and updating of the Council's Risk Management Strategy;
- (e) Staff/Member training awareness programme developed, delivered and evidenced;
- (f) Continued good work and achievements through operational risk management.

Strategic Risk Outcomes

7. 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, showing risks above the line, included within the 2006/07 Corporate Plan and departmental service plans, are attached at Appendices A-F.
8. Those risks below the line are continually managed during the year and are reviewed as part of the annual service planning process. 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)** – One corporate risk was identified

The Council works hard to attract capital investment to the Borough and often has many Capital projects ongoing at any one time

- (i) This concerns the need to strengthen the project management methodology with external organisations that emerged from the recommendations of the Resources Scrutiny Committee following issues raised with the Pedestrian Heart works last year. The Authority has a robust capital programme in place that is subject to regular monitoring by officers and members. A group has been established to undertake a review of capital projects and work has commenced. The review is expected to be complete by autumn 2007. This risk is therefore considered still above the line until the project review has concluded and the review conclusions implemented.

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

Maintain performance of Adults Services in time of change and delivery on the Future Health and Social Care

- (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, since April 2006 a new Assistant Director of Adults Social Services has been appointed and three third tier managers took up post in October 2006. 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. Performance is also a set agenda item on the Adults Services Team Managers meetings. In addition, the Department was awarded three stars by the Commission for Social Care Inspection (CSCI) for 2005/06, improving on the previous year's two stars rating, recognising the strong progress being made within this area. For these reasons the risk has reduced to below the line

Flu Pandemic

- (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, 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. This risk is not now specific to Adult Social Services and has been included within the corporate risks for 2007/08 as a risk below the line.

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

Records Management

- (i) Implementation of the Council's Records Management Policy has been slower than anticipated due to staffing resource issues. The appointment of a new Records and Information Manager within Corporate Services should enable positive progress to be made during 2007/08. Phase 1 of the Children's Services Department records management pilot though is now complete. The children's social care paper records archive in Central House has been completely reconfigured and all 'closed' care records are complete and in order. A member of support staff is currently working on appraising records held. The risk, for the moment, remains above the line.

Implementation of new payroll system

- (ii) The Council's new payroll system has been successfully implemented during the past year and is no longer considered a risk. April and May's payrolls were produced within the new system.

Darlington / Stockton Partnership – Capacity (threat to delivery), affect upon delivery of day job

- (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. Consultants, Deloitte were appointed earlier this year to assist the Council with the management of this project and although the project is currently on track, the risk, for the time being, remains above the line and this position will continue to be monitored regularly.

Sickness Absence

- (iv) Sickness Absence increased from 9.69 days in 2005/06 to 10.75 days in 2006/07. The 11% increase is across all Departments. There have been major changes within the Authority during the past year that may have had an impact on sickness absence levels such as Job Evaluation results and reorganisation of some departments / sections. Pro-active work in relation to the management of sickness absence continues and health care promotion initiatives have been introduced but for the moment the risk remains above the line. Quarterly reports will continue to monitor sickness absence within the Authority.

- (d) **Development and Environment (Appendix F)** – Five risks were identified

Unable to secure staffing required for service delivery

- (i) The risk of being unable to secure staffing required for service delivery is now considered to be below the line. The Framework Arrangements with consultancy partners and the management actions undertaken to recruit and retain staff with the required skills has reduced some of the risk for the Department.

Workloads lead to more stress and less satisfaction and 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

- (ii) Two risks relate to staff issues in terms of workloads increasing stress and pressure of work diverting senior managers from management to hands-on work. Implementation of the Framework Agreements with consultancy partners, mentioned above, relevant training for staff in respect of stress management and the prioritisation and delegation of work were considered appropriate to manage the risks. However, a re-occurrence of stress-related absences points to a need for further management action during the coming year. Workforce planning should help to manage this risk but for the moment it stays above the line.

Service delivery is disrupted by having to vacate Hopetown House following expiry of the current lease in October 2006

- (iii) A risk concerned disruption to service delivery in having to vacate Hopetown House following expiry of the current lease. Replacement premises leased at Lingfield Point have now been occupied and the risk is considered to no longer exist.

Project delivery is vulnerable to poor management – Pedestrian Heart

- (iv) The Pedestrian Heart project moved above the line during the year as an emerging risk due to a report to Council in September 2006 seeking additional funding and the outcome of a later review of the scheme by Resources Scrutiny Committee. As a result of subsequent management of the scheme and as the project is now close to completion, the risk is considered to have been managed to below the line.

Operational Risk Outcomes

10. The Corporate Risk Management Group (CRMG), 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
11. Pro-active risk management work within the Council has again been recognised on a national level on two occasions this year. In April, Darlington Borough Council was 'Highly Commended' within the Best Loss Prevention Strategy category of the 2007 StrategicRISK European Risk Management Awards, an award open to both the private and public sector, for the commitment in installing sprinkler systems within new schools. The judges commented that they 'liked the innovative use of premium savings to establish a fund to promote the 'invest to save' initiative and ensure future schools can obtain sprinklers'.
12. Last month, the Council was short-listed by ALARM (the National Forum for Risk Management in the Public Sector) within their 2007 Risk Management Awards in the Asset Risk category for the work in developing systems and technology to manage property risk using a corporate approach. The initiative incorporates a newly designed Corporate Premises Risk and Facilities Management File issued to 200 property managers and head teachers to assist them in managing Council buildings. Information from these files is now held electronically on an in-house developed computer system designed by staff within the Estates Division to assist this process and reduce risk for the Authority as corporate landlord. The Awards Ceremony will be in Cardiff on 2 July 2007.
13. The successful Smartwater initiative, launched in April 2005 using a DNA type forensic solution that is applied to valuable property such as laptops, projectors etc has contributed to a significant reduction in theft and vandalism within schools during the last couple of years. In 2004/05 there were 82 school property insurance claims, this was reduced to 55 in 2005/06 and only 30 during 2006/07.
14. There has also been a significant reduction in the number of Public Liability insurance claims in the last two years. The majority of these claims are in respect of highway 'trips and slips'. There were 204 claims in 2004/5, reduced to 148 in 2005/06 and only 92 in 2006/7. Pro-active risk management work by the Highways Division, including the recent 'Let's Get Cracking' Initiative where the Authority has committed £2.5m to undertake road

and footpath improvements has contributed to this reduction and the successful defending of insurance claims.

15. This year the Council's Environmental Services Division within Community Services won the RoSPA Occupational Health and Safety Gold Award by demonstrating that they had excellent Health and Safety management systems in place that contributed towards reducing the number of accidents and cases of ill health at work. RoSPA also complimented the Environmental Services approach to Health and Safety management adding that 'they are a fine example to many other companies, we would like to see more organisations following their lead'.
16. Risk awareness training has been undertaken during the past year for Members and officers within the Authority. The Council has liaised with our insurer, Zurich Municipal in delivering some of this training. Topics covered include risk in respect of Partnerships, Property, Security and Fire, Highways and Schools. The Corporate Risk Management Group has agreed a programme of training for 2007/08.
17. This pro-active approach to risk management within the Authority, together with the good insurance claims history, has enabled the Council to negotiate a reduction in insurance premiums with our Insurer's, Zurich Municipal of £90,000 for 2006/07 and £180,000 for 2007/08. In addition, building upon the relationships developed as part of the Stockton Darlington partnership initiative on support services, the Council hopes to achieve further annual insurance premium savings by working with Stockton Borough Council on a joint procurement exercise.

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 Annual Risk Management 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) Report on Risk Management to 26 September 2006 Audit Committee
- (v) Corporate Risk Management Group minutes
- (vi) Property Risk Management Group minutes

George Cornforth : Extension 2324
TAB

APPENDIX A – CORPORATE RISKS

LIKELIHOOD	A V. High				
	B High				
	C Signif.			3	
	D Low				
	E V. Low				
	F Almost Imposs.				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
3	The Council works hard to attract capital investment to the Borough and often has many Capital projects ongoing at any one time	John Buxton

APPENDIX B – CHIEF EXECUTIVE’S

LIKELIHOOD	A V. High				
	B High				
	C Significant				
	D Low				
	E V. Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
	No risks above the line	

APPENDIX C – CHILDREN’S SERVICES

LIKELIHOOD	A V. High				
	B High				
	C Significant				
	D Low				
	E V. Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
	No risks above the line	

APPENDIX D – COMMUNITY SERVICES

LIKELIHOOD	A V. High				
	B High				
	C Significant			10	11
	D Low				
	E V. Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
10	Maintain performance of Adults Services in time of change and delivery on the Future Health and Social Care	Jane Robinson
11	Flu Pandemic	Now a corporate risk

APPENDIX E – CORPORATE SERVICES

LIKELIHOOD	A V. High				
	B High				
	C Significant			10, 14, 16, 17	
	D Low				
	E V. Low				
	F Almost Impossible				
	↙	IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
10	Records Management	Brian James
14	Implementation of new payroll system	Lesley Blundell
16	Darlington / Stockton Partnership – Capacity (threat to delivery), affect upon delivery of day job	Paul Wildsmith
17	Sickness Absence	Lesley Blundell

APPENDIX F – DEVELOPMENT AND ENVIRONMENT

LIKELIHOOD	A V. High				
	B High				
	C Significant			9, 10/14 15 2aii	
	D Low			2aii	
	E V. Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
		IMPACT			

Risk No.	Risk	Responsible Person
2	Project delivery is vulnerable to poor management	
	- 2aii Pedestrian Heart	John Buxton
9	Unable to secure staffing required for service delivery	John Buxton
10	Workloads lead to more stress and less satisfaction	Peter Roberts
14	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
15	Service delivery is disrupted by having to vacate Hopetown House following expiry of the current lease in October 2006	Guy Metcalfe