
ANNUAL RISK MANAGEMENT REPORT 2008/09

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Risk Management processes for 2008/09.

Summary

2. There has been positive progress within the Authority regarding the delivery of action plans to mitigate key risks together with advances in the management of operational risks through the Council's Corporate Risk Management Group. Pro-active risk management work within the Authority has again, in the past year, been recognised at a European and national level and contributed to the successful annual recharge saving of £900,000 following the insurance renewal tender.

Recommendation

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

Reasons

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

Paul Wildsmith
Director of Corporate Services

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Departmental Risk Registers
- (iii) Medium Term Corporate Plan 2009-13
- (iv) Risk Management 2008/09 Progress Report to 26 September 2008 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 is no specific efficiency impact other than the outcome from the insurance tender referred to within the report

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 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 of Corporate Governance.

Information and Analysis

CPA Scores

6. The Council's approach to risk management continues to be successful. The CPA Use of Resources 2008 Assessment Results confirms that risk management continues to be 'well embedded' within the Authority. The judgement is based largely upon the Council's approach to strategic risk and the Authority has maintained its maximum score of 4/4. This equates to 'well above minimum requirements – performing strongly'.

Review of Risk Management Strategy

7. Cabinet approved the latest Strategy in January 2007 (Min. Ref. C125/Jan/07). The Strategy requires that the Audit Committee review it annually in order to take into account possible changes in legislation, government initiatives and best practice. The Audit Committee last reviewed it in December 2007 (Min. Ref. A30/Dec/07). It is considered, at this stage, no amendments are required to the Strategy but a further review is to be undertaken later in the year.

External Recognition

8. During 2008/09 pro-active risk management work within the Authority has again been recognised on a European and National level. The following has been achieved during the past year.
 - (a) April 2008 – StrategicRISK European Risk Management Awards
 - Winner – Best Risk Communication of the Year
 - Highly Commended – Most Successful Loss Control StrategyThese awards are open to both public and private sector organisations and Darlington Borough Council was one of only seven Local Authorities shortlisted for an award by StrategicRISK.
 - (b) July 2008 – ALARM (The Public Risk Management Association)
 - Highly Commended – Asset Risk Category
 - Highly Commended – Operational Risk Category
 - (c) November 2008 – Local Government Chronicle Finance Awards
 - Finalist – Risk Management Category

The Council has now won nine Risk Management Awards since 2004.

Insurance Renewal Tender

9. During 2008, following a joint procurement exercise with Stockton Borough Council, the Council renewed its insurance contract with Zurich Municipal for a further five years. A reduction of £900,000 in annual insurance recharges for this Authority was achieved through demonstrating a pro-active approach to risk management within the Authority, a very good claims history, the innovative joint procurement initiative and the current market conditions at the time of the tender.

Strategic Risk Outcomes

10. 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. These risks are plotted onto a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. Risk matrices, showing the current Council risks included within the Corporate Plan and Departmental Service Plans for 2009/10 are attached at Appendices A-E.
11. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. Risks are then 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.
12. 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) – Four 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 Authority has a robust capital programme in place that is subject to regular monitoring by officers and members. This risk concerns the need to strengthen aspects of project management that emerged from the recommendations of the Resources Scrutiny Committee following reviews into the Pedestrian Heart and Eastern Transport Corridor projects. Elements of the Capital Process Review have been introduced in order to strengthen working practices and progress reports have been presented to Resources Scrutiny on 3 July 2008 and 12 March 2009 and also to Cabinet on 8 July 2008. Final recommendations from the review are anticipated to be completed in the next three months. This risk is therefore considered still to be above the line until the project review is concluded and recommendations implemented.

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

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

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

Corporate Premises Risks

- (iii) This risk has been transferred from Corporate Services as an emerging risk. The Council has over 200 operational premises and there is a need to minimise risks to maintain service delivery. Each building has a responsible person managing it to agreed corporate protocols and standards, including undertaking statutory inspections and links to business continuity management. A Corporate Property Risk Working Group has been established to carry out reviews linked to the Council's service delivery needs including Xentrall.

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

- (iv) This risk has been transferred from Corporate Services and is now a corporate risk. The Corporate Governance Policy and associated implementation programme has been in place since February 2008 (minute C175/Feb/2008) and considerable progress has been made in records and information management across the Council. A detailed breakdown of progress was provided to the Audit Committee in December 2008 and the next report is due in June 2009. The December report reflected the good progress being made to mitigate the existing risk and bring it below the line by the end of the Policy's implementation programme. In addition to the implementation programme, an information audit is being carried out as part of the Business Continuity Programme; an information governance audit tool has been created with support from PwC to review data set management and is to be rolled out from April 2009; a bi-monthly newsletter on information governance matters, the DIGGR (Darlington Information Governance Group Relay), is circulated to the Senior Management Network to raise awareness of relevant issues; and the Corporate Information Governance Policy is about to be reviewed.

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

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

- (i) Effective project planning and risk management seek to minimise this risk. The Council's capacity to respond to changing circumstances that threaten projects and secure positive outcomes is well proven. Engagement with investors and developers is regarded as effective. This risk is to be kept under review as the full impact of the credit crunch, economic downturn and recession emerge.

(c) Children's Services Risks (Appendix C) – Two risks have been identified

Maintaining core services while managing change

- (i) 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.

Bedding down of interoperability in ICT systems

- (ii) A Systems Administration Group has been set up to maximise the potential of ICT systems within Children's Services to improved data quality and to provide core information to assist service delivery. A Business to Business module, EMS/SIMS - (Education Management System / Schools Information Management System) has been procured to assist the management of this risk. The system will enable real time updating of data between both modules to allow efficient sharing of up to date information within the Department and Schools.

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

(e) Corporate Services (Appendix E) – No risks have been identified.

Operational Risk Outcomes

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

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

Tree Risk Management

14. The Council's pro-active approach to risk management continues to produce successful outcomes. This has been demonstrated by the successful insurance tender that has resulted in annual insurance recharge savings for the Authority of £900,000 together with property and liability insurance claims continuing to reduce.
15. During the past year the Council has continued to focus on health and safety issues working very closely with all Departmental and School management teams. As a result of this work Darlington Borough Council Environmental Services and Building Services Divisions have each won a prestigious RoSPA Occupational Health and Safety Gold Award for 2009 for showing a commitment to protecting the health and well-being of its employees and others whilst demonstrating that good health and safety management systems are in place. These RoSPA awards follow three received by Darlington Schools last year.
16. During the past year a new risk management newsletter 'Risk Aware' has been introduced to further raise awareness of risk management issues 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 and both these initiatives are receiving favourable comments from senior managers and staff
17. A programme of Risk Management training has been undertaken during the past year for staff and Members arranged 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 training has included Events Management, Corporate Manslaughter, Highways Risk, CCTV and Data Protection issues. All training seminars have been well attended with positive feedback from those present. Further risk awareness training, based on need, will continue to be arranged throughout the year.
18. The Council's innovative approach to managing Partnership Risk by developing an electronic Partnership Toolkit has been recognised by ALARM, The Public Risk Management Association. The Toolkit was featured within their publication 'Partnership Risks – Issues, Solutions and Examples of Best Practice that was issued on a national basis. The Toolkit enables the Council to assess the adequacy of governance arrangements within each Partnership.
19. A pilot scheme to further develop the management of risk and opportunity within schools, adopting the Council's standard risk management methodology, is being developed. Four schools are currently involved within the pilot and a positive response has been received from those schools involved. The initiative, which supports the Financial Management Standards in Schools (FMSiS), will then be rolled out to all other schools. In addition Risk Management Training for School Governors has been arranged in May 2009. A progress report is to be presented to the Children's Services Joint Consultative Group in May 2009.

Conclusion

20. There has been some very positive risk management work undertaken with the Authority during the past year as detailed within this report. In particular the Council's work has been recognised by outside bodies; maintaining our maximum Use of Resources score, the

various external awards and the significant annual recharge savings achieved following the tender exercise by demonstrating a pro-active approach to risk management.

Outcome of Consultation

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

APPENDIX A - CORPORATE RISKS

LIKELIHOOD	A Very High				
	B High				
	C Significant			1 6 7 9	
	D Low		5	2 3 4 8	
	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 <i>Leading Edge</i> programme is delivering change to key services and we need to ensure that there is continuing quality of service delivery during reorganisation	Paul Wildsmith
3	A flu pandemic could affect delivery of key services and affect business continuity planning	Paul Wildsmith
4	There is a capacity issue around how the authority can address major change	Ada Burns
5	The local government re-organisation taking place in neighbouring authorities in the region could have an adverse impact	Ada Burns
6	The international economic downturn may	Paul Wildsmith

	adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS)	
7	Corporate Premises Risks	Paul Wildsmith
8	Business Continuity Plans not in place or tested for key critical services	Paul Wildsmith
9	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith
<p>The following risks previously identified no longer appear within the current Risk Register for the reasons given.</p>		
	The timing for future capital funding is not always known	This risk has been included within Risk 1 above as part of the Capital Process Review
	The transition from development to implementation of the new SCS and LAA might not be at the pace required	The SCS and LAA have been formally adopted with full partner buy-in. Implementation is ongoing, with the production of delivery plans and achievability matrices focusing on capacity to deliver and the quality of planning processes.

APPENDIX B - CHIEF EXECUTIVE'S

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

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

8	Leading Edge strand – integrated communications strategy to include the public, employees, members and other stakeholders	Steve Jones
9	Leading Edge strand –community engagement strategy on the future of the town and public services	Sally Collins
10	The management of Council risks in respect of Darlington Partnership	Richard Alty
11	The management of Council risks in respect of the prosperous Darlington Partnership theme group	John Anderson
12	The management of Council risks in respect of the Crime and Disorder Reduction Partnership theme group	Rob Jones
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 Partnership theme group	Steve Petch
15	The management of Council risks in respect of other Partnerships	Richard Alty
<p>The following risks previously identified no longer appear within the current Risk Register for the reasons given</p>		
Public perception and reaction to events		This risk has been included with Risk 1 above
Leading Edge strand – Business transformation change projects to address specific service weaknesses and or national policy shifts		This risk has been transferred to Corporate Services
Failure to follow statutory procedures		No longer considered a risk due to delivery of management action plan
Lack of competitiveness in bidding for resources		These risks are now included within the Capital Process Review
Ability to secure and retain staff impacts on service delivery, with effect of London Olympics on skills availability highlighted as a particular current issue		

APPENDIX C - CHILDREN'S SERVICES

LIKELIHOOD	A Very High				
	B High		2	6 9	
	C Significant		1 4 7	5 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 Scemes – 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
	The following risks previously identified no longer appear within the current Risk Register for the reasons given	
Library performance impact on the CPA culture block performance		No longer considered a risk due to delivery of management action plans
Schools not engaging in behaviour and attendance management		
Sufficiency of school places		

APPENDIX D - COMMUNITY SERVICES

LIKELIHOOD	A Very High				
	B High				
	C Significant		6		
	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	Jane Robinson
2	Community Services staff capacity to deliver service improvements	Cliff Brown
3	The Council fails in its implementation of the Traffic Management Act 2004 and is subject to 'interventions' by the Secretary of State	Dave Winstanley
4	Implementation of the new waste contract	Ian Thompson
5	Depot relocation impacting on service delivery	Cliff Brown
6	Unable to manage the budget due to the reduction of Supporting People Admin and Grant Funding	Jane Robinson
<p>The following risks previously identified no longer appear within the current Risk Register for the reasons given</p>		

Delivery of the Transport Management Leading Edge Review	This is no longer considered as a risk following the implementation and delivery of a management action plan
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APPENDIX E - CORPORATE SERVICES

LIKELIHOOD	A Very High				
	B High				
	C Significant				
	D Low		1 10 17	3 4 5 6 7 8 9 10 11 12 13 14 16	
	E Very Low		2 15		
	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)	Brian Boggon
2	Fraud – in general	Brian James
3	Council Tax collection, targets are significantly impacted	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	Ian Wilson
6	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 integrated HR Strategy	Lesley Blundell
9	Leading Edge Strand – Delivering a new ICT Strategy	Ian Miles

10	Failure to deliver DDA improvements to operational buildings	Guy Metcalfe
11	A sustained reduction in Departmental income (e.g. Car Parks and Land Charges) adversely impacts upon the MTFP	Paul Wildsmith
12	Loss of critical staff	Lesley Blundell
13	Significant exposure to Equal Pay claims	Lesley Blundell
14	New Investment loss due to bank crises / failure	David Hall
15	Failure to meet NI14 target, (Reducing Avoidable Contact)	Cath Whitehead
16	Failure to deliver Civil Parking Enforcement (CPE) within timescale	Bill Westland
17	Leading Edge strand – Business transformation change projects to address specific service weaknesses and or national policy shifts	Brian Boggon
<p>The following risks previously identified no longer appear within the current Risk Register for the reasons given</p>		
Capital Expenditure exceeds resources available		This risk now included as part of the Capital Process Review
Implementation of the Darlington / Stockton Partnership has an adverse affect upon service delivery both within the partnership and the retained organisation		Implementation is now complete and services are up and running