
ANNUAL RISK MANAGEMENT REPORT 2010/11

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Risk Management processes for 2010/11.

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 Resources

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Corporate and Group Risk Registers
- (iii) Medium Term Corporate Plan 2011-15
- (iv) Risk Management Report to 23 September 2010 Audit Committee
- (v) Corporate Risk Management Group minutes
- (vi) Property Risk Management Group minutes

Elaine Hufford 2447

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
Carbon Impact	There is no specific carbon 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 premiums reflect the pro-active approach taken to risk management within the Council.

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. 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

Strategic Risk Outcomes

6. 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 on to 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, that reflect the revised Council structure, are attached at Appendices A-D and show the current Council Corporate and Group risks.
7. All risks are continually managed during the year by Corporate and Group Management Teams including any emerging risks identified. In addition, Assistant Directors 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.
8. The information that follows, provided by appropriate Group staff, 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 Capital Project Management methodology has been adopted and rolled out across the Council. Relevant officers have been trained in the methodology and a Project Management Handbook has been produced for reference and training purposes. The Council's intranet has also been developed to provide useful reference and supporting material. The Asset Management and Capital Programme Review Board, chaired by the Director of Resources, oversee the strategic position of capital projects. A Project Office is in place that has responsibility for the co-ordination 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; enabling monitoring and challenge on projects. The PPS is reported monthly to the Asset Management and Capital Programme Review Board and quarterly to both Cabinet and Resources Scrutiny.

The Capital Project Methodology will continue to be developed by the Projects Office utilising learning experiences and examples of best practice.

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 (COE). The Transformation Team, along with colleagues in departments, has been trained in LEAN techniques and project management methodology. Programme Managers with specific roles and defined reporting relationships to monitor progress have also been established.

Corporate Premises Risks

- (iii) The Corporate Premises Risk and Facilities Management database continues to be used to monitor compliance across all buildings. Significant improvements have been made in recent months to update the database particularly in relation to cyclical maintenance contracts and those properties directly managed by the Council.

Council unable to meet its obligations under information governance agenda

- (iv) The overarching information governance risk comprises the key components of information management namely records management, data handling, data quality and information sharing. An information governance work programme has been developed to address the need for appropriate controls to be embedded and consistently applied across all services. Delivery of this work programme continues and whereas previously it was driven by a Corporate Information Governance Group, following the Council restructure, this role is now to be taken on by the Chief Officers Board who will report progress and planned developments to the ICT Strategy Group. The ICT Strategy Group will in turn report six monthly to the Audit Committee on progress in implementation of the ICT Strategy that includes as one of its elements 'the implementation of robust and secure information management processes and systems'.

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.

- (v) The Group is currently fully staffed and working on the Regional Improvement and Efficiency Partnership (RIEP) project regarding development of a 'pool of workers' across Tees Valley. This project has a 6

month timescale. A revised staffing structure should be in place by the end of April 2011. Workloads are increasing and therefore pressure still exists in teams and legal services.

Restructure and loss of management capacity/knowledge leads to increased risk of failures or errors in management, process, project or budget control.

- (vi) The restructure was a necessary measure to reduce management costs in the face of reduced grant. It has been managed as part of the Transformation Organisation Design programme led by the Chief Executive. The re-design of the structure recognised the inherent risks and has been designed to cope with reduced capacity by implementing training programmes such as those facilitated by Jigsaw and introducing discretionary leadership to increase capacity. A detailed risk assessment of each division is provided by each Assistant Director as part of the Managers Assurance process that includes an action plan for each area of risk where appropriate.

Academies Bill- implication for the sustainability of centrally provided services e.g, SEN, Transport etc

- (vii) All schools may apply for Academy status. When a school converts, its budget share for pupils and an element of the budget for non school services is recouped from the Authority's budget. The resource to run central services (for instance behaviour support or SEN Transport) along with support services is dissipated. Services may become unviable. In order to reduce the risk, schools should be encouraged to 'buy back' services and also encouraged to work in partnership, taking on the management of services previously managed by the Local Authority.

- (b) **People Group (Appendix B)** – one risk has been identified.

Primary admissions and shortage of places and implications for capital programme

- (i) 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.

- (c) **Place Group (Appendix C)** – One risk has been identified

Investment in regeneration projects is not delivered.

- (i) Effective project planning and risk management seek to minimise this risk. The Council's capacity to respond to changing circumstances that threaten projects and secure positive outcomes is well proven. Engagement with investors and developers is regarded as effective. 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.

(d) Resources Group (Appendix D) – One risk has been identified.

Significant exposure to Equal Pay Claims

- (i) 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. The situation is closely monitored on a regular basis in liaison with the Council's legal advisor's and appropriate action taken to limit exposure and liability as and when necessary.

Operational Risk Outcomes

9. The Corporate Risk Management Group, an established and effective forum within the Council, continues to manage operational risk through various task groups with positive results.
10. The Health and Safety Unit has continued to work very closely with schools and Group Management Teams on initiatives to progress a continuous improvement approach to health and safety management. As detailed in the Corporate Health and Safety Report to this Committee in September 2010 (Min Ref A18/Sept/2010), since 2003/04 the Council has seen a reduction of 65% in accidents reported to the Health and Safety Executive.
11. Place Group implemented OHSAS 18001, the internationally recognised standard for occupational health and safety management systems, across Building Services. Both Building Services and Environmental Services now comply with the OHSAS 18001, 2007 standard. In addition, both services were awarded the RoSPA, Royal Society for the Prevention of Accidents, Gold Safety Award.
12. A further edition of the risk management newsletter 'Risk Aware' is to be published shortly promoting the revised Risk and Insurance Team and including articles on current 'hot topics'. 'Risk Aware', which is supported by Zurich Municipal the Council's Insurers, continues to compliment the information available within the Risk and Insurance intranet service. The newsletter and intranet service continue to receive favourable comments from senior managers and staff.
13. A programme of Risk Management training co-ordinated by the Corporate Risk Management Group continues to be undertaken for staff and school Governors. The Authority liaises with Zurich Municipal and other risk management bodies to deliver the

appropriate training. During the past year general training has been undertaken on Property, Fire and Security Risk.

14. Positive feedback was received from those who attended this training and further training, based on need, will continue to be arranged throughout the coming year. This will include on Motor Risk and Social Care. Furthermore, discussions are also taking place with Zurich Municipal to develop a programme of training to cover strategic risk.
15. Governors and Head Teachers provided positive feedback in relation to the initiative to develop the management of risk and opportunity within schools, adopting the Council's standard risk management methodology. In addition, Risk and Insurance Services have been invited to Governing Body and School Senior Management Team meetings to deliver risk awareness talks.
16. To further promote and publicise the use of Smartwater within schools, the Council continues to liaise with Darlington Police to demonstrate the product to pupils, teachers and parents. Smartwater is a solution used to mark property with a 'forensic fingerprint' that links anyone in possession of stolen items with the crime scene. Further local publicity will be carried out to maintain the high profile of use of the solution. The use of Smartwater in Darlington schools together with continued management of property risk continues to support the reduction in instances of theft and vandalism within school property. During 2005/06 there were 55 claims submitted compared to 19 during 2009/10.
17. The severe winter weather once again caused damage to the road network in Darlington with some 1,300 potholes identified. To assist the risk management process reaction to the winter damage included enhanced inspection and necessary emergency repairs that will be followed by a programme of permanent repairs during the Spring and Summer to provide a longer term solution. On 23 February 2011 the Department for Transport announced funding of £100m to deal with pothole damage across the country and this will be allocated to councils against a pre-determined formula. Of the 81 public liability highway claims received to date in the current financial year 23 are attributable to potholes.
18. The positive approach to managing Council owned trees continues to produce positive results. A programme for surveying trees has been developed and necessary works identified have been completed. This approach has resulted in very few tree failures particularly during recent periods of extreme weather. In addition tree planting is regularly undertaken with the help of school children as part of their environmental studies.

Conclusion

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

Outcome of Consultation

10. 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 2 3 5 6 7 8 9 10	
	D Low			4	
	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	Richard Alty
2	The Council has insufficient skills and capacity to deliver the transformational change agenda whilst maintaining quality of service delivery throughout the process	Ada Burns / Paul Wildsmith
3	Corporate Premises Risks	Paul Wildsmith

4	Business Continuity Plans not in place or tested for key critical services	Richard Alty
5	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith
6	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
7	Restructure and loss of management capacity / knowledge leads to increased risk of failures or errors in management, process, project or budget control	Ada Burns
8	Academies Bill implication for the sustainability of centrally provided services e.g. SEN, Transport, Finance etc.	Murray Rose
The following risk is now covered by other risks		
9	The Councils Reputation	The Councils Reputation would be affected by all of the Risks included in the Corporate Risk Register
The following risk has now been deleted		
10	Future resource availability, particularly Government Grant may adversely affect the Council's ability to deliver its Corporate Plan and Sustainable Community Strategy (SCS)	The 2 year settlement has been announced so the challenge is now known

APPENDIX B PEOPLE GROUP

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

Risk No.	Risk	Responsible Person
1	Ensure the safety and stability of looked after children	Jenni Cooke
2	Schools in categories and schools causing concern	George McQueen
3	Mismatch of demand and supply of child care places	Jenni Cooke
4	Increase in LAC and insufficient 'in-house' provision	Jenni Cooke
5	The management of Council risks in respect of the Children's Trust	Melanie Brown
6	The management of Council risk in respect of other partnerships	Murray Rose
7	Progress on the new Business Model is frustrated by lack of community support	David Plews
8	Management of Council risks in respect of Darlington Partnership	Seth Pearson
9	Primary admissions and shortage of places and implications for capital programme	Murray Rose

10	The management of Council risks in respect of the Crime and Disorder Reduction Partnership Theme Group	Chris Sivers
11	The management of Council risks in respect of the Healthy Darlington Theme group	Miriam Davies
12	Impact of any unpredicted increase in demand for community care	Pauline Mitchell
13	Difficulties in developing a Housing Business Plan and regenerating areas of greatest need when future financial position of HRA and economic climate are uncertain	Pauline Mitchell
14	Ability to adequately address the affordable housing requirement	Pauline Mitchell
15	Reduced levels of Continuing Care funding	Pauline Mitchell
16	Council Tax Collection could be adversely affected by downturn in the economy	Anthony Sandys
The following risks have been moved to the Corporate Risk Register		
	Academies Bill – implication for the sustainability of centrally provided services e.g. SEN, Transport, Finance etc	The risk to support services extends to all groups should the majority of schools move to Academy status
	Major Capital Schemes	The risk is covered by the Capital Process Review risk.

APPENDIX C PLACE GROUP

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

Risk No.	Risk	Responsible Person
1	Unforeseen increases in the cost affect the concessionary fares scheme	Simon Houldsworth
2	Implementation and development of Traffic Management Act duties and Network Management Plan	Dave Winstanley
3	Supported bus services are terminated by operators	Simon Houldsworth
4	Investment in regeneration projects is not delivered	John Anderson
5	The management of Council risks in respect of the Prosperous Darlington Theme Group	John Anderson
6	The management of Council risks in respect of Tees Valley Unlimited and LEP	Richard Alty
7	The management of Council risks in respect of greener Darlington Theme Group	Steve Petch

8	A sustained reduction in Group Income (eg Car Parks, Leisure, Building Services) adversely impacts upon the MTFP	John Anderson for Policy and Regeneration Services Ian Thompson for Community Services Ken Poole for Building services
9	Non Delivery of the Contest/ Prevent Agenda or civil contingencies	Bill Westland
The following risk has been added		
10	Restructure, reductions in capacity and expertise impact on service performance	Richard Alty
The following risks have been deleted		
11	Depot relocation impacting on service delivery	Depot relocation is not currently imminent due to slower progress with Central Park
12	ICT interface issues and time impact resolution	ICT solutions to which this risk refers are now being implement
13	MTFP efficiencies and the risk to business continuity if premium payments and call out approved	Changes in terms and conditions are now being implemented through a collective agreement
14	Failure to deliver Civil Parking Enforcement (CPE) within timescale	CPE delivered on time

APPENDIX D RESOURCES GROUP

LIKELIHOOD	A Very High				
	B High				
	C Significant		1 2 12 13	8	
	D Low		14	3 4 6 7 9 11 5	
	E Very Low			10	
	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)	Elizabeth Davison
2	Fraud – in General	Brian James
3	ICT security arrangements inadequate	Ian Miles
4	Implementation of Xentrall business case savings are not realised	Paul Wildsmith
6	Non delivery of new ICT Strategy	Ian Miles
7	A sustained reduction in departmental income (eg Land Charges) adversely impacts upon the MTFP	Paul Wildsmith
8	Significant exposure to Equal Pay claims	Lesley Blundell
9	Instability within financial markets adversely impacts on financing costs and investments	Elizabeth Davison
10	Failure to satisfactorily implement the International Financial reporting Standards (IFRS)	Elizabeth Davison
11	Financial risk to the Authority from the implementation of the Carbon Reduction Scheme	Brian Boggon
12	Advertising revenue cannot be predicted and levels can fluctuate	Cassandra Ferguson

13	Target efficiency and procurement savings are not delivered	Brian Boggon
14	Implementation of new business model is delayed or disputed in ineffective communication	Cassandra Ferguson
The following risk has been upgraded but still falls below the risk appetite (outside the shaded area)		
5	Increased sickness absence adversely affects service delivery	Lesley Blundell