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**RISK MANAGEMENT – PROGRESS REPORT 2011/12**

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**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 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 1<sup>st</sup> April 2011 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 Council's 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 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) – eight 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 Capital Projects Team 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 Cabinet. The Capital Project Methodology is being reviewed by the Capital Projects Team, utilising learning experiences and examples of best practice, with an action plan being put together to further develop the processes and implement 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 groups, has been trained in LEAN techniques and the project management methodology. Programme Managers with specific roles and defined reporting relationships to monitor progress have also been established. A project has been established to develop a new workforce strategy to support the new business model. Part of this work entails engaging the workforce, trade unions, senior officers and elected members. As part of this process a number of new skills needs are emerging to support the business model. These skills needs, will be progressed as part of the roll out of the Workforce Strategy.

**Corporate Premises Risks**

- (iii) The Corporate Premises Risk and Facilities Management database continues to be used to monitor compliance across all buildings, particularly in relation to cyclical maintenance contracts and those properties directly managed by the Council. The transfer of responsibility for all buildings (excluding schools and HRA properties) under the Corporate Landlord, which goes live in April 2012 is continuing and will facilitate better compliance.

**Business Continuity Plans not in place or tested for key critical services**

- (iv) A comprehensive re-examination is now underway of business continuity plans for the new business units that came about through the re-organisation of management structures earlier this year. Priorities have been assigned to services in relation to how critical it is for services to continue after a disruptive event. Plans for the higher priority services are now being updated first.

**Council unable to meet its obligations under information governance agenda**

- (v) 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. A key aspect of this programme, an information risk management process, has been

approved by the Chief Officers Board. The process identifies and assesses information risks together with any remedial actions required to reduce the impact of the risks to acceptable levels. To maximise the effectiveness of the process risk assessments will be carried out on a service basis, with nominated officers in each service area responsible for facilitating and coordinating activities across their service. Briefing sessions have been or are scheduled to be delivered to Senior Management Teams by the Information Management Team. The Information Management Team will support the designated officers in the completion of the risk assessments, the identification of remedial actions and the development of associated improvement plans. Service specific improvements identified will be addressed by relevant service managers. Improvements that are corporate in nature will be reviewed and implemented by the Information Management Team or options will be presented to the Chief Officers Board for consideration as appropriate.

**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. At a corporate level work is currently underway as part of the health and wellbeing agenda to revamp the Council's Stress Policy. This is being done to reinforce the need to ensure that the stress risk assessment process is followed when service managers are considering options for service delivery in order to assess potential risk of increased stress arising from such decisions.

**Consequences of the conversation to academy status of Schools in Darlington on resources and services provided to the schools by the Council**

- (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. Each Director is assessing with managers whether or not they will provide services to Academies using their recently restructured service sections.

**Failure to deliver public sector general duty under the Equality Act 2010**

- (viii) Following the Birmingham judgement earlier this year, all local authorities are noting the implications of the case law. In addressing the risk in Darlington, we have regular meetings with service users to inform and

review our approach to equalities. We have trained all senior managers and councillors in our Equalities Impact Assessment process and how it impacts on decision making. There is further training planned for all Council Members, as in previous years. There is an internal group considering policy decisions and ensuring we carry out effective impact assessments in line with our policy. We have had legal briefings on the implications of the Birmingham judgement. At the heart of the process of preparing the MTFP, the Council will be considering all of the budget and the budget reduction proposals at once, thereby ensuring an equitable approach to any reductions in services.

**(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) – two risks have been identified.**

**Supported bus services are terminated by operators**

- (i) The risk now relates to the Council's budget reduction impacting on services. This is being managed through a review of services built around impact assessment - proposals for revised services were put before Cabinet in September, mainly just reducing existing contracts, partly to minimise any knock-on effect on other services. The risk remains 'above the Line' until the reaction of operators, and its impact on other services and users is known".

**Investment in regeneration projects is not delivered.**

- (ii) Our project management and engagement with developers is well proven and effective. Risk management is integral in individual projects and is responsive to changing circumstances. However current market conditions produce uncertainty and lack of investor confidence, so risk continues to be highlighted as above the line.

**(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 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 significant financial liability for the Authority. The situation is closely managed on a regular basis in liaison with the Director of Resources, the Assistant Director of Human Resources and legal advisor's with 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 provide competent advice and guidance to all Groups to support the implementation of the Council's Health and Safety Management System with particular focus predominantly in Schools and Place Group. A key initiative this period has been the introduction of the Health and Safety Action Plans within a number of services to assist managers' progress health and safety improvements. The Council has seen a reduction of 50% in the number of accidents reported to the Health and Safety Executive in the first two quarters of 2011/12 in comparison with 2010/11.
11. The risk management newsletter 'Risk Aware' will continue to be published and future editions will include 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.
12. A programme of Risk Management training co-ordinated by the Corporate Risk Management Group continues to be undertaken. 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 and Social Care Risk. 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. Moreover, discussions are also taking place with Zurich Municipal to develop a programme of training to cover strategic risk.
13. The risk management fund has purchased a further two year supply and licence of Smartwater for all Council maintained schools. 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 16 during 2010/11.
14. The national problem of metal theft continues to cause problems & expense. During the period 1 April to 31 August 2011 there were 50 incidents of missing gully covers. Where appropriate these stolen covers are being replaced with covers using different materials that

are less attractive to thieves. The uncovered gullies represent a significant risk to highway users.

15. Over the last few months a new system has been established for the main road carriageway safety inspections. Previously an inspector & driver would travel a route recording any defects following which an order would be placed for repairs. Under the new method the inspector travels the route with a repair gang. Any defects identified are repaired immediately. This method removes the delay between order and repair for the majority of defects. Only the small number of defects whose location requires extra traffic management is now ordered separately.
16. 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.

### **Conclusion**

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

### **Outcome of Consultation**

18. 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 4 5 7 8 ↑ 9 ↓	
	D Low			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 – See paragraph 8(a)(i) in main report	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 – See paragraph 8(a)(ii) in main report	Ada Burns / Paul Wildsmith
3	Corporate Premises Risks – See paragraph 8(a)(iii) in main report	Paul Wildsmith

4	Business Continuity Plans not in place or tested for key critical services- See paragraph 8(a)(iv) in main report	Richard Alty
5	Council unable to meet its obligations under the information governance agenda – See Paragraph 8(a)(v) in main report	Paul Wildsmith
7	Restructure and loss of management capacity / knowledge leads to increased risk of failures or errors in management, process, project or budget control - See paragraph 8(a)(vi) in main report.	Ada Burns
8	Academies Bill implication for the sustainability of centrally provided services e.g. SEN, Transport, Finance etc – See paragraph 8(a)(vii) in main report.	Murray Rose
The following risk has moved within the risk appetite		
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. - Recruitments patterns both nationally and locally have improved due to new initiatives	Murray Rose
The following risk has now been added		
9	Failure to deliver public sector general duty under the Equality Act 2010- See paragraph 8(a)(viii) in main report	Murray Rose

**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 16	
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

<b>Risk No.</b>	<b>Risk</b>	<b>Responsible Person</b>
1	Ensure the safety and stability of looked after children	Jenni Cooke
2	Schools in categories and schools causing concern would be classed as failing schools and with that goes the failure to educate , falling roll numbers and loss of confidence by parents etc.	George McQueen
3	Mismatch of demand and supply of child care places	Jenni Cooke
4	Increase in looked after children numbers 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 risks 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 – See paragraph 8(b)(i) in main report	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 through a change in the funding mechanism from the Primary Care Trust.	Pauline Mitchell
16	Council Tax Collection could be adversely affected by downturn in the economy	Anthony Sandys

## APPENDIX C PLACE GROUP

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

Risk No.	Risk	Responsible Person
2	Implementation and development of Traffic Management Act duties and Network Management Plan	Dave Winstanley
3	Supported bus services are terminated by operators – See paragraph 8(c)(i) in main report.	Sue Dobson
4	Investment in regeneration projects is not delivered. – See paragraph 8( c)(ii) in main report	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
10	Restructure, reductions in capacity and expertise impact on service performance	Richard Alty
The following risk has moved but is still within the appetite for risk		
1	Unforeseen increases in the cost affect the concessionary fares scheme - The risk is now being managed utilising a DfT software tool that enables us to drill down into operator costs.	Sue Dobson
The following risks have been added		
11	Floods and Water Act implementation –risk relates to a staffing issue. Options for implementation are being assessed.	John Anderson
12	Management of invasive plants – processes have been agreed to manage this risk.	Ian Thompson

**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 to ensure that our partial exemption calculation remains below 5%)	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
5	Increased sickness absence adversely affects service delivery	Lesley Blundell
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 – See paragraph 8(d)(i) in main report.	Lesley Blundell
9	Instability within financial markets adversely impacts on financing costs and investments	Elizabeth Davison
11	Financial risk to the Authority from the implementation of the Carbon Reduction Scheme	Brian Boggon
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 risks have been deleted		
10	Failure to satisfactorily implement the International Financial reporting Standards (IFRS) – The Statement of Accounts has now been successfully completed under IFRS	Elizabeth Davison
12	Advertising revenue cannot be predicted and levels can fluctuate. This risk related to Town Crier Advertising which is no longer a revenue stream.	Cassandra Ferguson