
HALF YEARLY RISK MANAGEMENT REPORT 2013/14

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Council's 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 groups of Officers 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 2012-16
- (iv) Risk Management Report to Audit Committee March 2013

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	Diversity issues are referred to in Appendix A at Risk C9
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 it 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. A comprehensive review of all risks over the last six months has led to certain rewording for clarity purposes.
9. 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) – four corporate risks have been identified

(C2) The Council has insufficient expertise and capacity to deliver the transformational change necessary to meet MTFP savings targets whilst maintaining service delivery throughout the process.

- (i) In developing proposals for amendments to the MTFP capacity and expertise are key considerations and if needed investment will be proposed to overcome any shortfalls. A revised Workforce Strategy to support the Council's new business model has been developed and is in the process of being rolled out along with a refreshed set of Corporate Values and Competence Framework. The Council's Stress Policy has been revised and rolled out as part of the health and wellbeing agenda. The re-design of structures recognises the inherent risks and tools that help cope with reduced capacity have been implemented e.g. training programmes on discretionary leadership. Every Assistant Director completes a Manager's Assurance Statement each year covering their areas of responsibility to give assurance on key aspects of the internal control environment. Any improvement actions required are identified together with the officer responsible and timescales

(C4) Business Continuity Plans not in place or tested for key critical services

- (ii) A revised BCP strategy has been agreed by COB (May 2013). The few outstanding Category 1 and 2 functions without a BCP in place are being addressed as a matter of urgency. The categorisation of functions (that determines recovery period and need for a BCP) is being revised (by COB members). COB has agreed that BCPs for Category 3 and 4 functions will not be progressed until work on the MTFP is complete. Testing and review of BCPs is now progressing. The risk remains above the line until such time as adequate testing has taken place.

(C5) Council unable to meet its obligations under information governance agenda

- (iii) The overarching information governance risk comprises the key components of 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. The Programme has a number of strands including Information Governance Training and Awareness, Information Sharing and Information Risk Assessments. Progress on delivery of the work programme is gradual given the background of re-organisation and financial constraint. Training/awareness has been delivered utilising on-line courses and face to face courses/workshops; work is underway with key partners to ensure that service level information sharing agreements are implemented in an efficient and effective manner; and a risk actions toolkit has been developed and rolled out to Heads of Service to support the consistent applications of controls identified by the information risk assessment process.

(C10) The risk of legal challenge in relation to the Council's decision making, contracting and other processes

- (iv) The Council is making a series of cuts to services in addition to efficiencies which have an impact on the way that we deliver services. These changes and the wider financial context nationally increase the Council's risk of challenge in relation to our decision making in line with other authorities. The risks relate to contracting, judicial review, employment and other litigation. To mitigate the risk the Council continues to receive legal advice in relation to all its Cabinet and Council decisions as well as advice through general legal support to services and senior officers.

(b) People Group (Appendix B) –three risks have been identified.

(PE1) Increased number of Looked After Children and budgetary impact

- (i) The last quarter has seen a continued reduction in numbers of looked-after children. Continued monitoring will establish whether this is a blip or a consistent trend. In view of the range of external factors this current position is uncertain.

(PE15) Self Directed Support – inability to ensure compliance with requirements for self directed support; individual budgets and direct payments within required timescales

- (i) This risk appetite has been promoted to group level to reflect the increased risks attached to the change to the Eligibility Criteria from December 2012 and the time delays for assessments and recording on the system. This will be closely monitored through existing performance

management arrangements, staff supervision and exception reporting to Senior Leadership Team in People Group.

(PE24) Budget savings not realised through services promoting and supporting independence in the community

- (ii) Robust financial monitoring continues to be undertaken, work is underway in terms of “the cost of care” with ongoing reviews to ensure services provided meet quality standards, assessed social needs and are best value.

(c) Place Group (Appendix C) – eight risks have been identified.

(PL4) Investment in regeneration projects is not delivered or opportunities missed

- (i) The Council’s 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. The possibility of opportunities being missed through the lack of officer capacity is being addressed through recruitment of a further Project Development Officer.

(PL8) A sustained reduction in Group Income (e.g. car parks, leisure and building services) adversely impacts upon the MTFP

- (i) Close monitoring of income targets continues to take place in areas of concern i.e. Car Parking, Trade Refuse. Action plans have been developed in each area and budgets are being re-profiled as appropriate.

(PL13) Delivery of Strategic Options for Place, MTFP and Transformation Projects

- (ii) Outstanding work is increasingly being mainstreamed within Building Services. Current projects are focused on new systems and procedures and in particular making best use of IT this will involve the procurement of a new IT system.

(PL15) Failure to relocate the Depot

- (iii) All legal agreements with regard to Central Park are now complete and work has started on site. Work on the new Depot has also commenced and is on target for relocation early in 2014.

(PL19) Reduction in rental income due to Welfare Reform and economic pressures

- (iv) Operational staff are doing all that is possible around benefit maximisation and strengthening links with the third sector around financial capability information advice and guidance. The breadth and cumulative effect of Welfare Benefit Reforms on individual tenants is likely to lead to an increase in rent arrears. Weekly monitoring is undertaken between relevant officers and the Assistant Director responsible.

(PL 21) The Financial Implications of Carlbury Landslip

- (v) Geotechnical experts have been commissioned to undertake detailed investigation works and consider potential solutions. Geotechnical information and monitoring has enabled a decision to re-open the road under single lane operation with a monitoring programme in place

(PL 22) Provision of Car Parking Spaces

- (vi) Cabinet have agreed a draft Car Parking Strategy that seeks to secure the appropriate number and quality of spaces to serve the long term needs of the Town Centre and support it as a vibrant and thriving heart of the borough. However, the welcome development opportunities in the Feethams area will bring significant disruption to car parks during construction phases. Officers are producing contingency plans to mitigate impacts on the Town Centre during this period.

(PL 23) Traffic Congestion as a result of construction of Regeneration Schemes

- (vii) See PL22 re parking contingency. Individual traffic management plans for each project with combined assessment and mitigation.

(d) Resources Group (Appendix D) – Two risks have been identified.

(RE8) 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 Finance and HR and legal advisors with appropriate action taken to limit exposure and liability as and when necessary.

(RE16) A reduction in available cash/resources to the local economy, Council and businesses due to the impacts of Welfare Reform

- (i) Impacts of Welfare Reform continue to be closely monitored. This is now a formal project led by the Organisational Planning Unit, with appropriate governance arrangements and reporting mechanisms in place

Operational Risk Outcomes

10. The operational risk groups, established to ensure that operational risks are managed effectively within the Council, are currently under review as part of the work to reduce the costs of HOW the Council operates. Members will be updated on amendments in due course.
11. Progress has continued with the Health and Safety Management project and a number of improvements have been carried out. Further details are reported under a separate item on this agenda.
12. A proactive and efficient approach to risk management relating to the public highways continues to minimise the Council's liability for compensation claims with approximately 94% of claims received successfully repudiated. This approach was recently highlighted during the closure of the A67 at Carlbury.
13. The number of highways claims received for the period April- July 2013 is similar to 2012 despite there being a number of claims in early April for Ulnaby Lane, which was being used as an unofficial diversion when the A67 was closed due to the landslip at Carlbury. The lane was severely damaged due to heavy use. Instead of the planned quarterly inspections of the lane these were increased to daily inspections which prevented further claims by repairing damage to the surface before this caused further loss.
14. In recent months the Council has undergone a Property Portfolio Risk review at the request of our insurers, Zurich Municipal. The purpose of which was to evaluate the risk management practices across the Council's property schedule against nine key areas including:-
 - (a) Risk Management Culture
 - (b) Fire Safety Management
 - (c) Vacant Property Management
15. Following this review, Zurich Municipal's report highlighted many areas of positive risk management stating that "the authority are extremely well organised with systems and policies in place to control all elements of their business. Specific, qualified persons have responsibility for issues such as fire, building management and health and safety. They operate as Corporate Landlords, resulting in them being responsible for all elements of property management".
16. The proactive approach to managing council owned trees, continues to produce positive results and a programme of surveying trees has been developed. This

approach has resulted in very few tree failures particularly during periods of extreme inclement weather. It has also enabled the Council to defend compensation claims successfully. The Council's Arboriculture Officer has reported that the high volumes of residents contacting him that Ash trees had contracted *Chalara fraxinea* (Ash dieback) has now diminished. All reported incidents were unfound, however the situation will be closely monitored.

17. The process for managing the risk of invasive plants continues to operate effectively. This involves site management action plans agreed with landowners where appropriate and these are periodically monitored by Officers from the Property Risk Group.

Conclusion

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

Outcome of Consultation

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

RISK MATRIX

CORPORATE

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

CORPORATE RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	Richard Alty	From C/II to D/II	The improvement action plan that was developed with Internal Audit and reviewed by PWC is substantially complete. The two remaining actions, ICT Development to improve PPS management and a refresher training programme are both in progress. An additional stage in the process is being developed to capture opportunities to ensure they are considered and managed effectively.	
C2	The Council has insufficient expertise and capacity to deliver the transformational change necessary to meet MTFP savings targets whilst maintaining service delivery throughout the process.	Ada Burns /Paul Wildsmith	None at C/II		See Paragraph 9 (a) (i) in main report

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C3	Corporate Premises Risks	Paul Wildsmith	From C/II to D/II	Statutory compliances continue to be monitored through Corporate Landlord and have now been split into two categories. Those over which the Council has direct responsibility (Category A) and those which the Council influences (Category B) such as external tenants. The Category A performance is now consistently close to the target of 100% and the Category B performance is continually improving. The Corporate Landlord Team is now also performing the majority of the occupier testing to relieve building occupiers of onerous duties but, moreover, to ensure compliance.	
C4	Business Continuity Plans not in place or tested for key critical services.	Richard Alty	None at C/II		See Paragraph 9 (a) (ii) in main report
C5	Council unable to meet its obligations under the information governance agenda.	Paul Wildsmith	None at C/II		See Paragraph 9 (a) (iii) in main report

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C8	Consequences of the conversion to academy status of Schools in Darlington on resources and services provided to the schools by the Council	Murray Rose	Deleted from C/III	A significant number of schools in Darlington have converted to academy status. The consequent affect on resources and services provided is now reflected in the MTFP 2013/14 to 2016/17. Schools@onedarlington continues to provide a strong and robust partnership for schools to work with the Council, where appropriate to do so.	
C9	Failure to deliver public sector general duty under the Equality Act 2010	Paul Wildsmith	None at D/II		
C10	The risk of legal challenge in relation to the Council's decision making, contracting and other processes'.	Paul Wildsmith/Cath Whitehead	None at C/II		See Paragraph 9 (a) (iv) in main report

RISK MATRIX

PEOPLE GROUP

LIKELIHOOD	A Very High				
	B High			15, 24	
	C Significant		23	1	
	D Low		26	9	
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

PEOPLE GROUP RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PE1	Increased number of Looked After Children and budgetary impact.	Jenni Cooke	From B/II to C/II	This risk has reduced due to the development of Early Intervention Services, which are monitored as part of Service Planning monitoring and performance reviews. The numbers of looked-after children continues in a downward trend month on month	See Paragraph 9 (b) (i) in main report
PE7 Now RE15	Unable to create a culture of change and gain community support for the Darlington Together agenda	Chris Sivers		This risk has now moved to Resources as part of Organisational Planning	
PE9	Primary admissions and shortage of places especially relating to Reception Classes	Jenni Cooke	Re-emerging risk at DII	Re-emerging risk relating to the provision of Primary places especially Reception classes over the medium term.	

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PE15	Self Directed Support – inability to ensure compliance with requirements for self directed support; individual budgets and direct payments within required timescales	Ann Workman	None at B/II		See Paragraph 9 (b) (ii) in main report
PE17 Now RE 16	Inability to deliver service and corporate plans as a result of Welfare reform.	Chris Sivers		This risk has now moved to Resources as part of Organisational Planning	
PE19	Inability to deliver actions to effectively transfer and manage public health arrangements	Chris Sivers	Deleted from C/II	This is no longer a risk as the transfer of Public Health to the Council was completed successfully on 1 st April 2013	
PE20	Inability to deliver local community safety priorities arising from the introduction of Police and Crime Commissioners	Chris Sivers	Deleted from E/II	Police and Crime Commissioner now in post and no risks have been identified	
PE23	New Wording Continuity of external funding streams and financial allocation	Jenni Cooke	From C/II to C/III	Risk descriptor has changed and reclassified as regular financial monitoring of budget levels of risk is undertaken which reduces the potential impacts. Robust financial monitoring continues to be carried out to ensure all managers have clear oversight of budget issues and	

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
				effects of external funding changes. Mechanisms are in place to address any issues arising for services and impacts for the Council.	
PE24	Budget savings not realised through services promoting and supporting independence in the community	Ann Workman	From A/II to B/II	The overall risk is reduced although the financial savings required are still critically significant to the overall Council budget	See Paragraph 9 (b) (iii) in main report
PE26	Foster Carers Recruitment and Retention	Jenni Cooke	New at DIII	Risk relates to the recruitment and retention of Foster Carers within the Borough Area.	

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PE25	Inability to deliver the transfer of Public Health arrangements to required timescales if delay in receiving Transfer Order and the details are not as expected.	Chris Sivers	Deleted from E/II	This is no longer a risk as the transfer of Public Health to the Council was completed successfully on 1 st April 2013	

RISK MATRIX

PLACE GROUP

LIKELIHOOD	A Very High				
	B High			21	
	C Significant		17	4, 8, 13, 15, 19, 22, 23	
	D Low		16	6, 14,	
	E Very Low		11		
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

PLACE GROUP RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PL2	Implementation and development of Traffic Management Act duties and the Network Management Plan	Dave Winstanley	Deleted from D/II	The new TMA Duties and NMP have been operational for a number of years and requirements are embedded into operational management systems. Removal of the risk is recommended as the risk of intervention and financial consequences are now managed.-	
PL4	Investment in regeneration projects is not delivered	John Anderson	None at C/II		See Paragraph 9 (c) (i) in main report
PL6	The management of Council risks in respect of Tees Valley Unlimited and LEP	John Anderson/ Richard Alty	None at D/II		
PL8	A sustained reduction in Group Income (e.g. car parks, leisure, building services) adversely impacts upon the MTFP	John Anderson Ian Thompson Dave Winstanley Pauline Mitchell	None at C/II		See Paragraph 9 (c) (ii) in main report

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PL11	Floods and Water Act Implementation	Bill Westland	None At E/III		
PL13	Delivery of Strategic Options for Place, MTFP and Transformation Projects	Pauline Mitchell/ Richard Alty	None at C/II		See Paragraph 9 (c) (iii) in main report
PL14	Unsuccessful implementation of wheeled bins and overrun on budget	Brian Graham	Deleted at D/II	This risk can be removed from the register as wheeled bins have now been successfully implemented.	
PL15	Failure to relocate the Depot	Ian Thompson	None at C/II		See Paragraph 9 (c) (iv) in main report
PL16	Health and Safety Executive inspections and investigations with adverse findings	Dave Winstanley Pauline Mitchell Ian Thompson John Anderson	From C/III to D/III	The Health and Safety Executive inspections have happened and systems are in place.	

PL17	Ability to adequately address the affordable housing requirement	Pauline Mitchell	None at C/III		
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Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
PL19	Reduction in rental income due to Welfare Reform and economic pressures	Pauline Mitchell	None at C/II		See Paragraph 9 (c) (v) in main report
PL20	Property risks – potential for breakdown in core utility systems and safety checks	Michael Chapman	Deleted from D/II	New arrangements for asbestos removal are now well embedded and therefore this risk can be removed.	
PL21	The Financial implications of Carlbury Landslip	Dave Winstanley	BII		See Paragraph 9 (c) (vi) in main report
PL22	Provision of sufficient Car Parking space within the Town Centre	John Anderson	New at C/II	Emerging risk relating to the provision of car parking spaces within the Town Centre to cover the loss of Car parking spaces due to regeneration projects within the Town Centre	See Paragraph 9 (c) (vii) in main report
PL23	Traffic Congestion in the Town Centre due to Regeneration projects	Dave Winstanley	New at C/II	Emerging risk relating to additional traffic from Regeneration Projects in the Town Centre	See Paragraph 9 (c) (viii) in main report

RISK MATRIX

RESOURCES GROUP

LIKELIHOOD	A Very High				
	B High				
	C Significant		2, 14	8, 16	
	D Low		1, 3, 5, 7,		
	E Very Low			9	
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

RESOURCES GROUP RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
RE1	VAT (Planning expenditure in terms of capital)	Elizabeth Davison	None at D/III		
RE2	Fraud in General	Brian James	None at C/III		
RE3	ICT security arrangements inadequate	Ian Miles	None at D/III		
RE5	Increased sickness absence adversely affects service delivery	Elizabeth Davison	None at D/III		
RE7	Sustained reduction in departmental income adversely impacts upon the MTFP	Elizabeth Davison	None at D/III		
RE8	Significant exposure to Equal Pay claims	Elizabeth Davison	None at C/II		See Paragraph 9 (d) (i) in main report
RE9	Instability within financial markets adversely impacts on finance costs and investments	Elizabeth Davison	From D/II to E/II	This is a very low risk for the Council. The instability in the market is offset by our investment strategy only placing investments with institutions which meet our strict criteria	

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
RE11	Target efficiency and procurement savings are not delivered	Cath Whitehead	Deleted from C/III	This risk originated from the Transformation Programme. Transformation Projects have concluded and all savings identified have been reported to the Transformation Board	
RE14	Council Tax Collection could be adversely affected by downturn in the economy Welfare Benefit Reforms	Pauline Mitchell	None at C/III		
RE15	Unable to create a culture of change and gain community support for the Darlington Together agenda	Cath Whitehead	Deleted from C/II	This risk was transferred from People as part of the Organisational Planning service. The risk no longer exists in terms of the Darlington Together agenda. Any new risks arising from the new arrangements will be highlighted during Service Planning and ranked accordingly.	

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
RE16	New Wording: A reduction in available cash/resources to the local economy, Council and businesses due to the impacts of Welfare Reform.	Cath Whitehead	None at C/II	This risk was transferred from People as part of the Organisational Planning service.	See Paragraph 9 (d) (ii) in main report