



DARLINGTON

Borough Council

Risk Management Strategy

2025

Risk Management Strategy

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1. Policy Statement

The Council will embed risk management into its culture, processes and structure to ensure that opportunities are maximised and will encourage managers to identify, understand and manage risks.

2. Objectives

The objectives of the strategy are to:

- a) Develop risk management and raise its profile across the Council.
- b) Integrate risk management into the culture of the organisation.
- c) Embed risk management through the ownership and management of risk as part of all decision making processes.
- d) Manage risk in accordance with best practice.
- e) Create effective processes that will allow the Council to make risk management assurance statements annually.

The strategy outlines how the Council is taking on its responsibility to manage risks using a structured and focused approach.

3. What is Risk Management?

Risk Management can be defined as:

‘The culture, processes and structures directed towards effective management of potential opportunities and threats to the organisation achieving its objectives’.

Risk Management is a strategic tool and an essential part of effective and efficient management and planning.

The Strategy encompasses all business risks into a robust and consistent process to ensure that the Council can make the most of its opportunities and make informed decisions based on complete information.

4. Why do we need Risk Management?

Risk management strengthens the ability of the Council to deliver its contribution to the achievement of the outcomes detailed within the Council Plan 2024 – 2027. It supports effective decision making, helps the Council balance risk and opportunity and minimises the impact of adverse risk events.

Risk Management is an essential part of the Council’s Local Code of Corporate Governance that reflects the requirements of the CIPFA/SOLACE Framework on Corporate Governance.

The Accounts and Audit Regulations require the Council to publish each year an Annual Governance Statement (AGS). The AGS accompanies the Statement of Accounts and must be signed by the Leader of the Council and Chief Executive. The effectiveness of the Council's risk management process underpins production of the AGS.

5. What is the Risk Management Process?

Implementing the Strategy involves identifying, analysing, managing and monitoring risks.

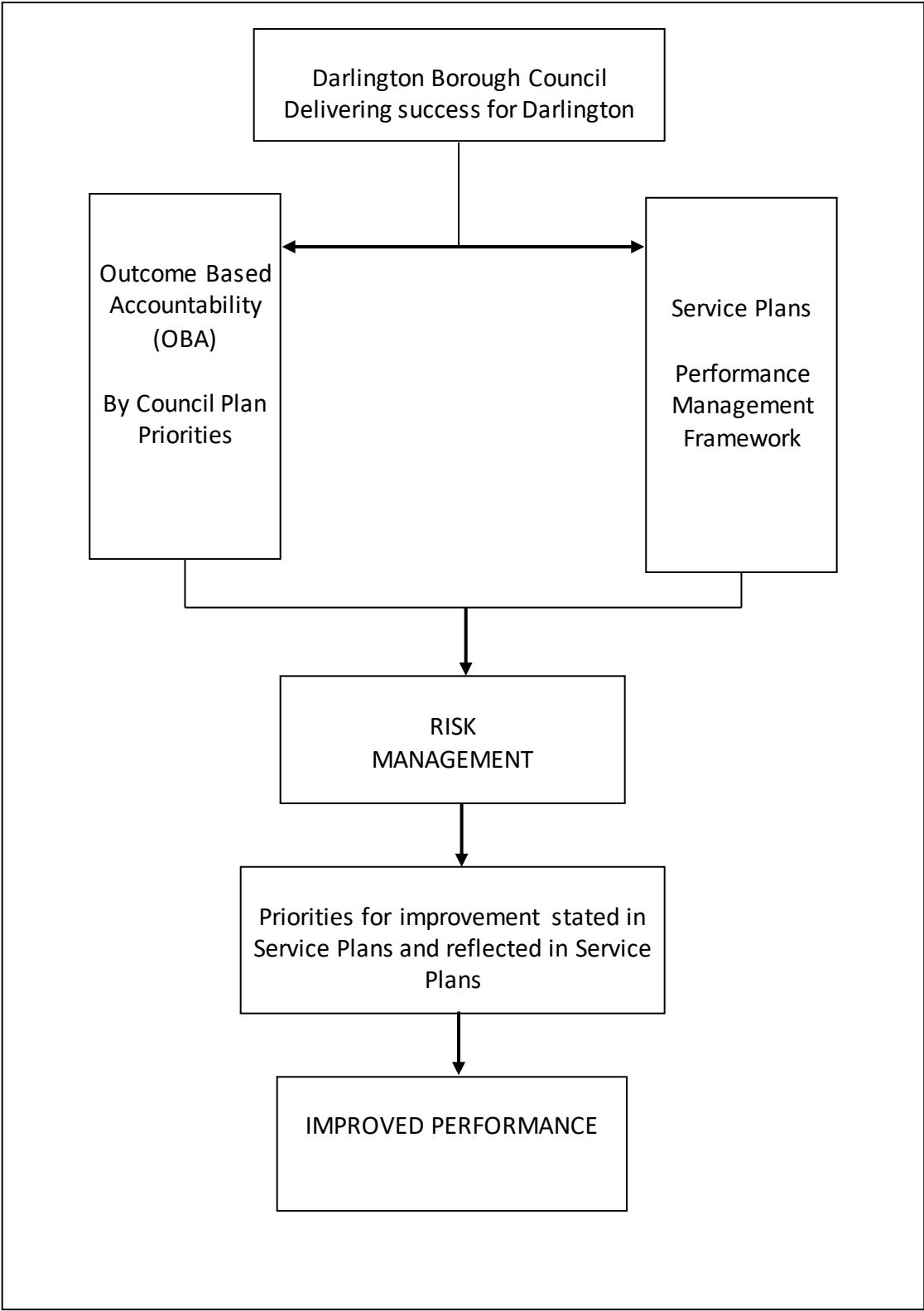
The identification of risks is derived from both a 'top down' and a 'bottom up' process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans with relevant Performance Indicators (PI's) which are fed into overall service plans. The relevant PI's identified are then monitored through the Performance Management Framework ensuring that the focus remains on achieving the Council's objectives.

Full details of the Risk Management Methodology are contained within Appendix 1.

6. How does it feed into other processes?

Annual Planning and Budgeting

The risk management process is an integral part in the development of an annual refresh of service plans and the Council's Medium Term Financial Plan. Risk Management is an essential element of the Performance Management Framework, to establishing policy, developing plans and enhancing operational management.



Partnerships

The Council recognises both the benefits and the risks of partnership working. Good risk management practice is a key tool in delivering successful partnerships. The risk management process is used by partnership lead officers to specifically consider risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.

In respect of significant partnerships, oversight of the process is maintained by the Complaints & Information Governance Manager in conjunction with the Director, Darlington Partnerships.

The Council Plan and Project Management

A new phase of Council organisational development was launched in February 2024. The resulting 'Council Plan' is based on three core principles and contains six priorities:

Core Principles:

- a) Addressing inequalities
- b) Efficient and effective use of resources
- c) Tackling climate change

Priorities:

- (a) Economy - A strong sustainable economy and highly skilled workforce with opportunities for all.
- (b) Homes - Affordable and secure homes that meet the current and future needs of residents.
- (c) Living Well - A healthier and better quality of life for longer, supporting those who need it most.
- (d) Children and Young People - Best start in life, realising potential and raising aspirations.
- (e) Communities - Healthier, safer and more engaged communities.
- (f) Local Environment - A well-connected, clean and sustainable borough.

Through the Council Plan the principle of effective service challenge remains and is reinforced through improved programme and project management, improved reporting and monitoring and effective risk management.

Project management aims to deliver defined outcomes within time, cost and quality constraints. A key element of this approach is effective risk management. The Council has adopted the principles of the MicroP2 methodology for change projects. MicroP2 uses the Council's corporate template to identify risks and develop actions, enabling project managers to control their risks as part of the ongoing project. Projects are owned by a senior sponsor and managed by a designated Project Manager, so responsibility for managing project risks is clear.

Risk management is also a key part of capital project delivery. A Project Management Handbook has been produced to help ensure an established project management methodology is applied consistently across the Authority on all capital projects from inception to completion and to assist the management of risk. In addition the Asset Management and Capital Programme Review Board, chaired by the Executive Director – Environment, Highways & Community Services, is held bi-monthly to oversee the monitoring and reporting of capital projects.

7. Roles and Responsibilities

The following describes the roles and responsibilities that Members and officers will play in embedding and owning the risk management process:

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council face, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through half yearly reports to the Audit Committee and through the Performance Management Framework. Members should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Member's key tasks are:

- a) Cabinet approve the Risk Management Strategy.
- b) Monitor the Council's risk management and internal control arrangements via a reporting process through the Audit Committee together with using the Performance Management Framework that reports on key Performance Indicators.
- c) The Audit Committee will approve the Annual Governance Statement that reflects the effectiveness of the Council's risk management process.
- d) Scrutiny Members are central to monitoring of the Service Plans as part of the Performance Management Framework.
- e) The Cabinet Member with Efficiency and Resources Portfolio will be the Council's Member Champion for Corporate Risk Management.

Chief Executive and Executive Directors

The Chief Executive takes overall responsibility for risk management performance and the Chief Officers Executive (COE) are pivotal in their promotion and support to embed risk management within the Council.

The Chief Executive and COE's key tasks are:

- a) Support and promoting risk management throughout the Council.
- b) Actively identify and assess strategic risks on a regular basis.
- c) Individual Directors will be responsible for developing relevant action plans for the key risks and establishing relevant Performance Indicators to measure their performance through the Performance Management Framework.

Executive Directors

Executive Directors will demonstrate their commitment to risk management through:

- a) Being actively involved in the identification and assessment of strategic risks.
- b) Incorporating the risk management process into service planning processes.
- c) Encouraging staff to be more innovative and recognising their achievements.
- d) Encouraging staff to be open and honest in identifying risks and opportunities.
- e) Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- f) Regular monitoring and reviewing of relevant actions plans and associated Performance Indicators to reduce or control the significant risks.

Managers

Managers need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity. Details of Operational Risks are reported bi-annually to the Risk Management Co-ordinator and reported to Audit Committee.

Officers

Officers should manage risk by following procedures, attending training and reporting any risks to their line manager.

Risk Management Co-ordinator

The Risk Management Co-ordinator's role, to be undertaken by the Complaints & Information Governance Manager, is responsible for:

- a) Co-ordinating the adoption of risk management across the Council.
- b) Challenging risk identification and evaluation.
- c) Annually reviewing the Risk Management Strategy.
- d) Acting as a link with services in relation to Operational Risks.

Audit Services

Internal Audit's role is to provide assurance to officers and Members on the effectiveness of controls. Each control within the audit portfolio is risk assessed taking account of the Council's priorities and strategic risk analysis. Controls will be assessed and reports provided to Directors on a regular basis on the adequacy of controls within their remit to manage risks. Results of assurance work should be used to as part of the review of risk. Recommendations will be made where it is felt controls are not operating effectively and these should be included in action plans for managing risk.

8. Monitoring and Reporting Framework

A robust review and reporting structure is in place. This framework allows:

- Effective management of risks through performance management mechanisms including regular reporting on service and corporate performance indicators to COE and Members.
- Regular service reviews within departments and Performance Clinics between Directors and the Chief Executive.
- Half Yearly Reports to the Audit Committee to monitor that appropriate action is taken to ensure that strategic risks are actively managed together with details of the work undertaken by the operational risk management teams to highlight operational risk management issues affecting the Council.
- An annual report to the Audit Committee to approve the Annual Governance Statement.

9. Training

To assist the risk management process and to embed its use within the Council appropriate risk management awareness training is required for both Members and relevant staff. Training provided by the Council's insurers with details incorporated within the reports to the Audit Committee.

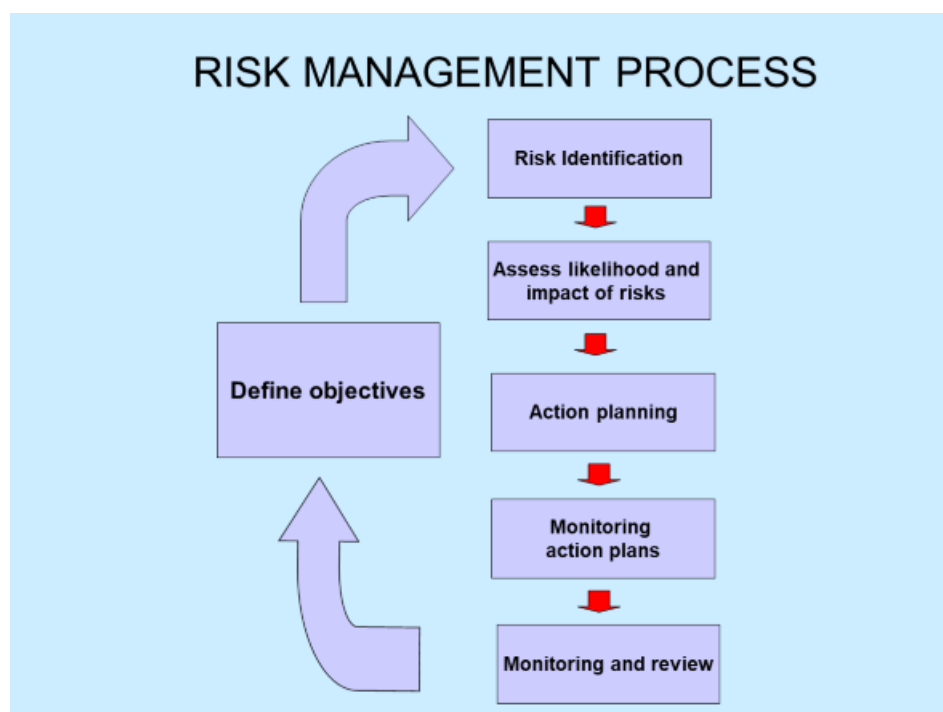
10. Annual Review of Strategy

The Complaints & Information Governance Manager will annually review the Council's Risk Management Strategy in light of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the strategy. Information provided by Internal Audit may also prompt a review. Significant changes proposed will be referred to the Audit Committee for consideration. Changes recommended / endorsed by the Audit Committee will be referred to Cabinet for approval.

Appendix 1

Risk Management Methodology

The Council has adopted the Zurich Municipal Management Services (ZMMS) STORM® methodology to manage risk, a structured systematic approach that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels. A key element of STORM® involves embedding a risk management culture in all staff and Members. Risks are collated bi-annually by the Risk Management Co-ordinator and recorded in Council's Risk Register. The process is explained in detail below.

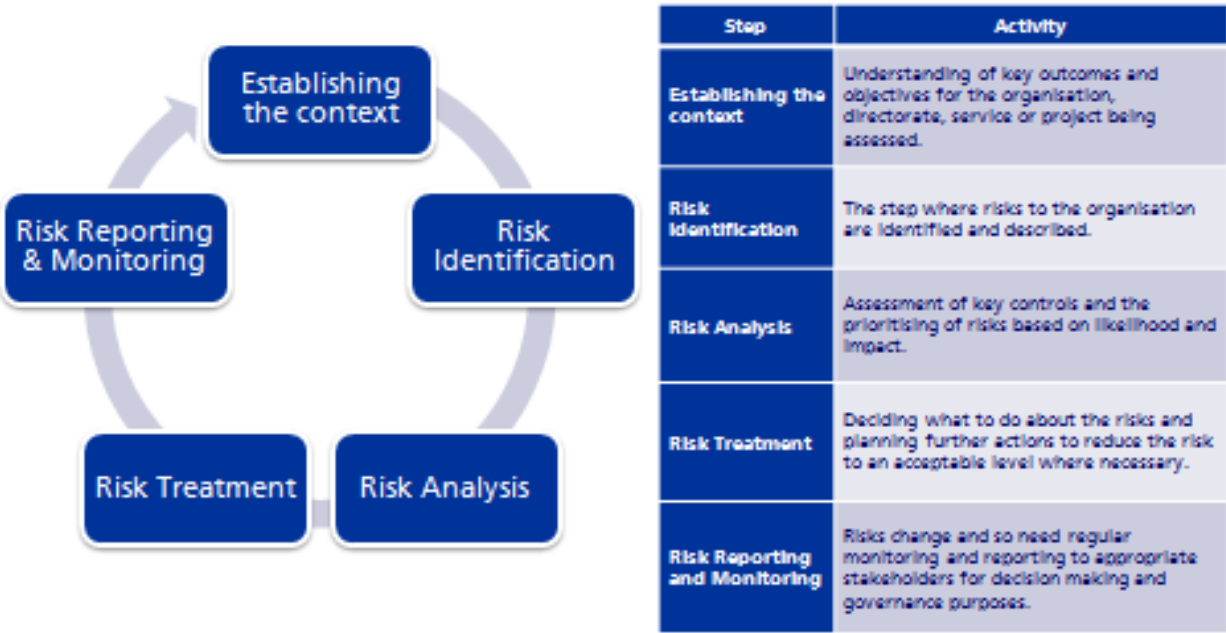


- **Risk Identification**

The identification of risks that affect the achievement of outcomes is a continuous process undertaken both by departments and by COE. The process involves the identification of new risks and a review of existing risks.

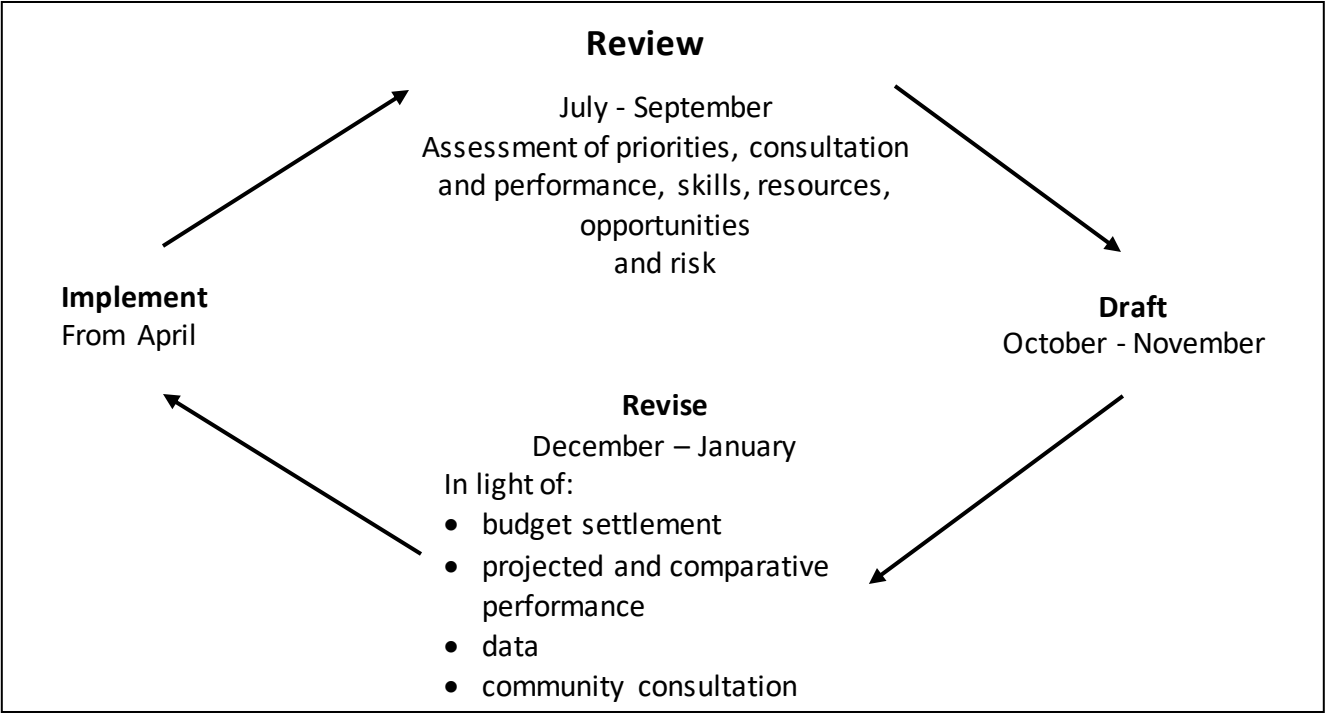
When identifying risks the following categories are used as a prompt for officers. They ensure that a holistic approach is taken to risk identification. Further information about each category of risk is given at Appendix A.

Risk Management Methodology



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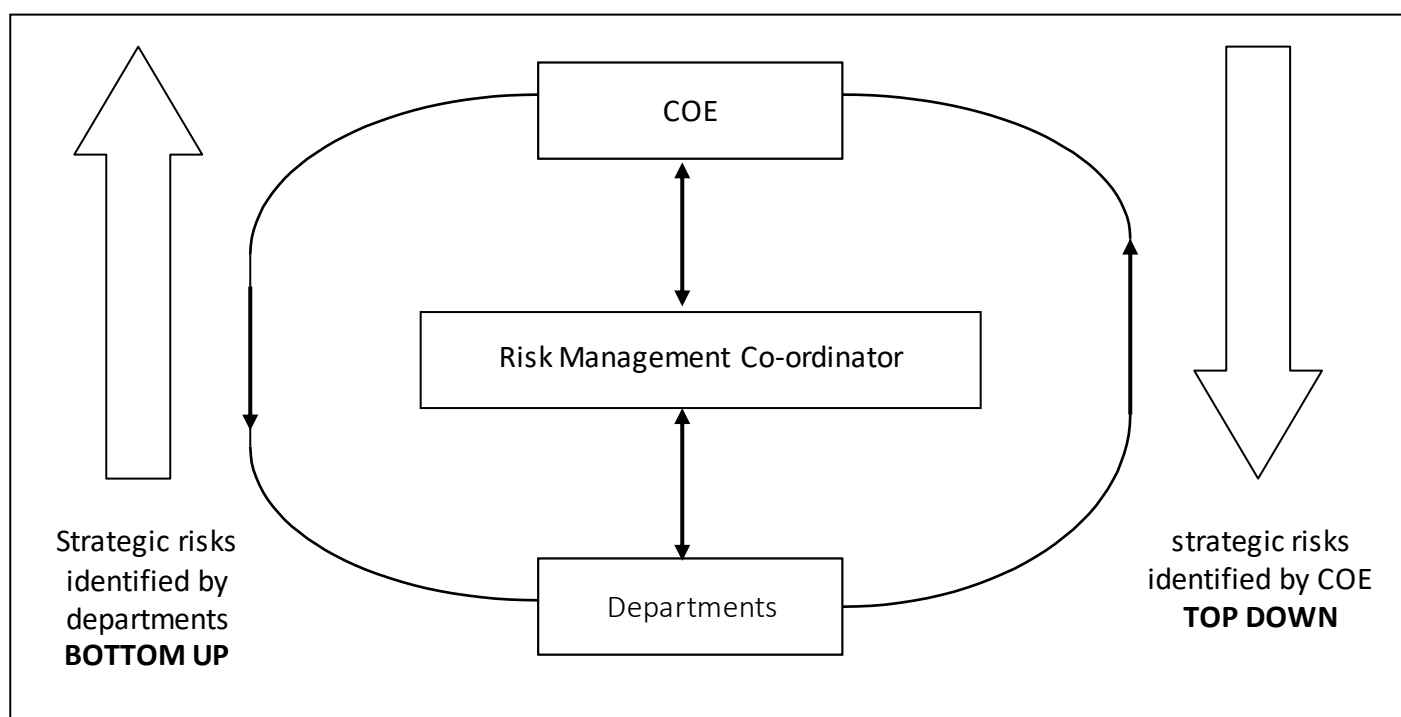
The process is fed into the following annual timetable:



The timetable is based on two main principles:

1. a continuous cycle of improvement linking monitoring and implementation shown schematically above for all plans - strategic, financial and service plans.
2. a balance between top-down (strategic influencing service plans) and bottom-up (an overview of service plans helping to shape strategic priorities).

Strategic risks are reported to COE. COE considers whether there are any other strategic risks that should be added to the strategic risk register. This process ensures that COE are made aware of the key risks within departments.



COE and departmental management teams ensure that any emerging risks are identified and appropriately profiled and managed. There is a standard item placed on each agenda for meetings to ensure that there is a facility for officers to raise key risks throughout the year to enable key emerging risks to be effectively managed in a timely manner.

- **Risk Analysis**

Areas of potential risk, once identified, need to be analysed and risk scenarios developed. Risk scenarios illustrate the possible consequences of the risk if it should occur, so that its full impact can be assessed. An example of a risk scenario is provided below.

Description	Cause	Effect
Risk of ... Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Partnership with ... Development of ... Opportunity to ... Damage to due to ... because leads to ... results in ...

- **Risk Profiling and Prioritisation**

Following identification and analysis of potential risks, they are then profiled with reference to documented controls in place and working. This process involves:

- An assessment of the likelihood of the risk occurring.
- An assessment of the potential impact of the consequences, should such an event occur.

By assessing the likelihood and impact of risks and using a matrix to plot them, a prioritisation is given to the management of those risks.

Although the process produces a priority for addressing each risk, determining a department's appetite for risk can enhance this. All risks above the appetite line (the shaded area in the matrix below) are considered a priority for improvement and must be managed down, transferred or avoided.

An example risk profile is given below. The numbers correspond to each individual risk identified.

Matrix for Risk Profiling

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

- **Action Planning**

The potential for controlling risks identified is addressed through management action plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be avoided or transferred. Action plans identify the resources required to deliver the improvements, key deadline date and critical success factors/Key Performance Indicators. These plans are not a separate initiative but are incorporated into the business planning process and included in service plans.

Risk Management Action Plan Template

Risk Number and Description

Required Management Action / Control	Responsibility for Action	Critical Success Factors and KPIs	Key Dates	Review Frequency

- Risk Monitoring**

The effective management of risks will be monitored through half yearly reports to the Audit Committee and through the Performance Management Framework.

Appendix A**Categories of Risk**

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment.	New political arrangements, Political personalities, Political make-up.
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences of proposed investment decisions.	Cost of living, changes in interest rates, inflation, poverty indicators.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives.	Staff levels from available workforce, ageing population, health statistics.
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards.
Legislative	Associated with current or potential changes in national or European law.	Human rights, Appliance or non-appliance of TUPE regulations.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use, recycling, pollution.
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Staff restructure, key personalities, internal capacity.
Financial	Associated with financial planning and control.	Budget overspends, level of Council Tax, level of reserves.
Legal	Related to possible breaches of legislation.	Client brings legal challenge.
Physical	Related to fire, security, accident prevention and health and safety.	Offices in poor state of repair, use of equipment.
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver, partnership agencies do not have common goals.
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation, position in league tables.
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations, extent of consultation.