

REVIEW OF THE COUNCIL'S STRATEGIC RISKS

Agenda Item ..

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Background Papers:- Risk Policy, Strategy and Implementation Plan – Council 19th April 2006; Risk Management report – Cabinet 27th November 2006
Financial Implications:- Possible financial implications identified under each risk, as appropriate
Equalities Implications:- None
Legal Implications:- Possible legal implications identified under each risk, as appropriate.
Options: None
Risks: A robust Risk Management process is an important element of the Council's governance arrangements and the adequacy of which has an impact on the Council's CPA assessment.

EXECUTIVE SUMMARY

Management Board reviewed the Council's Strategic Risk Register at a workshop on 19th June 2007, facilitated by David Forster of Zurich Municipal Risk Management. The seventeen strategic risks on the Risk Register (from the last review on 5th October 2006) were each reviewed, with the following outcomes:

- 4 receiving an increased risk rating;
- 11 remaining unchanged; and
- 2 being deleted (as no longer relevant or regarded as an operational risk and recorded at service level in the risk register)

Management Board also considered the business risks identified earlier in the year by senior managers together with any new risks. The outcome from this was the identification of eight new risks being added to the strategic risk register.

This provides a new total of twenty three risks on the risk register, of which ten risks have a risk rating of C2 (C= significant likelihood, 2= critical impact), a rating which is above the risk tolerance and therefore require managing by the Management Board.

DECISION

Members are recommended to note:

- the latest update of the Council's strategic risk register, as appended to this report; and
- that a training workshop on risk management is to be arranged in the autumn for members of both the Cabinet and Audit Committee.

REVIEW OF THE COUNCIL'S STRATEGIC RISKS

Management Board undertakes a review of the strategic risks, i.e. those risks that could prevent the Council achieving its Aims and Direction, twice per annum. The latest review was conducted on 19th June 2007 and was facilitated by David Forster of Zurich Municipal Risk Management.

Details of the review process, methodology, outcomes and the updated Strategic Risk Register are contained in a report prepared by David Forster. A full copy of the report is attached as an Appendix.

The review of the 17 strategic risks on the register (from the last review in October 2006) identified a number of changes required:

- To risk rating i.e. the likelihood of the risk occurring and the impact of the risk;
- Deleting a risk which is no longer relevant;
- Deleting a risk which is now regarded as operational in nature and therefore only needs to be recorded on the operational risks register;
- To update the definitions used in the vulnerability, trigger or consequences of the risk.

Management Board also considered the business risks identified earlier in the year by senior managers together with any new areas of risk, which had arisen since the last review. The outcome from this was the identification of eight new risks being added to the strategic risk register. Providing a total twenty-three risks identified on the updated strategic risk register.

A summary of the changes to the risk ratings is shown in the table below:

Risk Rating	October 2006	June 2007
C2 (<i>Significant likelihood/ Critical impact</i>)	4	10
B3 (<i>High likelihood/Marginal impact</i>)		1
C3 (<i>Significant likelihood/ Marginal impact</i>)	5	3
D2 (<i>Low likelihood/ Critical impact</i>)	4	5
D3 (<i>Low likelihood/ Marginal impact</i>)	1	3
E2 (<i>Very low likelihood/ Critical impact</i>)	3	1
Total Risks on Strategic Register	17	23

Whilst a member of the Management Board is assigned responsibility for each strategic risk, the risks rated C2 are above the Risk Tolerance and as such require action planning and management over and above existing controls. This involves establishing a Management Action Plan, which assesses the adequacy of existing actions in place and the need for further action in order to move the risk to below the tolerance line. The plan also identifies responsibility for actions, key review dates and the target risk rating expected when all of the planned actions are implemented.

Action Planning exercises for the new risks identified are to be undertaken in the near future and the outcomes will be reported to Cabinet in the next update report on strategic risks.

Finally it is proposed that a workshop on risk management be arranged in the autumn for the members of both the Cabinet and Audit Committee. This will provide risk management awareness training to all those members that have responsibilities for this area, a requirement of the Internal Control element of the Use of Resources assessment, which will help maintain the current score for this element at level 3.

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June 2007

**BRAINTREE DISTRICT COUNCIL
STRATEGIC RISK MANAGEMENT REPORT
Draft**

PRIVATE AND CONFIDENTIAL

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Executive summary

During June 2007, a strategic risk 'refresh' exercise was conducted at Braintree District Council. This was managed by Zurich Municipal Risk Management. This exercise was an opportunity to refresh, (or update), through identification, analysis and prioritising those significant business risks which may affect the ability of Braintree District Council to achieve its direction and ambition. This follows a regular pattern of corporate risk identification and assessment which the Council has followed for several years.

In doing so, the organisation is recognising the need to sustain risk management at the highest level, whilst maintaining the process of cascading downwards through the management structure. The organisation has now put in place a process of risk assessment and management at the service level.

The refresh exercise involved preparation in advance by senior managers together with a half-day workshop to identify new business risk areas and to update and re-profile important risks from a strategic exercise carried out in October 2006.

In total, 23 strategic risks were profiled at the workshop on the 19th June 2007. 2 risks were deleted from the previous assessment as being managed, or more appropriately in an operational context. 8 new risks were added to the register in this review. Several risks were revised or edited to improve their current context.

10 risks were rated above the tolerance line. 13 risks were rated below the tolerance line.

The risk matrix measured each risk for its likelihood and impact in terms of its potential for affecting the ability of the organisation to achieve its direction and ambition.

The risk tolerance line created in August 2005 was reviewed and considered appropriate for the ongoing exercise.

Of the risks rated at the workshop, the top risks facing Braintree District Council are:

Scenario	Short name
4	Council's service's satisfaction levels fail to increase.
5	Opportunities not taken from business process re-engineering
20	Insufficient surplus Council land and property for disposal
22	A major incident occurs in the District/Council for which there is no effective business continuity plan
28	Council receives a disappointing 'Direction of Travel' assessment
34	MTFS identifies significant savings required over the next three years-insufficient savings identified.
35	Council is unable to demonstrate that it is providing VFM services across the authority
36	The Council has a fundamental responsibility for the well being of the district and fails to manage sustainability effectively.
41	The Council is not effective in its role as a Strategic Housing Authority

42	The Council has introduced a new 'local committee' approach for front line members and this is untested.
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For the risks that appear above the tolerance line the next stage is to manage them. This will require assessing the adequacy of existing actions and to identify the need for further solutions, in order to move the risks to below the risk tolerance line. This is a vital component of the 'use of resources' audit commission assessment, which asks the question 'does the organisation **manage** its significant business risks?'

The Council is to review the embedding processes for the management of business risk throughout the organisation, to ensure there is a flow of risk information up and down through the Council. In particular there is a desire to link the corporate and service risks.

A briefing exercise on the risk management issues created by the Comprehensive Area Assessment took place. It is becoming clear that the CAA will judge on the barriers to the achievement of community outcomes.

Finally, the management board needs to agree a timescale for re-visiting these risks in order to assess if they are still relevant and to identify and profile new scenarios. It is recommended in audit commission guidelines that this should be completed at least annually.

Introduction

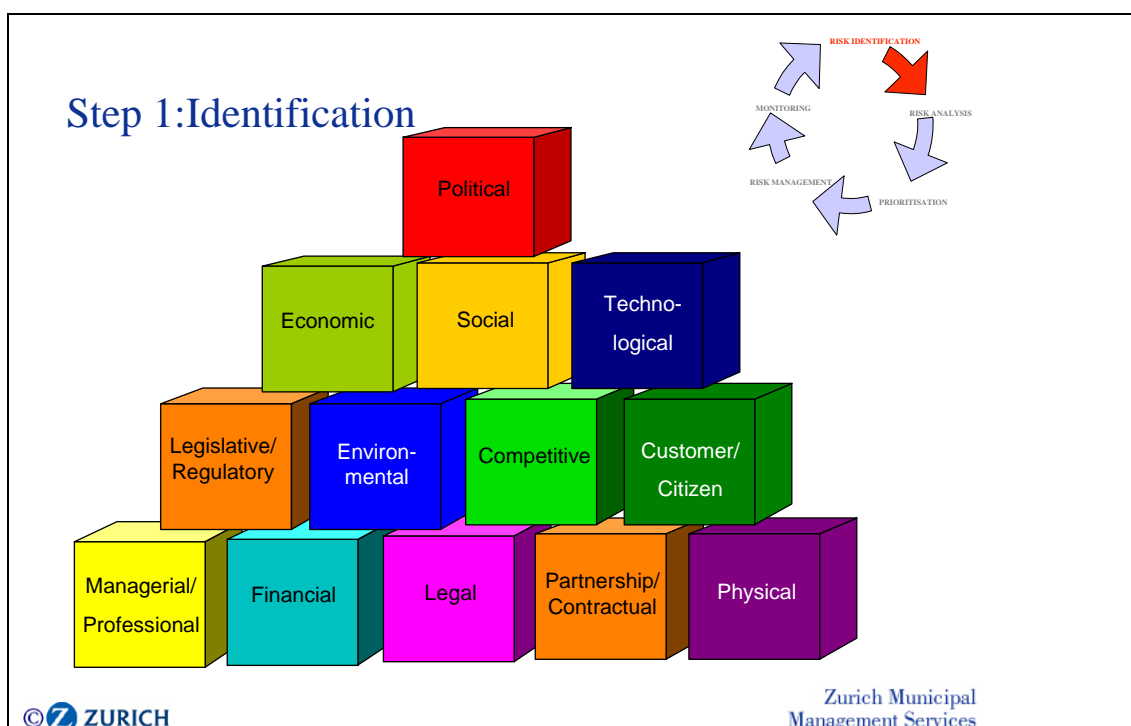
During June 2007 a strategic risk 'refresh' was conducted at Braintree District Council. The following report outlines the process utilised by Zurich Municipal Risk Management in their assessment.

This is a private and confidential document prepared exclusively for Braintree District Council by Zurich Municipal Risk Management. It has been distributed to Trevor Wilson, Deputy Finance Director, and a copy has been retained by Zurich Municipal Risk Management.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This was achieved with a workshop with senior managers (see Appendix 1) and a review of published literature. The workshop covered 13 categories of risk as shown below.



Risk analysis

The results from the identification stage created 23 risk scenarios, which were profiled on the template during a workshop on 19th June 2007. 2 further risks were deleted from the register.

The risk register attached to this report includes modifications made to the rated risk scenarios during the course of the workshop, and all deleted risk scenarios.

Risk profile/prioritisation

During the workshop the risks were assessed for impact and likelihood and plotted onto a matrix. The impact is measured against the organisation's ability to achieve its direction and ambition. The impact was measured as being negligible, marginal, critical or catastrophic. The likelihood was measured as being almost impossible, very low, low, significant, high or very high and is judged against a medium term time horizon, typically 2-3 years.

Setting the tolerance line

To determine the board's appetite to risk (the risk tolerance line) the board considered each of the squares on the matrix and decided if they were

prepared to live with a risk in that box or if they wanted to actively manage it. The team retained the tolerance line prepared at the earlier exercise. Those risks above the line requiring further scrutiny and additional management focus, and those below the line being judged as having sufficient control in place.

Risk management and monitoring

The board received a refresher regarding the use of management action templates (MATs) during the course of the workshop. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored. A senior manager should be assigned to each of the risks sitting above the tolerance line, in order to 'own the issue'.

It is extremely important that the organisation is able to demonstrate the 'flow' of these management actions through effective action planning. This is a key requisite of the 'Direction of Travel' assessment.

Risk analysis results

Risk profile

Based on the identification and analysis during the workshop, 23 risks were presented and framed into scenarios. Of these risks, 10 were profiled above the line during the workshop, 13 risks were profiled below the line and 2 further old risks were deleted. The results are shown on the following risk profile.

THE RISK PROFILE TEMPLATE

STRATEGIC RISK PROFILE			
Organisation Name: Braintree District Council June 2007			

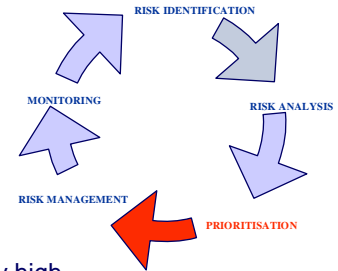
Likelihood ↑	A			
	B	38.		
	C	3, 6, 12.	4, 5, 20, 22, 28, 34, 35, 36, 41, 42.	
	D	31, 39, 40.	1, 17, 30, 32, 37,	
	E		10.	
	F			
		IV	III	II
		← Impact →		I

Likelihood:

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

Impact:

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible



Appendix 2 shows all the risks that were profiled during the exercise.

Appendix 3 shows risk scenarios deleted

It is now important that management actions are reviewed for risks 4, 5, 20, 22, 28, 34, 35, 36, 41, and 42, as it is this, which will allow the risks to be monitored and successfully managed down. An example structure for this is shown in Appendix 4.

Conclusion

The workshop has identified that for ten key risks, additional scrutiny and activity are required to manage the issues. Some of the key risks will require immediate attention and it is important that having identified risks that could have a critical impact, that the required action is undertaken.

Therefore it is recommended that senior managers are assigned to continue to monitor and measure the work that is undertaken and where required re-assess or build new management action plans to ensure that progress is being made and the goals can be met.

It is important that each identified risk is owned by **one** member of the management board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

Finally, the management board needs to agree a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. It is recommended that this should be undertaken at least annually.

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Appendix 1

Workshop attendees

The following is a list of those who attended the workshop.

- Allan Reid
- Chris Fleetham
- Peter Crofts
- Sara Moutard
- Trevor Wilson

Appendix 2

Risks register

Risks marked “*” are above tolerance and require managing

No	Rating	Vulnerability	Trigger	Consequence	Strategic Objective	Management Ownership
4	C2	* Council prides itself on amount of attention in undertakes. However, MORI research shows a decline in attention with the council's services. Council has targeted a significant improvement in overall satisfaction over three years.	Satisfaction levels fail to increase.	<ul style="list-style-type: none"> • Critical inspection report (CPA) • Reputation of Council harmed 	Performance and Better Value	Executive
5	C2	* Council has a major project to re-structure back office and front office processes to create a more customer focused and more efficient organisation. Ways of working are being reviewed which may involve changes to structure, people, terms and conditions. Opportunities this creates need to be exploited to the maximum.	Opportunities not taken.	<ul style="list-style-type: none"> • Efficiency and Economy savings not realised • Services do not improve/decline • Public criticism of Council • Staff co-operation starts to reduce 	Performance and Better Value	Director

20	C2	*	Capital resources required to fund capital projects are not received as expected. Condition and other specialist (DDA, fire, and asbestos) surveys of the Council's assets indicate an increasing need for investment.	Insufficient surplus Council land and property for disposal. New sources of capital funding not found.	<ul style="list-style-type: none"> • Projects / initiatives cannot be funded • Council aims and objectives not met • Properties closed, impacting on service delivery 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well; Improve Performance and Deliver Better Value	Director
22	C2	*	The Civil Contingencies Act will require the Council to reassess the robustness of its business continuity planning process. Ensuring plans for disaster recovery, particularly for IT, are in place.	A major incident occurs in the District/Council for which there is no effective business continuity plan	<ul style="list-style-type: none"> • Effective procedures not implemented • Disruption to services • Key information lost • Local community at risk • Resources used trying to rectify situation • Community loses confidence in the Council • Council seen to be failing to meet requirements of Civil Contingencies Bill • Adverse publicity 	Improve Performance and Deliver Better Value	Finance Director
28	C2	*	ncil does not progress sufficiently rovement in performance as d by BVPI's, embedding its Data Policy and delivering its ment plans.	Adverse inspection	<ul style="list-style-type: none"> • Adverse effect on Council reputation • Member dissatisfaction • Staff dissatisfaction • Adverse impact on Member/Officer relations • Auditor adverse comment • Poor Direction of Travel assessment 	Performance and Better Value	ecutive
34	C2	*	MTFS identifies significant savings	Insufficient savings identified.	<ul style="list-style-type: none"> • Unplanned service cuts 	Improve Performance	Finance

			required over the next three years. In addition to annual efficiency factor. Further reductions required as result of LSVT	Council unwilling to take difficult decisions	<ul style="list-style-type: none"> Balances used up Reduction in service standards Decline in Council reputation. 	and Deliver Better Value	Director
35	C2	*	The Council needs to demonstrate that we are providing VFM services across the authority	Poor 'use of resources assessment'	<ul style="list-style-type: none"> Possible CPA re-categorisation Shared services/outsourcing Low morale Savings not delivered Reputation diminished 	Improve Performance and Deliver Better Value	Finance Director
36	C2	*	Sustainability The Council has a fundamental responsibility for the well being of the district. Council fails to give leadership role through action. Heightened role within the local authority.	Poor CPA/CAA rating. Poor performance Projects not well managed.	<ul style="list-style-type: none"> Loss of reputation Satisfaction levels poor Fewer resources. 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well	Development Director
41	C2	*	Greenfields Transfer of housing stock to RSL. Establishing a new working relationship Strategic Housing role retained by Council Establishing strategic function-what this means for BDC.	Relationship less than amicable. GCH not assisting in current climate Inadequate arrangements to provide emergency temporary accommodation for homeless.	<ul style="list-style-type: none"> Use of B&B Cost implications Staff under increased pressure (sickness levels rise) Indiscriminate cost cutting/saving exercise 	Create a Better Place to Live, Work and Play	Finance Director
42	C2	*	Local Committees Perceived change in role of front line members. Creation of local committees, providing focus on issues to area. New ways of working, opportunities to engage with range of players in area.	Members not engaging in 'new' approach	<ul style="list-style-type: none"> Failed opportunity to engage members/new ways of working at local level. Council seen as not supporting local community Reputation of Council harmed. Ensuring consistent approach. Fail to give local community leadership 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well; Improve Performance and Deliver Better Value	Chief Executive

38	B3		'Hard to reach groups' Increasing numbers of migrants within the District. Issues around language, housing and benefits.	Marked down on CPA inspection through not recognising or addressing issue. Fail to meet the specific needs of a growing community.	<ul style="list-style-type: none"> • Isolated group that is segregated from main community. • Impact upon inspection regime. 	Create a Better Place to Live, Work and Play; People feel Safe and Well	Chief Executive
1	D2		The council's pension fund, managed by the county council, is currently under funded and may require even further additional contributions into the fund.	Pension fund continues to under perform OR Stock market fails to improve	<ul style="list-style-type: none"> • Board of trustees criticised • Further contributions required • Reserves unable to fund level of increase required • Resources diverted from service delivery • Performance indicators deteriorate • Critical inspection report • Council tax has to increase • Negative publicity • Criticism from council tax payers • Relationship with county council sours 	Improve Performance and Deliver Better Value	Finance Director
17	D2		Long-term use of Council assets. Following housing transfer, council buildings (Causeway House, depot and area offices), technology, under-utilised and therefore expensive.	Failure of agreement between Council and Housing Association. Failure to identify new partners. Failure to identify Council requirements.	<ul style="list-style-type: none"> • Costs of services increase. • Inefficient use of space. • Empty buildings and offices. 	Improve Performance and Deliver Better Value	Finance Director

30	D2	Braintree district is undergoing change and redevelopment e.g. dualling of the A120, major house building and housing allocation, together with proposals for the development within M11 corridor including the expansion of Stansted airport.	Council fails to influence strategic developments affecting the district	<ul style="list-style-type: none"> • Opportunities missed • Unsatisfactory solutions are reached • Adverse impact on local economy • Negative impact on local environment • Adverse publicity 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play	Development Director
32	D2	Waste Collection and Disposal services are carrying out an options study for the joint delivery of waste across the County	Benefits to BDC not realised. Increased costs. Not all authorities sign up. Waste contractors not interested in collection element.	<ul style="list-style-type: none"> • Individual decision of one Council could impact on other councils costs • Failure to agree a waste contract process. • Prospect of further support cost reductions • Staff dissatisfaction • Lack of local control 	Cleaner and Greener	Development Director
37	D2	<p>Workforce planning/Talent management</p> <p>Braintree is seeking to manage complex organisational issues and has recognised people management as a critical issue. There are a number of issues:</p> <ul style="list-style-type: none"> • Limited resource capacity • Loss of key staff to other organisations • Difficulties with recruitment • Succession planning and aging staff? • Business management 	Braintree does not have the right people in the right place, with the right skills, to build on its improvement for the future.	<ul style="list-style-type: none"> • Increased key person dependency • No capacity for strategic issues • Not shaped for the future • Failure to maximise on business process re-engineering • Significant projects and initiatives not delivered • Work/initiative overload • Stress and absenteeism • Frustrated staff • Services suffer and standards fall 	Improve Performance and Deliver Better Value	Chief Executive

		expertise/lack of management development		<ul style="list-style-type: none"> • Threat to CPA improvement 		
3	C3	Anti Social Behaviour is a high profile issue for local residents and the Council has a lead role to play in managing the community to deal with this. This is a key ambition.	Perception of ASB fails to reduce, or actually increases	<ul style="list-style-type: none"> • Perceived failure of council leadership • Areas of Braintree and the District 'get a reputation' • Issue gets in the way of other key priorities 	People feel Safe and Well	Chief Executive
6	C3	The Council undertakes a variety of projects, which require effective project management and staff do not always recognise what a project is. Successful service delivery is dependent upon effective performance monitoring. However performance management is not fully part of the culture and is not consistently applied across the Council.	<p>Projects are adversely affected due to council staff not having the relevant skills/capacity</p> <p>The Council's performance drops/improves</p>	<ul style="list-style-type: none"> • Projects not managed to time or budget/authority muddles through • Projects fail to deliver objectives • Loss of ownership of the project • Organisation fails to change and benefit from project • Partners are disillusioned • Adverse effect on performance • Adverse publicity • Time and resources are wasted • Increased pressure on staff • No clues as to why performance has suffered/improved • Managers are unaware of quality and performance standards being achieved. • Failure to address poor performance • Service quality falls • Censure by audit / inspection 	Improve Performance and Deliver Better Value	Chief Executive

12	C3	<p>The Council has challenging affordable housing targets. There are limited sites for development in the district and the value of housing is intrinsically high.</p> <p>Increasing gap between the availability of affordable housing and those needing them.</p>	Potential number of affordable houses not provided	<ul style="list-style-type: none"> • Council target on affordable housing not met • Many people in the district are unable to afford to buy their own house • Young people/key workers leave the district • Increased recruitment / retention issues for public bodies including Braintree • Local economy declines • Community not sustainable in longer term • Use of Bed & Breakfast for homeless – cost implications for General Fund • Difficulty in redressing the use of Bed & Breakfast once started. 	Create a Better Place to Live, Work and Play	Finance Director
10	E2	Braintree provides high profile and high-risk services, which concern safety to the community, liabilities and health and safety.	High profile incident leading to sustained media and legal attention (e.g. through failure of asset/ management)	<ul style="list-style-type: none"> • Negative impact on rest of organisation • Loss of confidence in Council • Reputation of council damaged • Recruitment is inhibited • Loss of quality staff • Loss of public trust 	Improve Performance and Deliver Better Value	Chief Executive
31	D3	<p>The Council has set a number of key priorities within its Direction and Ambition, which are dependent on partners to deliver jointly on objectives.</p> <p>Partnership working is a recognised area of vulnerability for many local authorities.</p>	A critical partnership fails.	<ul style="list-style-type: none"> • A key objective may be missed • Loss of revenue through, e.g. funding streams • Valuable Council resource used to little avail • Tensions between partners. • Community cynicism. 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well; Improve Performance and Deliver Better Value	Chief Executive

39	D3	Performance regime changes from process based Performance Indicator approach, to outcome/ community/risk based Comprehensive Area Assessment approach.	Failure to prepare properly-awareness, knowledge, organisationally (performance culture) County driven approach-not at local level.	<ul style="list-style-type: none"> • Braintree District fails to receive reward/funding. • Local communities' priority issues not addressed. • Public perception drops even further. • Poor rating from audit commission • Inability to influence the agenda fully. 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well; Improve Performance and Deliver Better Value	Chief Executive
40	D3	Governance arrangement across Essex. Essex County Council developing new governance arrangements for strategic partnership working across Essex. In taking forward Local Area Agreement process.	BDC unable to contribute to strategic debate and influence at a County level. ECC dictates local agenda.	<ul style="list-style-type: none"> • Threat to leadership role. • Threat to effective development of Local Committee. • Insufficient focus on local priorities. • Braintree affected by issues more relevant to south Essex. 	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; People feel Safe and Well; Improve Performance and Deliver Better Value	Chief Executive

Appendix 3

Risks deleted from the business risk register/passed down to service risk registers

13	<p>The Council has a significant housing stock and in order to meet the required Decent Homes standard for 2010.</p> <p>The Council has decided that this needs to be managed through a transfer.</p> <p>There will be a ballot before the end of the year.</p>	'No' vote by tenants	<ul style="list-style-type: none"> • No transfer • Severe financial consequences • Decent Homes standard will not be met. • Council's objective not met • Alternative funding arrangements have to be sought • Adverse effect on officer morale – leading to stress, absenteeism, high turnover and grievances/claims • Adverse effect on overall performance • Adverse publicity • Image of council damaged • Adverse effect on rating
14	<p>Gershon. Pressure to reduce costs and work more effectively. Not deliver VFM and generate savings. E.g. through shared services</p>	<p>Fail to deliver reduced cost of services. Above the average cost per unit. Gershon savings not achieved.</p>	<ul style="list-style-type: none"> • Council not seen as delivering value by public. • Council compares poorly with other councils. • Unsustainable budget costs.

Appendix 4
Example Management Action Template

Likelihood	A				
	B				
	C				
	D				
	E				
	F				
		IV	III	II	I
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
[no.]	[matrix position]	[improved position]	[short name]

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
[actions/controls already being done that relate to this risk/cluster]	[how effective are the actions/controls already in place?]	[new actions/controls required to manage the risk down to its target score]	[the person responsible for this action plan being carried out]	[what will success look like? How will performance indicators have improved]	[frequency of reviewing this action plan]	[Milestones/deadlines]

