

REVIEW OF THE COUNCIL'S STRATEGIC RISKS

Agenda Item ..

Contact Details:- Trevor Wilson
Designation:- Deputy Finance Director
Ext. No:- 2801
E Mail Address:- trevor.wilson@braintree.gov.uk

Background Papers:- Risk Policy, Strategy and Implementation Plan – Council 19th April 2006; Risk Management report – Cabinet 3rd April 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: To agree, amend or add risks to the Council's Strategic Risk Register
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 5th October 2006, facilitated by David Forster of Zurich Municipal Risk Management. The twenty two strategic risks on the Risk Register were each reviewed, with the following outcomes:

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

Four 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, these being:

- Tenants vote 'No' to the proposed transfer of the housing stock to Greenfields Community Housing Association;
- Achieving a significant improvement in customer satisfaction levels over the next three years;
- The availability of capital resources to fund capital investment in future years; and
- The achievement of significant savings over the next three years as identified in the Medium Term Financial Strategy and as a consequence of housing transfer.

A review of the Risk Management process revealed a weakness in the flow of information from the service or operational risks up to the Management Board, when it considers the strategic risks. This is to be addressed with refinements to the Business Planning process and with all Senior Managers attending two workshops in late November and early December.

DECISION

Members are recommended to:

Endorse the latest review of the Council's Strategic Risks undertaken by Management Board,
To make comment on or add risks, as appropriate; and
Note the change to the Risk Management process of an improved information flow between operational and strategic risks, which will be implemented shortly.

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 5th October 2006 and was facilitated by David Forster of Zurich Municipal Risk Management.

Details of the review process, 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 22 strategic risks on the register (from the last review in January 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.

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

Risk Rating	January 2006	October 2006
C2 (<i>Significant likelihood/ Critical impact</i>)	7	4
C3 (<i>Significant likelihood/ Marginal impact</i>)	3	5
D2 (<i>Low likelihood/ Critical impact</i>)	6	4
D3 (<i>Low likelihood/ Marginal impact</i>)	5	1
E2 (<i>Very low likelihood/ Critical impact</i>)	1	3
Total Risks on Strategic Register	22	17

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. In addition the plan identifies responsibility for actions, key review dates and the target risk rating expected when all of the planned actions are implemented.

Initial Action Planning exercises have been undertaken for three of the risks listed, namely:

- Tenants vote 'No' to the proposed transfer of the housing stock to Greenfields Community Housing Association;
- Achieving a significant improvement in customer satisfaction levels over the next three years; and
- The achievement of significant savings over the next three years as identified in the Medium Term Financial Strategy and as a consequence of housing transfer.

Details of these Management Action Plans were contained in the Risk Management report to Cabinet on 3rd April 2006. Progress of these plans is monitored by the member of Management Board responsible for each of the risks.

An Action Planning exercise is to be undertaken, in the coming months, on the fourth risk, namely:

- The availability of capital resources to fund capital investment in future years

Finally, the review identified that there is no clear link between operational risks and strategic risks. In particular there was no link whereby operational risks could be escalated to the strategic risk register. This weakness is to be addressed with Senior Managers (Business Plan authors) undertaking an exercise to identify significant operational risks to their services, which will be considered at the next review of strategic risks. In future years this exercise will take place annually as part of the Business Planning Process. For this year only the exercise will be undertaken later in the year with two workshops planned for 27th November and 11th December 2006.

**Braintree District Council
Council Offices
Causeway House
Braintree
Essex
CM7 9HB**

October 2006

**BRAINTREE DISTRICT COUNCIL
STRATEGIC RISK MANAGEMENT REPORT**

PRIVATE AND CONFIDENTIAL

Prepared by:
David Forster, Principal Consultant
Zurich Municipal Risk Management
Hermes House
Southwood Crescent
Farnborough
Hants
GU14 0NJ
Tel: 07764 281948
Ref. FBR-IHQ73315/1



Executive summary

During October 2006, 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 focused action planning session in March 2006, designed to mitigate the most significant business risks.

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 refresh exercise involved preparation in advance by Management Board 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 January 2006.

In total, 17 strategic risks were profiled at the workshop on the 5th October 2006. 5 additional risks were deleted from the previous assessment as being managed, or more appropriately in an operational context. No new risks were added to the register in this review. Several risks were revised or edited to improve their current context.

4 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.
13	'No' vote by tenants following housing stock ballot.
20	Insufficient surplus Council land and property for disposal
34	MTFS identifies significant savings required over the next three years-insufficient savings identified.

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 tolerance line.

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. The Council has extremely strong and long established risk management practices to manage and control corporate risks.

Senior managers will undergo an exercise to ensure robust service risk registers are uniformly sustained across the organisation. This will build on existing training work already undertaken to develop risk management skills amongst service managers.

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

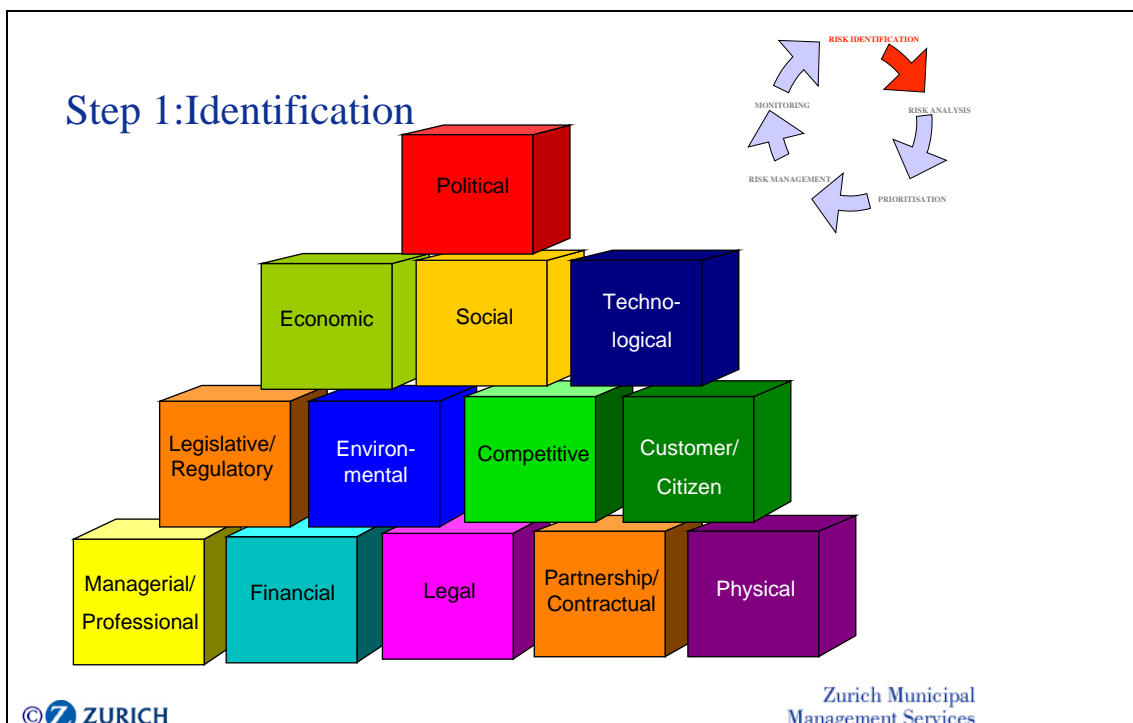
During October 2006 a strategic risk refresh was conducted at Braintree District Council. The following report outlines the process utilised by Zurich Municipal Risk Management in their assessment.

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 Management Board 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 17 risk scenarios, which were profiled on the template during a workshop on 5th October 2006. 5 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 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, to the end of 2008.

Setting the tolerance line

To determine the group's appetite to risk (the risk tolerance line) the group 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 those below the line having sufficient control in place.

Risk management and monitoring

The group 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 number of the key risks from the earlier exercise have received considerable attention and their impact on the organisation has been potentially lessened. This involved detailed action planning sessions involving both members and officers.

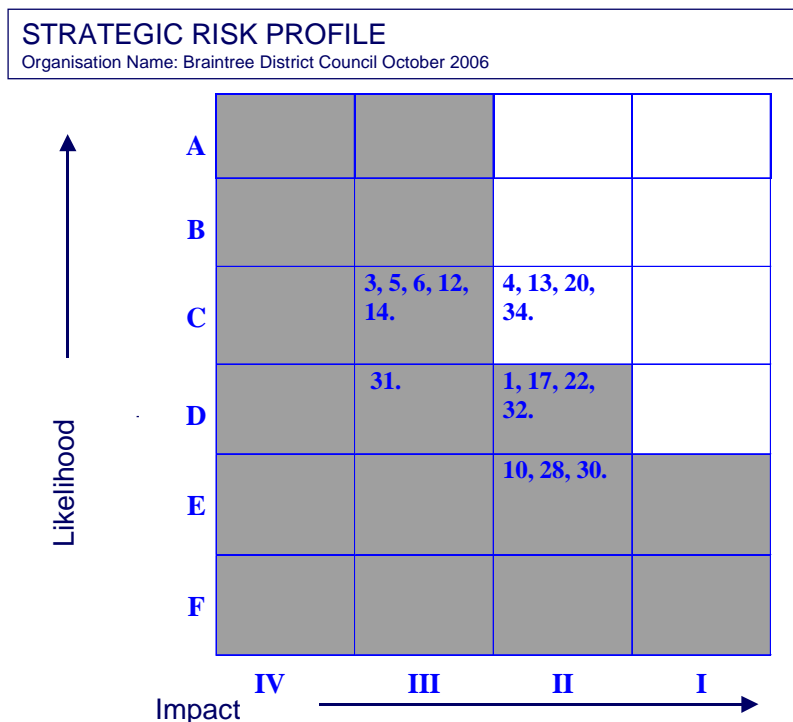
It is extremely important that the organisation is able to demonstrate the 'flow' of these management actions through effective action planning. This is a key requisite of the 'Direction of Travel' assessment.

Risk analysis results

Risk profile

Based on the identification and analysis during the workshop, 17 risks were presented and framed into scenarios. Of these risks, 4 were profiled above the line during the workshop, 14 risks were profiled below the line and 5 further old risks were deleted. The results are shown on the following risk profile.

THE RISK PROFILE TEMPLATE

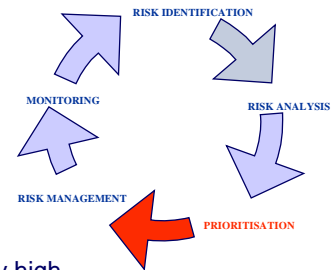


Likelihood:

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

Impact:

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



Zurich Municipal
Management Services

Appendix 1 shows all the risks that were profiled during the exercise, including those risk scenarios deleted.

It is now important that management actions are reviewed for risks 4, 13, 20 and 34, as it is this, which will allow the risk to be monitored and successfully managed down. An example structure for this is shown in Appendix 2.

Conclusion

The workshop has identified that for four key risks, additional activity is 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 Management Board 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 group 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.

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. The Council has extremely strong and long established risk management practices to manage and control corporate risks.

Senior managers will undergo an exercise to ensure robust service risk registers are uniformly sustained across the organisation. This will build on existing training work already undertaken to develop risk management skills amongst service managers.

Copyright

This document has been produced by Zurich Municipal Risk Management exclusively for Braintree District Council. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any format by any means, electronic, mechanical, photocopying, recording, or otherwise, without the proper permission of Zurich Municipal Risk Management. Expressly, no parts of the methodology contained within may be used or reproduced by Braintree District Council except in accordance with an agreement made between Braintree District Council and Zurich Municipal Risk Management.

Strategic Risk Register

APPENDIX 1

Risks with risk rating shaded are above tolerance and require managing

Risk Ref. No.	Vulnerability	Trigger	Consequences	Risk Rating		Strategic Objective	Management Ownership
				Revised January 2006	Revised October 2006		
13	The Council has a significant housing stock and in order to meet the required Decent Homes standard for 2010. The Council has decided that this needs to be managed through a transfer. There will be a ballot of tenants before the end of the year.	No' vote by tenants	No transfer - Decent homes Standard will not be met - Severe financial consequences - 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	C2	C2	Create a Better Place to Live, Work and Play	Deputy Chief Executive
4	The Council prides itself on amount of consultation in undertakes. However, recent MORI research shows a decline in satisfaction with the council's services. The Council has targeted a significant improvement in overall satisfaction over the next three years.	Satisfaction levels fail to increase	Critical inspection report (CPA) - Reputation of Council harmed	C2	C2	Improve Performance and Deliver Better Value	Finance Director
20	Capital resources required to fund capital projects are not received as expected. Condition and other specialist (DDA, fire, 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.	Projects / initiatives cannot be funded - Council aims and objectives not met - Properties closed, impacting on service delivery	D2	C2	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play; Help People Feel Safe and Well; Improve Performance and Deliver Better Value	Finance Director
34	MTFS identifies significant savings required over the next three years. In addition to annual efficiency factor. Further reductions required as result of LSVT	Insufficient savings identified. Council unwilling to take difficult decisions	High Council Tax increases (leading to capping) - Balances used up - Reduction in service standards - Decline in Council reputation.	C2	C2	Improve Performance and Deliver Better Value	Finance Director
6	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 part of the culture and is not consistently applied across the Council.	Projects are adversely affected due to council staff not having the relevant skills/capacity. The Council's performance drops/fails to improve	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/failed to improve - Managers are unaware of quality and performance standards being achieved. - Failure to address poor performance - Service quality falls - Censure by audit / inspection	D3	C3	Improve Performance and Deliver Better Value	Chief Executive
3	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	Perceived failure of council leadership - Areas of Braintree and the District 'get a reputation' - Issue gets in the way of other key priorities.	C3	C3	Help People Feel Safe and Well	Chief Executive (previously under Operations Director)

Strategic Risk Register

APPENDIX 1

Risks with risk rating shaded are above tolerance and require managing

Risk Ref. No.	Vulnerability	Trigger	Consequences	Risk Rating		Strategic Objective	Management Ownership
				Revised January 2006	Revised October 2006		
12	The Council has challenging affordable housing targets. There are limited sites for development in the district and the value of housing is intrinsically high. Increasing gap between the availability of affordable housing and those needing them.	Required number of affordable houses not provided	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.	D3	C3	Create a Better Place to Live, Work and Play	Deputy Chief Executive
14	Gershon. Pressure to reduce costs and work more effectively. Not deliver VFM and generate savings e.g. through shared services.	Fail to deliver reduced cost of services. Above the average cost per unit. Gershon savings not achieved.	Council not seen as delivering value by public - Council compares poorly with other councils - Unsustainable budget costs	D3	C3	Improve Performance and Deliver Better Value	Finance Director
5	Braintree has a major project to re-engineer back office and front office processes to create a customer focused, more efficient organisation. New ways of working are being introduced which may involve changes to, for example, terms and conditions. The opportunities this creates need to be fully exploited to the maximum.	Opportunities not taken.	Efficiency and Economy savings not realised - Services do not improve/decline - Public criticism of Council - Staff co-operation starts to reduce	C2	C3	Improve Performance and Deliver Better Value	Finance Director (previously under Deputy Chief Executive)
32	Essex Waste Collection and Disposal Authorities are carrying out an options appraisal for the joint delivery of waste services across the County	Benefits to BDC not realised. Increased costs. Not all authorities sign up. Waste contactors not interested in collection element.	Individual decision of one Council could impact on other councils costs - Prospect of further support cost reductions - Staff dissatisfaction - Lack of local control	D2	D2	Create a Cleaner and Greener District	Development Director (previously under Operations Director)
1	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	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 - Board of trustees criticised	D2	D2	Improve Performance and Deliver Better Value	Finance Director
22	The Civil Contingencies Act requires 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	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 Act - Adverse publicity	D2	D2	Improve Performance and Deliver Better Value	Finance Director

Strategic Risk Register

APPENDIX 1

Risks with risk rating shaded are above tolerance and require managing

Risk Ref. No.	Vulnerability	Trigger	Consequences	Risk Rating		Strategic Objective	Management Ownership
				Revised January 2006	Revised October 2006		
17	Long-term use of Council assets. Following housing transfer, council buildings and technology assets under-utilised and therefore expensive.	Failure of agreement between Council and Housing Association. Failure to identify new partners. Failure to identify Council requirements.	Costs of services increase. Inefficient use of space. Empty buildings and offices.	D2	D2	Improve Performance and Deliver Better Value	Finance Director (previously under Deputy Chief Executive)
31	The Council has set a number of key priorities within its Direction and Ambition, which are dependent on partners to deliver jointly on objectives. Partnership working is a recognised area of vulnerability for many local authorities.	A critical partnership fails.	A key objective may be missed - Loss of revenue through funding streams - Valuable Council resource used to little avail - Tensions between partners - Community cynicism	D3	D3	Improve Performance and Deliver Better Value	Chief Executive
27	Possibility of further local government re-organisation within the next three years and moving towards unitary councils.	Government announce proposals for establishing unitary councils in all of England. Focus from service delivery will be deflected to unitary debate/change.	Impact upon whole organisation. - Diversionary to main service delivery focus. - Significant issue to Members and senior managers. - Capacity issue on top of current challenges. - Impact upon morale and performance.	C2	Deleted	Improve Performance and Deliver Better Value	Chief Executive
8	The Council experiences difficulty in recruiting and retaining staff – especially in key specialist areas. There is considerable competition for quality staff and local government is not seen as an attractive, compelling career. Adequate attention is not given to succession planning. Braintree is also an expensive area to live.	Key posts, including senior management positions, remain unfilled/take unacceptable lengths of time to fill	Pressures on existing staff - Activities are ineffectively carried out - Pressure to offer more lucrative packages - Reliance on agency/temporary staff - Lack of diversity - Escalating staff costs - Gaps appear in structures - Adverse impact on service delivery - Service failure - Adverse publicity - Image of Council damaged - Loss of funding (eg Planning Delivery Grant)	C3	Deleted (Continues to be an operational risk for a number of services)	Improve Performance and Deliver Better Value	Chief Executive
9	The Council is facing change over the next few years, which may have a significant impact on customer satisfaction and delivery of services. The Council has limited capacity – at a time when it is undergoing a major restructuring and undertaking key projects. Resources are stretched and there is heavy reliance on a few key individuals (the 'usual suspects') to take projects / initiatives and partnerships forward.	Lack of clarity about the way forward. Desire exists to take on new initiatives but resources (including key staff) not available for a high profile project or new partnership	Strategies and projects not developed or delivered - Council doesn't move forward - Staff frustrated - Staff under pressure leading to stress and absenteeism - Day-to-day jobs don't get done - Authority criticized - Adverse publicity - Conflicts occur because limited resources are available - Suspicion about equality of contribution from other partners - Partnership becomes ineffective - Lack of real outcomes/benefits - Community dissatisfied - Criticism from key partners - Best practice not consistently adopted across Council - Poor performance not addressed - Censure by audit / inspection	C2	Deleted (Continues to be an operational risk for a number of services)	Improve Performance and Deliver Better Value	Chief Executive
11	Swimming pool. Scheme does not proceed. Possible cost over-runs. Delay over start, involving new building regulations.	Legal challenge to status of land ownership/covenants. Tender prices significantly exceed budget provision. New building regulations from 1 April 2006.	Abortive design costs - Criticism of officers - Refurbish existing pool or alternative site to be found - Refurbish existing pool in Braintree – loss of site included in local plan for housing - Adverse publicity	D2	Deleted (Continues to be an operational risk for service)	Create a Better Place to Live, Work and Play	Chief Executive (previously under Development Director)

Strategic Risk Register

APPENDIX 1

Risks with risk rating shaded are above tolerance and require managing

Risk Ref. No.	Vulnerability	Trigger	Consequences	Risk Rating		Strategic Objective	Management Ownership
				Revised January 2006	Revised October 2006		
15	Braintree has areas of land which are prone to flooding (e.g. under extreme weather conditions).	The area experiences uncommonly heavy rainfall/ changing climate and flooding occurs	Areas of private and business property is damaged causing damage and inconvenience - Local residents and businesses blame the Council for not preventing the damage - Claims made against the Council - The Council is pressured into paying for improvements to flood defences - Money is diverted from other projects - Loss of confidence in the Council's emergency planning - Adverse publicity - Image of Council damaged	D3	Deleted (Continues to be an operational risk for service)	Help People Feel Safe and Well	Development Director (previously under Operations Director)
10	Braintree provides high profile and high risk services.	High profile incident leading to sustained media and legal attention (e.g. through failure of asset/ management)	Negative impact on rest of organisation - Loss of confidence in management - Criticism of officers - Reputation of council damaged - Recruitment is inhibited - Loss of quality staff - Loss of confidence in council - Loss of public trust	E2	E2	Improve Performance and Deliver Better Value	Chief Executive
30	Braintree district is undergoing major 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	Opportunities missed - Unsatisfactory solutions are reached - Adverse impact on local economy - Negative impact on local environment - Adverse publicity	C2	E2	Create a Cleaner and Greener District; Create a Better Place to Live, Work and Play	Development Director
28	The Council may find that it has not progressed sufficiently with its CPA improvement plan and receives a disappointing 'Direction of Travel' assessment.	Adverse inspection	Adverse effect on Council reputation - Member dissatisfaction - Staff dissatisfaction - Adverse impact on Member/Officer relations - Auditor adverse comment	C3	E2	Improve Performance and Deliver Better Value	Finance Director

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]