

STRATEGIC RISK MANAGEMENT

Agenda Item 5c

Contact Details:- Trevor Wilson
Designation:- Head of Finance
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 2nd June 2008; Audit Committee 26th June 2008

Financial Implications:- None
Equalities Implications:- None
Legal Implications:- None

Options: To add additional risks or change rating of risk on the register
Risks: Reductions or detrimental changes to the risk management arrangements currently in place would have an adverse impact on the Council's CPA rating

EXECUTIVE SUMMARY

The report provides members with details of the Council's Strategic Risk register. Strategic Risks have been updated following the recent review of the register by Management Board and members of the Cabinet and Audit Committee and Group Leaders.

The number of risks requiring active management, as determined by their assessed risk rating, has risen from 12 to 16. Action plans for the additional risks are provided in the report.

DECISION

Members are asked to agree the updated schedules of strategic risks and the action plans for each of the new/revised risks which are above the risk tolerance line.

Strategic Risks

A register of strategic risks i.e. those risks that may affect the ability of the Council to achieve its objectives, was established in December 2003.

Management Board has ensured that the risk register continues to be current by regularly reviewing and updating the strategic risks. The latest review was undertaken on 12th February 2009. This update was shared with members of the Cabinet and Audit Committee and Group Leaders at a meeting held on 5th March 2009.

The review of the 18 strategic risks on the register (from the last review in May 2008) identified a number of changes required:

- To risk rating i.e. the likelihood of the risk occurring and/or the impact of the risk;
- To downgrade one risk to the Operational Risk Register;
- With the addition of three new risks; and
- To refine and/or update the definitions used in the vulnerability, trigger or consequences of the risk(s).

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

Risk Rating	May 2008	March 2009
B2 (<i>High likelihood/Critical impact</i>)	2	2
C2 (<i>Significant likelihood/ Critical impact</i>)	10	14
D2 (<i>Low likelihood/ Critical impact</i>)	4	2
D3 (<i>Low likelihood/ Marginal impact</i>)	1	1
E2 (<i>Very low likelihood/ Critical impact</i>)	1	1
Total number of risks on Strategic Register	18	20

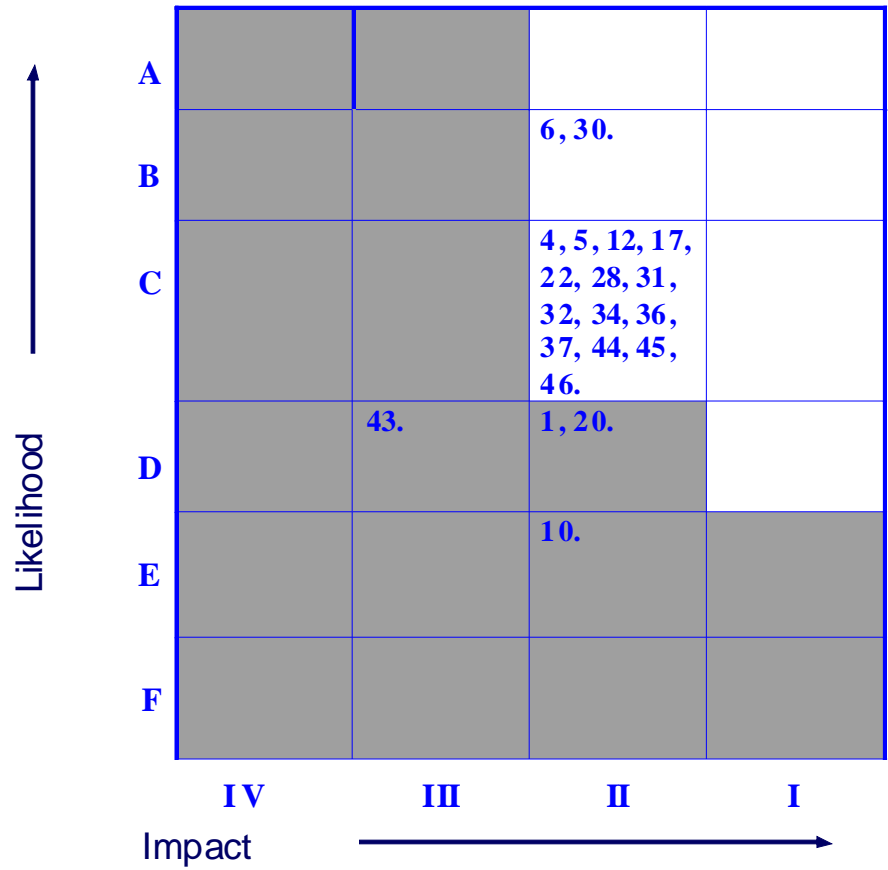
A copy of the current strategic risk register is attached at Appendix A.

Whilst a member of the Management Board is assigned responsibility for each strategic risk, the risks rated C2 are above the Risk Tolerance (see diagram at Appendix B) 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 and key review dates.

Copies of the action plans for the new and revised risks which have been assessed as being above the tolerance line are attached as Appendix C.

THE RISK PROFILE TEMPLATE

STRATEGIC RISK PROFILE
 Organisation Name: B rain tree District Council March 2009



- 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

STRATEGIC RISK REGISTER

Updated 5th March 2009

APPENDIX A

RISK NUMBER	CURRENT RISK RATING	PREVIOUS RISK RATING	ABOVE TOLERANCE?	VULNERABILITY	TRIGGER	CONSEQUENCE	STRATEGIC OBJECTIVE	MANAGEMENT OWNERSHIP
6	B2	B2	Yes	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	Projects are adversely affected due to council staff not having the relevant skills/capacity The Council's performance drops/improves	Projects not managed to time or budget/authority muddles through Projects fail to deliver objectives Organisation fails to change and benefit from project Partners are disillusioned Adverse effect on performance Adverse publicity Managers are unaware of quality and performance standards being achieved Failure to address poor performance Service quality falls Censure by audit / inspection	We deliver excellent, cost effective and valued services	Chief Executive
30	B2	B2	Yes	Braintree District is undergoing change and redevelopment e.g. major house building and housing allocation, together with proposals for the development within M11 corridor including the potential expansion of Stansted airport. Local Development Framework for district currently in progress. New town proposal for the district Other issues include the Olympics and the A120	The Council fails to influence developments affecting the district	Opportunities missed Unsatisfactory solutions are reached Adverse impact on local economy Negative impact on local environment Adverse publicity Fail to attract additional external funding Drop in skill sets Businesses move away	The environment is clean and green Business is encouraged and the local economy prospers Housing and transport meet local needs Everyone can enjoy a healthy lifestyle	Corporate Director
4	C2	C2	Yes	The Council prides itself on amount of consultation it undertakes. However, 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/CAA) Poor 'Place' survey - customer engagement, quality of life, civic pride Reputation of Council harmed	We deliver excellent, cost effective and valued services	Chief Executive
5	C2	C2	Yes	Operational transformation agenda - Looking for efficiencies with more efficient, effective and leaner business processes Alternative service provision Need for continuous improvement	Use of balances for budget purposes Efficiency targets not going to be met Programme & Efficiency project timetable	Efficiency and Economy savings not realised Services do not improve/decline Public criticism of Council Staff co-operation starts to reduce	We deliver excellent, cost effective and valued services	Corporate Director
12	C2	C2	Yes	The Council has challenging affordable housing needs. There are a declining number of 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 Growth in housing provision needs to be matched by appropriate infrastructure provision	Potential number of affordable houses not provided	District needs 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	Housing and transport meet local needs	Corporate Director
17	C2	C2	Yes	Use of Council assets - council buildings (Causeway House, depot and Cordons Farm), technology, under-utilised and therefore expensive	Greenfields CH vacating space in Causeway House, Millenium Tower and Cordons Farm Failure to identify new partners Failure to identify Council requirements	Costs of services increase Inefficient use of space Empty buildings and offices Reduction in service standards Balances fully utilised	We deliver excellent, cost effective and valued services	Corporate Director
22	C2	C2	Yes	The Civil Contingencies Act requires the Council to assess the robustness of its business continuity planning process Ensuring plans for disaster recovery, particularly 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 Explicit reference in CAA inspection Adverse publicity	We deliver excellent, cost effective and valued services	Corporate Director

STRATEGIC RISK REGISTER

Updated 5th March 2009

APPENDIX A

RISK NUMBER	CURRENT RISK RATING	PREVIOUS RISK RATING	ABOVE TOLERANCE?	VULNERABILITY	TRIGGER	CONSEQUENCE	STRATEGIC OBJECTIVE	MANAGEMENT OWNERSHIP
28	C2	C2	Yes	The Council does not continue to progress sufficiently with improvement in performance as measured by BVP's, embedding its Data Quality Policy and delivering its improvement plans	Adverse Audit Commission inspection	Adverse effect on Council reputation Value for Money not achieved Auditor adverse comment Poor Direction of Travel assessment	We deliver excellent, cost effective and valued services	Chief Executive
31	C2	C2	Yes	New agenda of change and performance management and highly dependent on partnership working New CAA process - guidance issued on 11th February 2009	The organisation is not clear about this agenda	Braintree District fails to receive reward / funding Local communities' priority issues not addressed Public perception drops further Poor rating from Audit Commission Inability to influence the agenda fully Loss of revenue through e.g. funding streams Tensions between partners Community cynicism	The environment is clean and green Business is encouraged and the local economy prospers Housing and transport meet local needs Everyone can enjoy a healthy lifestyle People take pride in their local areas We deliver excellent, cost effective and valued services	Chief Executive
32	C2	D2	Yes	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 contractors not interested in collection element	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	The environment is clean and green	Corporate Director
36	C2	C2	Yes	Community Leadership. The Council has a fundamental responsibility for the well being of the district Heightened role with local government Local committee are an important element in this Perceived change in role of front line members Creation of local committee providing focus on issues to area New ways of working, opportunities to engage with a range of players in area	Council fails to give leadership role through action	Loss of reputation Satisfaction levels poor Fewer resources Poor CPA/CAA rating Poor performance Projects not well managed Local committees not being effective Ineffective community leadership	The environment is clean and green Business is encouraged and the local economy prospers Housing and transport meet local needs Everyone can enjoy a healthy lifestyle People take pride in their local areas	Corporate Director
37	C2	C2	Yes	Workforce planning/talent management. Braintree is seeking to manage complex organisational issues and has recognised people management as a crucial issue. There are a number of issues: - limited resource capacity - Loss of key staff to other organisations - Difficulties with recruitment - Succession planning and aging staff - Business management expertise / lack of management development	Braintree does not have the right people in the right place, with the right skills, to build on its improvement for the future	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 Threat to CPA improvement	We deliver excellent, cost effective and valued services	Chief Executive
34	C2	D2	Yes	MTFS identifies significant savings required over the next three years, over and above an annual efficiency / vacancy factor to be achieved which is already included. The Service level Agreements with GCH need to be managed and strategies determined for the services following completion of initial contract period	Insufficient savings identified Council unwilling to take difficult decisions	Unplanned service cuts Balances used up Reduction in service standards Decline in Council reputation Indiscriminate cost cutting / saving exercise Ability to sustain Service Level Agreements after initial contract period	We deliver excellent, cost effective and valued services	Corporate Director
1	D2	D2	No	The Council's pension fund, managed by the county council, is currently under funded and may require even further additional contributions into the fund	Actuarial review of Pension Fund reveals the fund has under performed and/or the assumptions at the last review have been achieved.	Further contributions required Reserves unable to fund level of increase required Resources diverted from service delivery Performance indicators deteriorate Council tax has to increase Negative publicity Criticism from council tax payers Relationship with county council sours	We deliver excellent, cost effective and valued services	Corporate Director

STRATEGIC RISK REGISTER

Updated 5th March 2009

RISK NUMBER	CURRENT RISK RATING	PREVIOUS RISK RATING	ABOVE TOLERANCE?	VULNERABILITY	TRIGGER	CONSEQUENCE	STRATEGIC OBJECTIVE	MANAGEMENT OWNERSHIP
20	D2	C2	No	Capital resources required to fund capital projects are not received as expected. Need for capital investment in infrastructure and key projects	Insufficient surplus Council land and property for disposal Delay in receiving planned capital receipts New sources of capital funding not found	Projects/initiatives cannot be funded Council aims and objectives not met Assets not fit for purpose Properties closed, impacting on service delivery Unexpected use of balances Loss of interest earned for revenue account	The environment is clean and green Business is encouraged and the local economy prospers Housing and transport meet local needs Everyone can enjoy a healthy lifestyle	Corporate Director
10	E2	E2	No	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)	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 Senior officer charged with corporate manslaughter	We deliver excellent, cost effective and valued services	Chief Executive
43	D3	D2	No	Sustainability. The Council has signed up to the Nottingham declaration on climate change. This is becoming a significant issue for the Council and the Sustainable Energy Strategy is an important part of this. Introduction of a Climate Change Strategy	Council fails to deliver on its Sustainable Energy Strategy	Fail to give local community leadership Public criticism Critical CPA/CAA inspection report Reputation of council damaged	Everyone can enjoy a healthy lifestyle People take pride in their local areas	Corporate Director
38	Transfer to Operational Risk Register	D3		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	Isolated group that is segregated from main community Impact upon inspection regime	Everyone can enjoy a healthy lifestyle People take pride in their local areas	Chief Executive
44 (New)	C2		Yes	The Council invests its surplus monies with financial institutions. The impact of the current economic climate on financial institutions makes the selection of a strong counterparty, with which to invest, crucial.	Failure of a counterparty	Loss of the principal sum and/or interest due; unplanned service cuts and/or use of balances; Decline in Council reputation.	We deliver excellent, cost effective and valued services	Corporate Director
45 (New)	C2		Yes	The Council has a number of high value contracts for the provision of key services, e.g. SERCO provides the Council's IT service; DC Leisure manages the Council's sports facilities; and Zurich Municipal provides all of the Council's insurance cover.	Company providing a service to the Council ceases trading.	Temporary loss of services to public and council departments; additional cost of seeking alternative provider or bringing service back in house; depletion of balances; Indiscriminate cost cutting/saving exercise	We deliver excellent, cost effective and valued services	Corporate Director
46 (New)	C2		Yes	The Council wants to assist those in the district that are facing difficulties in the current recession. It has an established forward planning process, outlining its aims and objectives (Corporate Strategy), service provision (Business Plans) and finances (MTFS). These are based on a series of assumptions regarding, for example, service demand and usage, inflation and interest rates, etc.	The severity of the current economic climate places increased demand on services, increased costs, reduced income, etc	Reduction in service standards; Indiscriminate cost cutting/saving exercise; depletion of balances;	We deliver excellent, cost effective and valued services	Corporate Director

ACTION PLANS FOR STRATEGIC RISKS ABOVE RISK TOLERANCE LINE

APPENDIX C

Risk Number	Current Risk Score	Description
32	C2	Essex Waste Collection and Disposal Authorities are carrying out an options appraisal for the joint delivery of waste services across the County. Risks include benefits to BDC not realised, costs increase, not all authorities sign up and Waste contractors not interested in collection element.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> Discussions / negotiations with ECC and Essex Districts. Joint waste body established to work in concert with other Essex Districts. Draft service delivery plan submitted to ECC 	<ul style="list-style-type: none"> Further detailed negotiations with ECC in progress. Arrangement for legal advice established to ensure that BDC interests are safeguarded and guaranteed in the Inter Authority Agreement. Consultation process with Members arranged and decision making process fixed. Financial implications for BDC and ECC resource issues identified. Signing of IAA within next 3 to 4 months 	Corporate Director	<p>No adverse financial implications for BDC from signing IAA.</p> <p>Sufficient resourcing from ECC.</p> <p>Leader of ECC not reneging on assurance that Districts will not incur additional costs by entering into IAA.</p> <p>Sign up by other Essex Districts</p>	Six Monthly	August 2009	<ul style="list-style-type: none"> Advanced negotiations with Essex CC and other districts. Verbal assurance from ECC Lead re: nil cost of IAA to Districts

ACTION PLANS FOR STRATEGIC RISKS ABOVE RISK TOLERANCE LINE

APPENDIX C

Risk Number	Current Risk Score	Description
34	C2	MTFS identifies significant savings required over the next three years, over and above an annual efficiency / vacancy factor to be achieved which is already included in the base budget.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> Active monitoring of spend and income received against budget Regular reporting to Members and Management Board of predicted spend for year. Financial Regulations Unallocated balances maintained against unforeseen expenditure. Business Efficiency Review process with regular reports on progress to Performance and Efficiency programme Board 	<ul style="list-style-type: none"> Identify and agree process to achieve efficiencies and savings (target of £500,000), to feed into the 2010/11 budget setting process. Review and update the Council's Financial Regulations 	Corporate Director	<ul style="list-style-type: none"> Setting a balanced budget with a council tax rise of 2.5% or less for 2010/11 Achieving target set for NI 179 	Quarterly	2010/11 Budget setting process commences Sept. 2009	

ACTION PLANS FOR STRATEGIC RISKS ABOVE RISK TOLERANCE LINE

APPENDIX C

Risk Number	Current Risk Score	Description
44	C2	Failure of a financial institution in which the Council has invested monies.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> Treasury Management Strategy and Investment Policy updated annually Investment Policy kept under review during year. Treasury Consultants engaged to provide advice on types of investment and on financial institutions Investments monitored regularly by Portfolio holder for Efficiency and Resources 	<ul style="list-style-type: none"> Further review of procedures and processes as may be required following recommendations in the reports from the Audit Commission and Government Select Committee into the investments made with Icelandic Banks. Investigate other investment opportunities Review policy to use interest earned to support revenue account 	Corporate Director	Monies invested returned by chosen counterparty	Quarterly	Ongoing	<ul style="list-style-type: none"> Updated Investment Policy agreed by Council in February 2009.

ACTION PLANS FOR STRATEGIC RISKS ABOVE RISK TOLERANCE LINE

APPENDIX C

Risk Number	Current Risk Score	Description
45	C2	Company providing a major service to the Council ceases trading.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> • Good relationships established between client team and service provider • Regular monitoring of contract • General Financial Balance maintained which could meet additional costs in short term before alternative provider engaged 	<ul style="list-style-type: none"> • Establish contingency plan for services • Build up knowledge base of other potential service providers 	Corporate Director	<ul style="list-style-type: none"> • Service(s) continue to be provided with little or no disruption to service users. 	Quarterly	Ongoing	

ACTION PLANS FOR STRATEGIC RISKS ABOVE RISK TOLERANCE LINE

APPENDIX C

Risk Number	Current Risk Score	Description
46	C2	The severity of the current economic climate places increased demand on services, increased costs, reduced income, etc

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> Active monitoring of spend and income received against budget Regular reporting to Members and Management Board of predicted spend for year. Head of Community Services co-ordinating the actions provided and planned to assist those in need. Budget provision of £50,000 set aside to meet costs of new initiatives 	<ul style="list-style-type: none"> Gathering of information on the impact of the recession on the Braintree district. To help identify where assistance required. Ensure delivery of planned actions. Review and update the Council's Financial Regulations. Ensure service usage and impact on cost is reported and addressed in a timely manner in accord with the regulations. 	Corporate Director	<ul style="list-style-type: none"> 	Quarterly		<ul style="list-style-type: none"> Report on current and proposed actions presented to Cabinet in February 2009. Benefits Awareness Day held at Causeway House on 3rd March 2009.