

# **Epping Forest District Council Corporate Risk Register**

**Date:** 17 January 2011

# Contents

|  | <b>Page</b> |
|--|-------------|
| 1. Introduction .....                      | 3           |
| 2. The Process.....                        | 3           |
| 2.1 Risk identification.....               | 3           |
| 2.2 Risk analysis and prioritisation ..... | 4           |
| 2.3 Risk management and monitoring.....    | 5           |
| 3. Results .....                           | 5           |
| 3.1 Risk profile.....                      | 5           |
| 3.2 Above the line Risk clusters .....     | 6           |
| Appendix 1 – Risk Register.....            | 7           |
| Appendix 2 – Action Plans .....            | 13          |

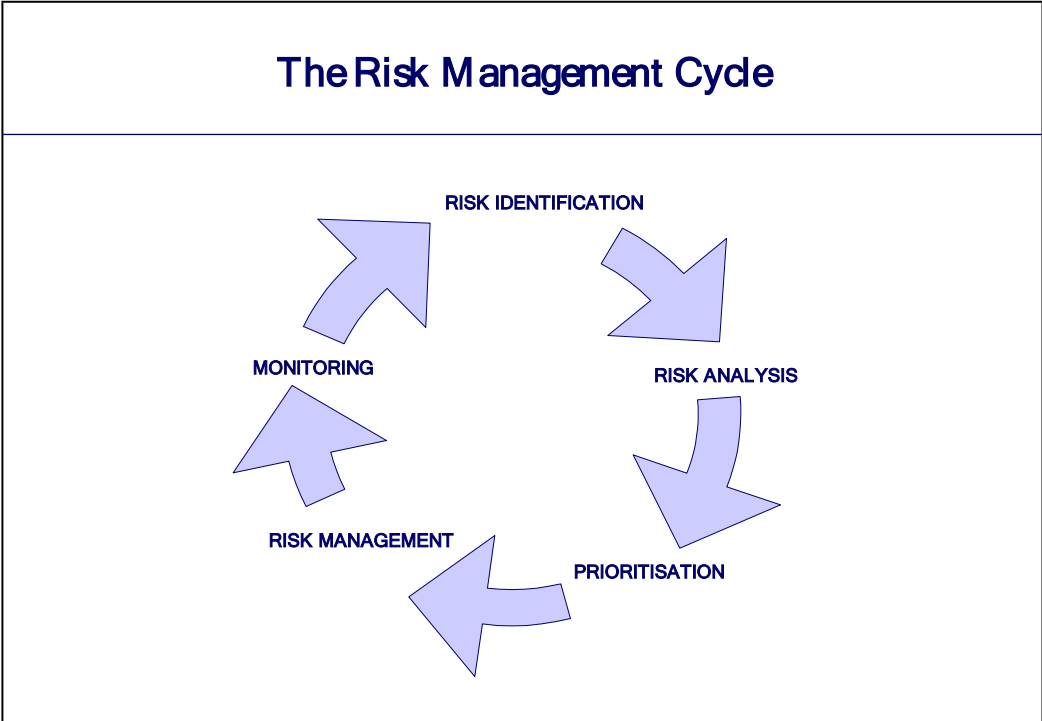
# 1. Introduction

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of minimising the costs and disruption to the organisation caused by undesired events.

The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur.

# 2. The Process

To manage risk effectively, the risk associated with each policy option or service delivery method needs to be systematically identified, analysed, prioritised, controlled and monitored. This process is referred to as the risk management cycle, which can be seen below.



## **2.1 Risk identification**

The first of five stages of the risk management cycle requires risk identification. This is achieved through standing items on Corporate Governance Group and Management Board and from discussions at the Risk Management Group, which is held quarterly. Risk is covered under 13 categories of risk as shown below.

## **2.2 Risk analysis and prioritisation**

Once the risks are identified, these are then assessed for impact and likelihood and plotted onto a matrix. The impact, compared against the objectives of the Authority, (Council Policy Themes and Aims), was measured as being negligible, marginal, critical or catastrophic. The likelihood, of the risks occurring over the next three years, was measured as being almost impossible, very low, low, significant, high or very high.

A group of Members and Senior Officers originally set the risk tolerance line, which involved considering each of the squares on the matrix and deciding if they were prepared to tolerate a risk in that box or if they wanted to actively manage it. This theoretical tolerance line effectively splits the risks on the matrix, with those risks above the line requiring further scrutiny and those below the line not requiring high-level intervention at this time. The Finance and Performance Management Cabinet Committee now review this quarterly.

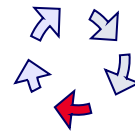
## 2.3 Risk management and monitoring

The next stage is to complete management action plans. 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.

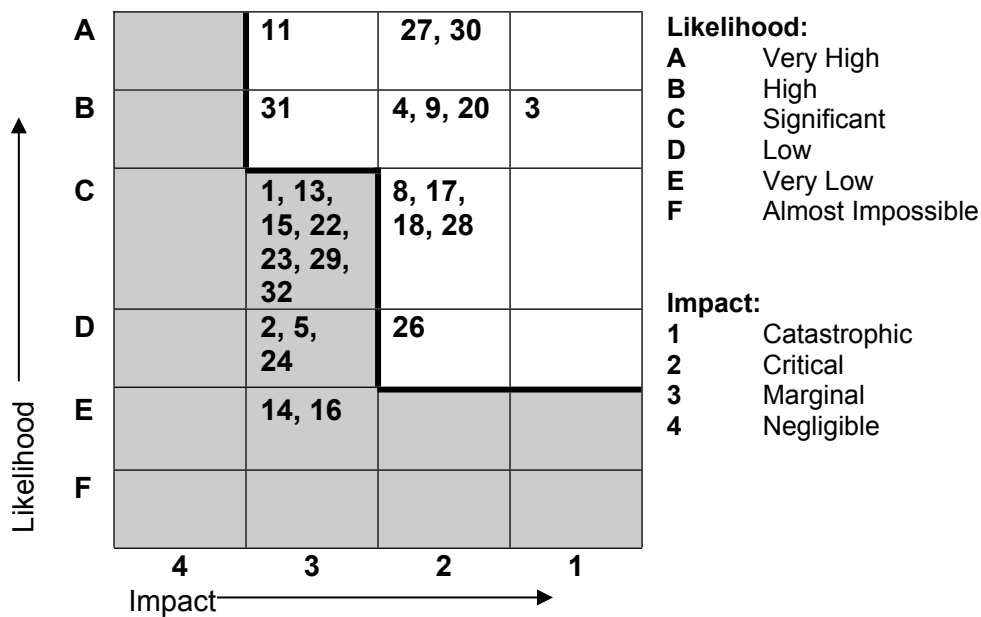
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

# 3. Results

## 3.1 Risk profile



The risk profile and priority are given below.



Appendix 1 shows all the risks that were rated on the profile.

### 3.2 Above the line Risk clusters

The 13 above the line risks have been grouped into 7 clusters that will help to streamline the action planning process. These are shown below:

| Cluster name  | Risk Scenarios | Executive Priority/<br>Council Plan Objective |
|---|----------------|---|
| East of England Plan                                    | 3, 4           | Exp iv & vi, Green & Unique 1                 |
| Business Continuity Planning                            | 8, 9, 28, 31   | Exp i & x, Improving Performance 3, 4 & 5     |
| Key Contracts   | 20             | Exp ii & xi, Green & Unique 2, Fit for Life 1 |
| Shortfall in Income Streams                             | 26, 27, 30     | Exp i, ii & ix, Economic Prosperity 1         |
| Local housing needs                                     | 11             | Exp iv, Homes & Neighbourhoods 1              |
| Capital receipts spent on non revenue generating assets | 17             | Exp i & ii, Economic Prosperity 1             |
| Loss or theft of data                                   | 18             | Improving Performance 4                       |

The action plans can be seen at Appendix 2

#### Relevant Executive Priorities (Exp) 2010/11

- (i) To maintain the Council's sound financial position;
- (ii) To seek continuous performance improvement and the best use of resources;
- (iv) To enable the provision of additional affordable housing;
- (vi) To deliver a sound core strategy of the Local Development Framework;
- (ix) To achieve the level of savings identified within the Council's MTFs;
- (x) To continue the improvement in the benefit received from ICT investment; and
- (xi) To continue to increase the Council's recycling performance.

#### Council Plan Objectives

The Council Plan objectives referred to above are contained in the Action Plan of the Council Plan 2006-2010, which can be found on pages 74 to 87 of that document.

## Appendix 1 – Risk Register

Risks marked “\*” are above tolerance and require managing

| No | Rating |   | Short name  | Vulnerability   | Trigger   | Consequence  |
|----|--------|---|---|---|---|--|
| 3  | B1     | * | East of England Plan – housing built without infrastructure | <p>The East of England plan will mean a significantly increased level of housing in the district.</p> <p>The increased number of houses will require an accompanying level of infrastructure improvements (transport, schools, hospitals)</p>   | Houses built without accompanying improvements in infrastructure                  | <ul style="list-style-type: none"> <li>• Demands on services increase</li> <li>• Infrastructure is put under pressure</li> <li>• Transport system under pressure</li> <li>• Area becomes less attractive to employers</li> <li>• Area becomes less attractive place to live</li> </ul> |
| 27 | A2     | * | Shortfall in key income streams                             | <p>Recession and credit crunch causing long term lower interest rates.</p> <p>Depressed housing market continues with low demand for Building Control and Land Charges services.</p> <p>Collapse of major income generating contract.</p>   | <p>Reduced economic confidence.</p> <p>Prolonged recession</p>                    | <ul style="list-style-type: none"> <li>• Council unable to meet budget requirements</li> <li>• Use of reserves</li> <li>• Staffing and service level reductions</li> </ul>   |
| 30 | A2     | * | Reduction in Government Grant                               | <p>More than half (54%) of the Council's General Fund net spend is financed by either Revenue Support Grant or re-distributed NNDR.</p> <p>The countries public finances are in a poor state and beyond the current Comprehensive Spending Review (CSR) there may be substantial cuts in funding for local authorities.</p> | Next CSR 2011/12 to 2013/14 reduces central funding support to local authorities. | <ul style="list-style-type: none"> <li>• Loss of revenue</li> <li>• Increase Council Tax</li> <li>• Reduction in number and level of services</li> <li>• Increase in charges</li> </ul>  |

| No | Rating |   | Short name  | Vulnerability  | Trigger  | Consequence   |
|----|--------|---|---|--|--|---|
| 4  | B2     | * | East of England Plan – unable to agree joined up plan | The East of England plan means a major amount of growth is planned for the district, both in terms of housing and infrastructure. This is part of a national Government agenda<br><br>This is seen by some as an opportunity to develop a significant area of the district | Council unable to agree a co-ordinated plan with all other involved parties                                  | <ul style="list-style-type: none"> <li>• Solution (URC) forced on Council</li> <li>• Council not properly recompensed for Council land</li> <li>• Increased amount of development / houses</li> <li>• Unable to maximise opportunity to develop areas of district</li> <li>• Possible boundary changes</li> </ul> |
| 9  | B2     | * | Depot Accommodation                                   | That the Council is unable to provide appropriate and safe accommodation for all contracted depot users. That, due to the lack of an overall Depot Manager, an issue falls between the various service managers and is not adequately addressed.                           | Depot sites disposed of prior to replacement facilities being available. Accident or conflict between users. | <ul style="list-style-type: none"> <li>• Adverse impact on service delivery</li> <li>• Increased costs and legal implications</li> <li>• Council criticised</li> <li>• HSE investigation/prosecution</li> </ul>   |
| 20 | B2     | * | Key contract collapses or service levels deteriorate  | Contractors are providing some key council services. There have been changes in terms of service delivery and there are concerns around the ability of contractors to meet service changes and deliver the required level of performance.                                  | Contractor collapses / is unable to provide service or Service level deteriorates                            | <ul style="list-style-type: none"> <li>• Service fails / adversely affected</li> <li>• Alternative arrangements need to be made</li> <li>• Increased costs and legal implications</li> <li>• Health risks</li> <li>• Dissatisfied customers</li> <li>• Censure by audit/inspection</li> </ul>                     |
| 11 | A3     | * | Unable to provide sufficient housing for local people | The Council has targets in terms of key housing needs and affordable housing, however, there is a shortage of available land in the district for housing and economic development, with high house prices.   | Unable to provide sufficient housing for local people  | <ul style="list-style-type: none"> <li>• Unable to achieve targets for affordable housing</li> <li>• Council seen as failing</li> <li>• District becomes more suburban</li> <li>• Young people leave area/Increased elderly population</li> <li>• Character of district changes</li> </ul>                        |
| 31 | B3     | * | London 2012, Olympic disruption                       | The transport infrastructure in the district will be under severe pressure during the Olympics.  | Congestion or incident obstructs road or tube travel.  | <ul style="list-style-type: none"> <li>• Staff unable to get to work or around district</li> <li>• Disruption to contractors – eg waste service</li> <li>• Reputation damaged</li> </ul>  |



| No | Rating |   | Short name  | Vulnerability  | Trigger   | Consequence   |
|----|--------|---|---|--|---|---|
| 8  | C2     | * | Business Continuity Management  | The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act   | Unable to respond effectively to a business continuity incident (e.g. IT virus / flu pandemic)                | <ul style="list-style-type: none"> <li>• Services disrupted / Loss of service</li> <li>• Possible loss of income</li> <li>• Staff absence</li> <li>• Hardship for some of the community</li> <li>• Council criticised for not responding effectively</li> </ul>         |
| 17 | C2     | * | Significant amount of capital receipts spent on non revenue generating assets | The authority is currently debt free, with the budget benefitting from capital receipts gained from sale of assets and interest income from investment. The highest priority in the 5-year capital programme is now "Meeting Housing Need", which will not generate revenue. | Authority spends a significant amount of capital receipts on non revenue generating assets e.g. housing grant | <ul style="list-style-type: none"> <li>• Loss of interest</li> <li>• Loss of cover for contingencies</li> <li>• Financial strategy becomes untenable in the long term</li> <li>• Service reductions required</li> <li>• Large Council Tax increases required</li> </ul> |
| 18 | C2     | * | Loss or theft of data   | The Authority handles a large amount of data. Either through hacking or carelessness security of the data could be compromised.  | Data held by the Council ends up in inappropriate hands.  | <ul style="list-style-type: none"> <li>• Breach of corporate governance</li> <li>• Increased costs and legal implications</li> <li>• Reputation damaged</li> </ul>  |
| 28 | C2     | * | Workforce Development Planning  | The age profile of the Council's workforce is increasing and a number of senior staff are likely to retire at a similar time. Any concentrated loss of experience could cause disruption to service management.  | Loss of a number of senior staff with no immediate replacement.   | <ul style="list-style-type: none"> <li>• Services disrupted / Loss of service</li> <li>• Key performance indicators effected</li> <li>• Censure by audit/inspection</li> </ul>  |
| 26 | D2     | * | Investments   | The Council lends money to a large number of financial institutions. In the current economic climate it appears that the long-term future of very few institutions can be guaranteed.  | Financial institution fails whilst holding Council funds.   | <ul style="list-style-type: none"> <li>• Loss of investment</li> <li>• Loss of revenue</li> <li>• Reduction in services</li> <li>• Increase in charges</li> <li>• Reputation damaged</li> </ul>   |
| 1  | C3     |   | Recruitment in key areas  | The authority is currently carrying vacancies and finding it difficult to recruit in several professional areas, eg. building control, environmental health and to junior management roles.  | Key posts remain unfilled/take unacceptable lengths of time to fill   | <ul style="list-style-type: none"> <li>• Pressures on existing staff</li> <li>• Difficulties in succession planning</li> <li>• Reliance on agency staff / consultants</li> <li>• Adverse impact on service delivery</li> </ul>  |

| No | Rating | Short name  | Vulnerability   | Trigger   | Consequence  |
|----|--------|---|---|---|--|
| 13 | C3     | Key objectives not delivered due to capacity issues | <p>The Council is facing a challenging agenda with a number of initiatives and projects.</p> <p>There is a concern the corporate core, in particular, is light in terms of staffing, resource and capacity. And while the Council has the financial resources to deliver on key priorities, it may not have sufficient HR capacity</p> <p>There are concerns around overload and a recognised need to set achievable agendas.</p> | Council fails to deliver key objectives on time | <ul style="list-style-type: none"> <li>• Slippage on key projects / initiatives</li> <li>• Deadlines and targets not met</li> <li>• Lack of focus</li> <li>• Workloads increase</li> <li>• Staff demotivated</li> </ul>  |
| 15 | C3     | Sickness absence                                    | Levels of sickness absence are now consistently reported and managed across the authority. Absence in 2009/10 was lower than 2008/09.   | Sickness absence not effectively managed        | <ul style="list-style-type: none"> <li>• Staff absence impacts on ability to deliver</li> <li>• Increased costs of using agency staff</li> <li>• Efficiency savings affected</li> <li>• Impact on staff morale</li> <li>• Possible litigation / claims</li> </ul>                    |
| 22 | C3     | Key partnership fails                               | The Council is involved in a plethora of multi agency partnerships e.g. LSP, but these don't always have clear governance arrangements with related documentation thin on the ground.   | Key partnership fails                           | <ul style="list-style-type: none"> <li>• Relationships with other bodies deteriorate</li> <li>• Clawback of grants</li> <li>• Unforeseen accountabilities and liabilities for the Council</li> <li>• Censure by audit/inspection</li> <li>• Adverse impact on performance</li> </ul> |
| 23 | C3     | Fraud   | A weakness in internal controls or the application of internal controls or criminal collusion such that fraud is either not prevented or not detected.  | Significant fraud occurs                        | <ul style="list-style-type: none"> <li>• Loss of resources</li> <li>• Damage to Council's reputation</li> <li>• Effect on staff morale</li> <li>• Harm Use of Resources/CPA scores</li> </ul>  |

| No | Rating | Short name                                  | Vulnerability  | Trigger   | Consequence   |
|----|--------|---|--|---|---|
| 29 | C3     | Gypsy and Traveller Provision               | <p>a) This is a very sensitive issue and one that involves a number of stakeholders. Whatever ultimate outcomes are captured in the Development Plan Document, it is unlikely that all stakeholders will be satisfied.</p> <p>b) The area attracts gypsies and travellers and an accusation may arise that the Council has not provided adequate/sufficient pitches.</p> | <p>Unhappy stakeholder issues possible legal challenge to Development Plan Document.</p> <p>More gypsies and travellers than can be accommodated on official sites attempt to stay in the district.</p> | <ul style="list-style-type: none"> <li>• Possible direct government intervention, with loss of local democratic control and control over costs.</li> <li>• Resource intensive legal process</li> <li>• Key performance indicators effected</li> <li>• Reputation damaged</li> <li>• Unofficial sites are established</li> <li>• Complaints from public/landowners</li> <li>• Possible enforcement action</li> <li>• Enforcement action made more difficult</li> </ul> |
| 32 | C3     | Loss of On-Street Civil Parking Enforcement | Withdrawal of the service by Essex County Council (ECC) from the District Responsibility.  | Notification by ECC that the service is no longer required to be run by the district.   | <ul style="list-style-type: none"> <li>• Loss of service therefore resource no longer needed (TUPI and residual cost issues)</li> <li>• Redundancy (if complete post can not be transferred)</li> <li>• Small amounts of spare capacity in several posts</li> <li>• Central overhead costs to be adjusted elsewhere e.g. corporate support services, HR.</li> </ul>   |
| 2  | D3     | Inconsistent approach to procurement        | <p>a) full conformity with best practice and Contract Standing Orders is still to be achieved.</p> <p>b) failure to comply with EU procurement regulations</p>   | <p>a) Procurement exercise breaches contract standing orders</p> <p>b) Challenge by unsuccessful bidders</p>  | <ul style="list-style-type: none"> <li>• Efficiency savings not made or contracts fail</li> <li>• Procured service poor/not value for money</li> <li>• Any EU failures will involve legal costs, fines and compensation</li> <li>• Negative impact on service delivery where procurement exercise has to be re-done.</li> </ul>   |

| No | Rating | Short name  | Vulnerability  | Trigger   | Consequence   |
|----|--------|---|--|---|---|
| 5  | D3     | Local Government Reorganisation which is detrimental to the Council and Community | <p>Even though there are no current proposals to change boundaries in Essex, there remains a concern that this might change.</p> <p>EFDC is currently debt-free and any re-organisation may involve neighbouring authorities that are not as financially secure.</p>   | Reorganisation which is detrimental to the Council and Community                                | <ul style="list-style-type: none"> <li>• Outflow of resources from district</li> <li>• Change of focus to wider focus</li> <li>• Existing priorities stopped</li> <li>• Projects stopped / delayed</li> <li>• Change in direction</li> </ul>  |
| 24 | D3     | Cash balances   | Retention of large reserves and balances fails to provide best value and restricts the development of key services.  | Key service deteriorates due to lack of resources.  | <ul style="list-style-type: none"> <li>• Service delivery adversely affected</li> <li>• Criticism from inspection / audit</li> <li>• Slippage on key projects</li> <li>• Dissatisfied customers</li> </ul>  |
| 14 | E3     | Key initiatives resisted / delayed by culture of authority                        | <p>There is a view that the authority needs to significantly change means of service delivery to meet the ever-changing demands of the wider community, and the requirements of the t-gov agenda.</p> <p>Implementing this will require a significant culture change across the authority, and strong consistent leadership from senior levels of the Authority.</p> | Key initiatives e.g. shared services resisted / delayed by current culture within the authority | <ul style="list-style-type: none"> <li>• Initiatives / plans not achieved</li> <li>• Failure to make savings, reduce duplications and make continuous improvements</li> <li>• Adverse effect on performance</li> <li>• Censure by audit/inspection</li> <li>• Image of council damaged</li> </ul> |
| 16 | E3     | Performance management  | <p>A performance management framework and systems are in place but are not yet fully embedded within the authority, with no real culture of performance.</p> <p>Performance information is seen as a means rather than an end.</p>   | Performance management not applied consistently across the Council                              | <ul style="list-style-type: none"> <li>• Performance management treated as a compliance exercise</li> <li>• Improvement does not occur</li> <li>• Service delivery adversely affected</li> <li>• Criticism from inspection / audit</li> <li>• Image of Council damaged</li> </ul>                 |



| <b>Risk No.</b> | <b>Existing controls/actions to address risk</b>   | <b>Effectiveness of controls/actions</b>   | <b>Required further management action</b>   | <b>Responsibility for action</b>   | <b>Critical success factors and measures</b>  | <b>Review frequency</b> | <b>Key date</b> |
|-----------------|--|--|---|--|---|-------------------------|-----------------|
| 3, 4            | Informal joint working to pursue funding for infrastructure; and appropriate planning with stakeholders. | Will only become apparent when applications are received and development commences.                                    | Decisions and actions to commence formal inter-authority working; plus progress with policy on Community Infrastructure Levy. | Leader<br><br>Director of Planning & Economic Development                      | The Council retains control of the delivery arrangements and the provision of improved infrastructure.  | Quarterly               | None            |
| 27              | Monitoring of both investment returns and income   | Effective to date, as revised estimates reflect reduction  | Continue to monitor and seek to diversify income streams through the use of capital in the medium term.                       | Cabinet<br><br>All Directors   | Avoid need to make severe budget cuts   | Quarterly               | None            |
| 30              | The Medium Term Financial Strategy is updated each year to identify any need for savings.                | To date savings targets have been achieved. However, the level of savings required is likely to increase dramatically. | As part of the 2010/11 budget process identify areas for review to achieve savings.   | Leader of Council<br><br>Chief Executive                                       | Savings targets achieved with expenditure reductions over the medium term as part of a structured plan. | Quarterly               | 31/03/11        |
| 9               | Asset Management Group is exploring alternative options for depot/service accommodation.                 | Will not be fully effective until pressure on Langston Road depot reduced.   | Develop alternative depot accommodation and relocate current users.   | Legal & Estates Portfolio Holder<br><br>Director of Corporate Support Services | Reduction in number of users/services at Langston Road.<br>Avoidance of accidents/conflicts.            | Quarterly               | None            |

| <b>Risk No.</b> | <b>Existing controls/actions to address risk</b>  | <b>Effectiveness of controls/actions</b>  | <b>Required further management action</b>   | <b>Responsibility for action</b>  | <b>Critical success factors and measures</b>  | <b>Review frequency</b>    | <b>Key date</b>  |
|-----------------|---|---|---|---|---|----------------------------|------------------|
| 20              | Systems for contract monitoring in place. Contingency plans exist to deal with contract failure.  | Contract monitoring established. Business continuity planning has proved effective in waste management.                 | Negotiations with both contractors are underway to extend the leisure management contract and develop the green waste service respectively. | Leisure & Wellbeing People Portfolio Holder<br>Environment Portfolio Holder<br>Director of Environment and Street Scene | Reaching agreement on future leisure management.<br><br>Developing the new method of providing the green waste service. | Quarterly<br><br>Quarterly | None<br><br>None |
| 11              | Requirement for 40% affordable housing on all large sites. Developments on green belt can result in more affordable housing. Council considers annual provision of grant to housing associations. | Meeting all housing need will not be addressed by existing control, but will help. Grant from the Council also assists. | Early identification of new sites required by the East of England Plan, which will provide associated affordable housing.                   | Housing Portfolio Holder<br>Director of Housing   | Whether housing need is significantly reduced.  | Quarterly                  | 31/03/11         |
| 31              | Liaison with Police, ECC, ODA through emergency planning team.  | Not possible to assess yet.   | Further liaison to raise awareness and ensure co-ordinated planning.  | Leader of Council<br>Deputy Chief Executive   | No significant disruption to Council services during the Olympics.  | Quarterly                  | 30/06/12         |

| <b>Risk No.</b> | <b>Existing controls/actions to address risk</b>   | <b>Effectiveness of controls/actions</b>  | <b>Required further management action</b>   | <b>Responsibility for action</b>                                       | <b>Critical success factors and measures</b>  | <b>Review frequency</b> | <b>Key date</b> |
|-----------------|--|---|---|--|---|-------------------------|-----------------|
| 8               | Most services already have business continuity plans in place and a separate flu pandemic plan is currently being developed.   | A Corporate Plan is now in place and arrangements for mass vaccination have been developed with the PCT.                        | Both corporate and service business continuity plans are being updated. Cabinet has approved measures to enhance the resilience of the power supply.                  | Performance Management Portfolio Holder<br><br>Deputy Chief Executive  | Having plans in place which are proved fit for purpose either by events or external scrutiny. | Quarterly               | None            |
| 17              | Five year capital programme prepared which includes surplus resources. Surplus assets continue to be identified and disposed of.   | Effective to date as even with £54M capital programme over 5 years nearly £10M of usable receipts anticipated at end of period. | Continue to highlight consequences of all new capital schemes. Disposal of surplus assets suspended until market conditions improve.                                  | Finance & Economic Development Portfolio Holder<br><br>Chief Executive | Maintenance of adequate capital and revenue balances.   | Quarterly               | 31/03/11        |
| 18              | Security Officer is continually monitoring EFDC situation and potential risks. Most systems have in built controls to prevent unauthorised access.<br><br>Recent breach arose from a staff error and controls in that system have been strengthened to prevent a repeat. | Generally effective to date. Recent staff error showed the need to strengthen controls over agenda publication.                 | Controls in the agenda publication system have been strengthened and staff have been reminded of the additional care needed when dealing with confidential documents. | Legal & Estates Portfolio Holder<br><br>Director of Finance & ICT      | No data loss or system downtime due to unauthorised access of EFDC systems or data.           | Quarterly               | None            |



| <b>Risk No.</b> | <b>Existing controls/actions to address risk</b>  | <b>Effectiveness of controls/actions</b>  | <b>Required further management action</b>  | <b>Responsibility for action</b>   | <b>Critical success factors and measures</b>                      | <b>Review frequency</b> | <b>Key date</b> |
|-----------------|---|---|--|--|---|-------------------------|-----------------|
| 28              | A Council wide initiative on Workforce Development Planning is now being pursued.   | Staff capable of promotion on a temporary or permanent basis can generally be identified. | All Directorates need to analyse future skills gaps and plan to develop staff accordingly.   | Cabinet<br><br>All Directors   | No disruption to service provision caused by retirements.         | Quarterly               | None            |
| 26              | Lending is controlled in accordance with the Treasury Management Strategy, which is structured on levels of credit ratings. | To date there has been one failure where the Council is at risk of some loss.             | Ensure all credit rating updates are promptly reflected in the counter party list and in considering alternative investments give highest weighting to security. | Finance & Economic Development Portfolio Holder<br><br>Director of Finance & ICT | No further counter party failures that put Council funds at risk. | Quarterly               | None            |