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Strategic Risk Management

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Contents

1. Introduction

On the 28th February 2006 a strategic risk management prioritisation workshop was conducted with elected members and senior officers at Epping Forest District Council. This workshop built on and brought together key risks identified by members and officers and enabled a shared understanding of the key risks to be achieved. The following report outlines the process utilised by Zurich Municipal Risk Management and the results achieved.

This is a private and confidential document prepared exclusively for Epping Forest District Council by Zurich Municipal Risk Management. It has been distributed to Bob Palmer, Head of Finance & S151 Officer, and a copy has been retained by Zurich Municipal Risk Management.

2. The Process

The STORM© risk management cycle

RISK IDENTIFICATION

RISK ANALYSIS

PRIORITISATION

RISK MANAGEMENT

MONITORING
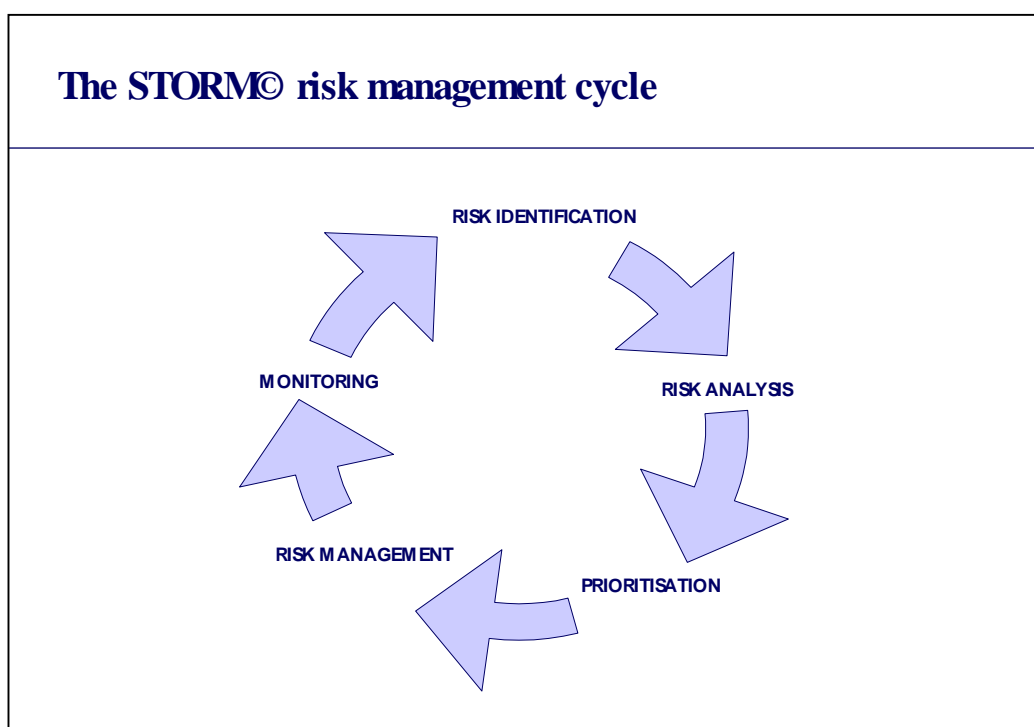
2.1 Risk identification

The first of five stages of the risk management cycle requires risk identification. This was achieved through a number of interviews with senior managers, completed in April 2005, and an identification workshop with leading members on 1st February 2006.

Both the interviews and workshop discussion covered 13 categories of risk as shown below.
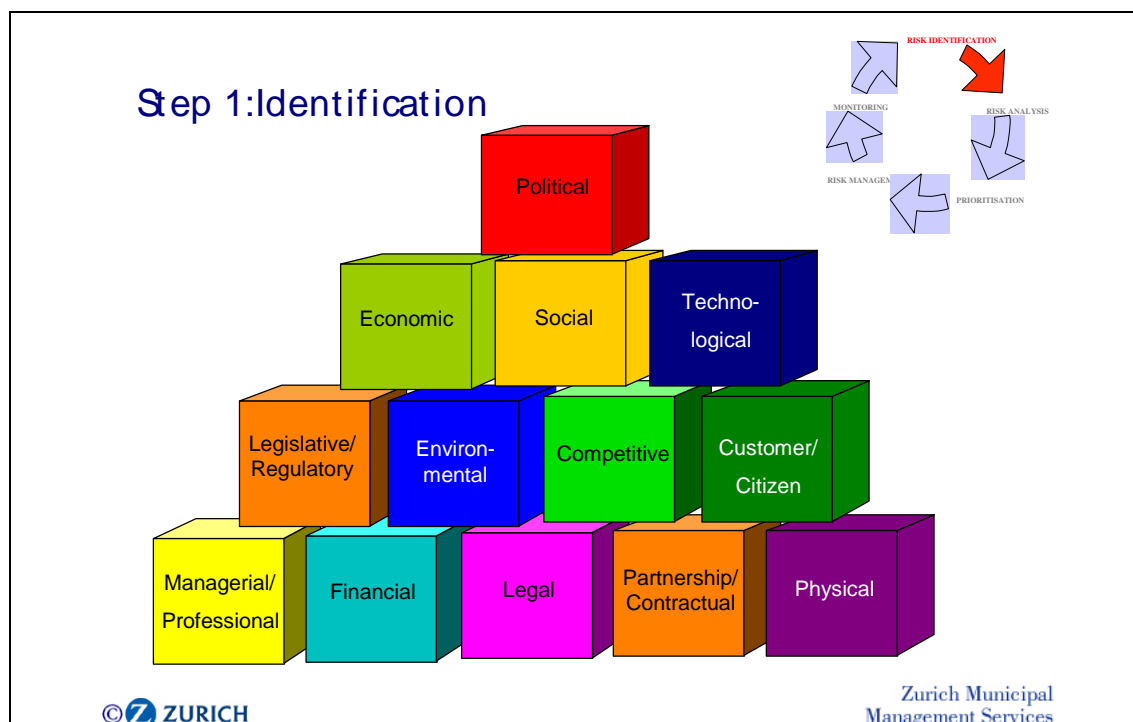
2.2 Risk analysis and prioritisation

The output from these identification exercises was combined together into a number of risk scenarios, which reflected both officer and member perspective. In all 23 risks were identified and written in the risk scenario format. These were presented in a joint member / officer prioritisation workshop on 28th February 2006.

The risks were 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.

The group also set a risk tolerance line, which involved considering each of the squares on the matrix and decide if they were prepared to live with 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.
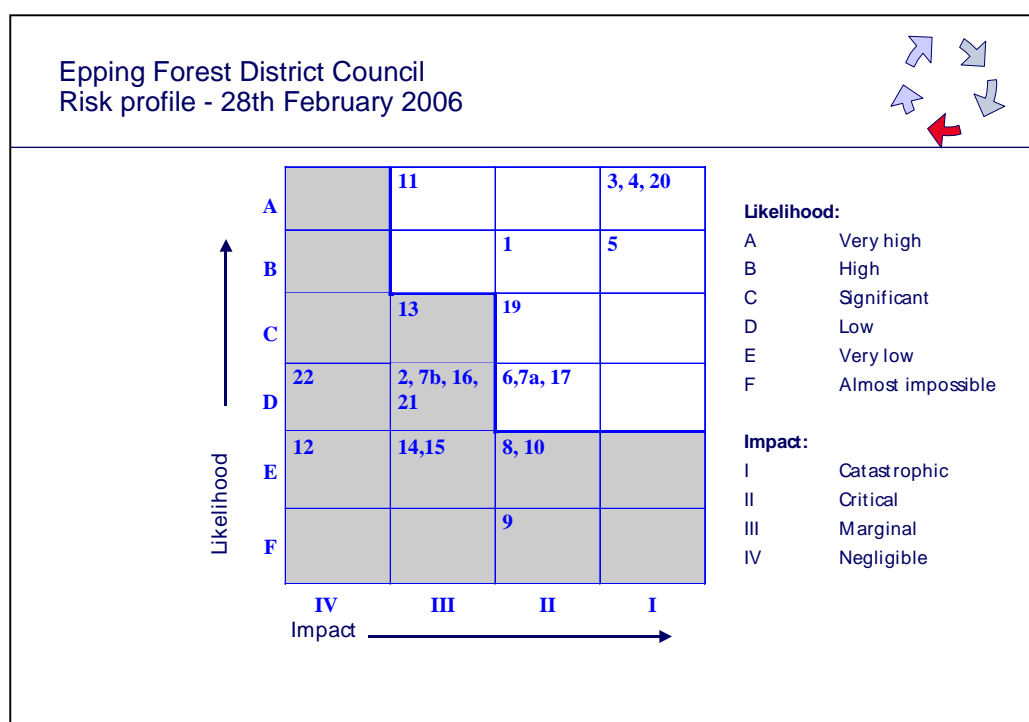
2.3 Risk management and monitoring

The group was introduced to management action plans (MAPs) 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.

3. Results

The risk profile and priority risks are given below.

3.1   Risk profile

During the prioritisation workshop, 23 risks were prioritised and the attendees rated 10 of these above their acceptable tolerance level (in the red area) and 13 below the tolerance line (in green area). The results are shown on the following risk profile:

Epping Forest District Council
Risk profile - 28th February 2006

	IV	III	II	I	
A		11		3, 4, 20	
B			1	5	
C		13	19		
D	22	2, 7b, 16, 21	6,7a, 17		
E	12	14,15	8, 10		
F			9		

Likelihood (vertical axis)
Impact (horizontal axis)

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

3.2   Above the line Risk clusters

The 10 above the line risks have been grouped during the workshop into 8 clusters that will help to streamline the action planning process. These are shown below:

Cluster name	Risk scenarios
East of England Plan	3,4
Key Contracts	20
Local Government Reorganisation	5
Recruitment in key areas	1
Local housing needs	11
Planning Service	19
Political balance / decision making	6,7a
Capital receipts spent on non revenue generating assets	17

It is important that an action plan is written for each of the clusters shown, as it is this that will allow the risks to be monitored and successfully managed down. An example action plan is shown in Appendix 3.

4. Conclusion

The positive approach taken to this exercise was very encouraging, especially with the level of member involvement in the process and with the significant degree of commonality and similarity between members and officers in terms of identifying risks accompanied by a very open and honest prioritising workshop.

There is a need now to ensure that the other senior officers who were not present at the prioritisation session are engaged and buy into the prioritised risks, particularly those of higher priority. This is particularly important, as the workshop has identified that some additional activity is required to further manage the key risks. Therefore it is recommended that the members of the management team look at the risk clusters and complete the action planning process as soon as possible in order to manage these key risks. It is also important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met.

In addition each risk cluster should be owned by one member of the Management Team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

We would recommend that the ownership and ongoing management of the risks resides at senior management level, there is however a key role here for leading members, particularly the responsible portfolio holders to ensure this management is taking place. Furthermore, the Management Team needs to continue to review these risks, as part of the planning process, in order to assess if they are still relevant and to identify new issues.

This exercise is a further positive step towards the Council having effective risk management in place and embedded. This is particularly reflected by the significant level of both senior management and leading member involvement, as top-level buy-in and ownership is fundamental to the success or otherwise of risk management. This very much complements and reinforces the very positive work being undertaken at all levels of the Council, which is 'ahead of the game' in many aspects.

Appendix 1– Attendees

Interviewees

The following is a list of those who were interviewed on 18th April 2005

- John Scott - Joint Chief Executive
- Peter Haywood - Joint Chief Executive
- Bob Palmer - Head of Finance & S151 Officer
- Colleen O'Boyle - Head of Legal & Monitoring Officer
- Ian Willett - Head of Democratic Services & Deputy Monitoring Officer

Attendees

The following is a list of those who attended the member identification workshop on 1st February 2006

- Cllr Derek Jacobs
- Cllr Michael Heavens
- Cllr John Whitehouse
- Cllr Stephen Metcalfe
- Cllr Chris Whitbread
- Cllr Robert Glozier
- Cllr Caroline Pond
- Cllr Di Collins

Attendees

The following is a list of those who attended the joint member / officer prioritisation workshop on 28th February 2006

- John Scott - Joint Chief Executive
- Bob Palmer - Head of Finance & S151 Officer
- Cllr Michael Heavens
- Cllr John Whitehouse
- Cllr John Knapman
- Cllr Robert Glozier
- Cllr Caroline Pond
- Cllr Di Collins
- Cllr Chris Whitbread

Appendix 2 – Risk Register

Risks marked " * " are above tolerance and require managing

No	Rating		Short name	Vulnerability	Trigger	Consequence
3	A1	*	East of England Plan – housing built without infrastructure	The East of England plan will mean a significantly increased level of housing in the district. The increased number of houses will require an accompanying level of infrastructure improvements (transport, schools, hospitals)	Houses built without accompanying improvements in infrastructure	• Demands on services increase • Infrastructure is put under pressure • Transport system under pressure • Area becomes less attractive to employers • Area becomes less attractive place to live • Residents complain
4	A1	*	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 This is seen by some as an opportunity to develop a significant area of the district	Council unable to agree a joined up plan for this	• Council / community fallout • Solution (URC) forced on Council • Loss of control and influence • Council not properly recompensed for Council land • Increased amount of development / houses • Increased demands for infrastructure / utilities / Council services • Unable to maximise opportunity to develop areas of district • Character of district changed • Possible boundary changes • Adverse Media • Council credibility damaged
No	Rating		Short name	Vulnerability	Trigger	Consequence
20	A1	*	Key contract collapses or	Some key council services are being provided by contractors. In some areas,	Contractor collapses / is unable to provide	• Service fails / adversely affected • Service stopped / paused

No	Rating		Short name	Vulnerability	Trigger	Consequence
			service levels deteriorate	there have been changes in terms of service delivery and there are concerns around the ability of the contractor to meet service changes and deliver the required level of performance.	service or Service level deteriorates	• Public expectations of service need to be met • Alternative arrangements need to be made • Targets not achieved • Increased costs • Legal implications • Health risks • Dissatisfied customers • Censure by audit/inspection • Adverse publicity • Reputation damaged
5	B1	*	Local Government Reorganisation which is detrimental to the Council and Community	There is a white paper on possible Local Government Reorganisation due mid 2006 EFDC is currently debt-free and there are concerns that any re-organisation may involve neighbouring authorities who are not as financially secure	Reorganisation which is detrimental to the Council and Community	• Outflow of resources from district • Change of focus to wider focus • Capital assets used outside of area • Existing priorities stopped • Projects stopped / delayed • Change in direction • Wasted resources • Staff uncertainty
1	B2	*	Recruitment in key areas	The authority is currently carrying vacancies and finding it difficult to recruit in several professional areas, esp. building control, solicitors, environmental health and to junior management roles	Key posts remain unfilled/take unacceptable lengths of time to fill	• Pressures on existing staff • Difficulties in succession planning • Pressure to offer more lucrative packages • Gaps appear in structures • Reliance on agency staff / consultants • Adverse impact on service delivery • Complaints
No	Rating		Short name	Vulnerability	Trigger	Consequence
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	• Unable to achieve targets for affordable housing • Underachievement in CPA • Council seen as failing • District becomes more suburban • Young people leave area

No	Rating		Short name	Vulnerability	Trigger	Consequence
				A report has recently been submitted to scrutiny panel around green belt areas and developers requirements in terms of affordable housing		• Increased elderly population • Character of district changes
19	C2	*	Planning service does not improve	Planning is currently a poorly performing area with a low CPA score and bottom quartile performance. The Council does not have a good reputation across the district in terms of planning	Planning service does not improve	• Planning delivery grant lost • Lack of member confidence • Public perceptions remain • Unable to justify underperformance • CPA score affected • Reputation damaged
17	D2	*	Significant amount of capital receipts spent on non revenue generating assets	The authority is currently debt free, however much of the budget is reliant on capital receipts gained from sale of assets and interest income from investment. There is a 5 year capital programme planned, with a noted decline in the sale of council assets, particularly housing stock	Authority spends a significant amount of capital receipts on non revenue generating assets e.g. housing grant	• Loss of interest • Loss of cover for contingencies • Financial strategy becomes untenable in the long term • Service reductions required • Large Council Tax increases required • Public expectations not met • Reputation as a prudent council suffers
No	Rating		Short name	Vulnerability	Trigger	Consequence
6	D2	*	Political balance of authority affecting decision making	The Authority is currently in 'No Overall Control' politically. This means it is a very 'balanced' authority and there is a recognition that most political decision making is done on a consensus building basis, which means the Council can be very measured and cautious in it's approach. The situation of NOC may continue after the upcoming election	Delay is taking difficult / radical decisions	• No clear priorities for authority, everything a priority • Too many initiatives • Authority in a state of flux • Slow decision making • Many options need to be developed on each issue • Effort dissipated across authority • Resources not always best allocated • Ineffective use of executive and scrutiny powers

No	Rating		Short name	Vulnerability	Trigger	Consequence
7a	D2	*	Compliance with regulations	The Cabinet system leads to greater involvement of members in the day to day running of the Authority and it is perceived that the Council currently has an increased level of member involvement in operational issues. Councillors attempt to deliver change, however there is a perception that this may not always be done in full accordance with proper processes and procedures, with possible corporate governance and legal implications	A decision is made / action taken which breaches regulations	• Breach of corporate governance • Professional opinions challenged • Probity of decision and decision making process questioned • Inconsistent decisions emerge • Councillors held responsible for decisions which they have not been involved in • Decisions must be changed • Some members frustrated • Officers seen to be blocking member ambition • Officer / member tensions • Adverse effect on performance • Council criticised
No	Rating		Short name	Vulnerability	Trigger	Consequence
13	C3		Key objectives not delivered due to capacity issues	The Council is facing a challenging agenda with a number of initiatives and projects. 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 There are concerns around overload and a recognised need to set achievable agendas and not make unachievable promises	Council fails to deliver key objectives on time	• Slippage on key projects / initiatives • Deadlines and targets not met • Criticism • Lack of focus • Quality slips • Complaints from public • Workloads increase • Staff demotivated
8	E2		Business Continuity	The Council is required to develop and implement robust Business Continuity	Unable to respond effectively to a	• Services disrupted / Loss of service • Possible loss of income

No	Rating		Short name	Vulnerability	Trigger	Consequence
			Management	Plans in line with the requirements of the Civil Contingencies Act	business continuity incident (e.g. IT virus / flu pandemic)	• Increase in demand (temporary & longer term) • Staff absence • Human welfare issues • Hardship for some of the community • Council criticised for not responding effectively • Complaints from the community
10	E2		Interim management structure	The Council currently has Joint Chief Executives. There are concerns, however, over capacity at senior levels and over the lines of responsibility, which may not be clear to all. There is also a view that the Authority is too internally focussed, with too much concentration on operational issues, to the detriment of strategic direction	Lack of direction on key initiatives / strategies	• Unclear priorities and objectives • Difficult to tackle major issues like changing culture • Strategic focus suffers • Lack of corporate working • Adverse effect on staff morale • Council does not move forward • External criticism of Council
2	D3		Inconsistent approach to procurement	Procurement is inconsistent across the authority, with no clear strategy in place and some resistance to initiatives	Inconsistent approach to procurement continues	• Authority further behind in terms of e-procurement • Efficiency savings not made or contracts fail • Benefits of procurement approaches not achieved • Procured service poor/not value for money • Criticism by inspection
16	D3		Performance management	A performance management framework and systems are in place but are not well supported by staff and not currently embedded within the authority, with no real culture of performance.	Performance management not applied consistently across the Council	• Not seen as part of the day job • Performance management treated as a compliance exercise • Improvement does not occur • Service delivery adversely affected • Criticism from inspection / audit

No	Rating		Short name	Vulnerability	Trigger	Consequence
				Performance information is seen as a means rather than an end		• Image of Council damaged
No	Rating		Short name	Vulnerability	Trigger	Consequence
7b	D3		Public comments at member level may commit the Council to policies or actions	The Cabinet system leads to greater involvement of members in the day to day running of the Authority. There is a concern, however, at what could be perceived as a 'scattergun approach', particularly around individual initiatives, i.e. that decisions are sometimes made on the basis of public popularity, without proper evaluation and that comments made within the local community or at regular press briefings could be seen as commitments not opinions	Promises made to public without firm weight of Council behind them	• Council backtracks on decision • Resources misapplied • Surprises • Decisions not thought through • Council policy 'made on the hoof' • Council sends out mixed messages • Policies not delivered • Public disappointment • Public opinion turns against the Council • Officers have to expend energy in dealing with criticism • Staff dissatisfaction and unrest (senior) • Possible legal implications of decision • Community perception of council decreases
21	D3		Use of Council assets	The Council does not have a corporate approach to accommodation and IT infrastructure, with no clearly understood strategy in place	Council fails to make best use of it's assets	• Council cannot effectively respond to initiatives • Unable to justify accommodation needs • Insufficient assets to meet needs in some areas • Over provision in other areas
9	F2		Joint Chief Executives – structure by end of 3yr period	The Council currently has Joint Chief Executives, and this situation is due to continue until 2008. There is a working group looking at the overall upper structure of Council, including the Joint CE's situation, which is due to report back in Dec '06 There are influences, however, such as LGR and realigning the Council for changing customer services, which can	No firm structure in place by the required time	• Lack of leadership and focus • Uncertainty for management and staff • Key skills / experience lost • Gaps appear in structures • Lack of direction • Adverse impact on service delivery • Targets not achieved • Council does not move forward • Criticism from inspectors • Adverse publicity

No	Rating			Short name	Vulnerability	Trigger	Consequence
					make it difficult to plan		
No	Rating			Short name	Vulnerability	Trigger	Consequence
14	E3			Key initiatives resisted / delayed by culture of authority	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 e-gov agenda, e.g. through contact centre. Implementing this will require a significant culture change across the authority, and strong consistent leadership from senior levels of the Authority	Key initiatives e.g. contact centre resisted / delayed by current culture within the authority	• Initiatives / plans not achieved • Failure to make savings, reduce duplications and make continuous improvements • E-government targets affected • Disillusionment and frustration of staff • Adverse effect on performance • Censure by audit/inspection • Adverse publicity • Image of council damaged
15	E3			Sickness absence	Levels of sickness absence are not currently consistently reported or managed across the authority, however a system is being developed for this and the policy has been relaunched	Sickness absence not effectively managed	• Staff absence impacts on ability to deliver • Remaining staff are overstretched • Public complaints • Increased costs of using agency staff • Efficiency savings affected • Impact on staff morale • Possible litigation / claims • Adverse publicity
No	Rating			Short name	Vulnerability	Trigger	Consequence
22	D4			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	• Services fail • Tension between partners • Relationships with other bodies deteriorate • Clawback of grants • Unforeseen accountabilities and liabilities fall on the Council • Censure by audit/inspection • Adverse impact on performance • Adverse publicity
12	E4			Gershon – rule	There is a requirement, through the	Rules changed to	• Savings need to be made from other areas

| | | | changes | Gershon review to make efficiency savings of 2.5% for each of the next 3 years.

Currently, the savings will be made, however, this is primarily through current rules allowing interest on sales of assets to be included | preclude this | Services have to be prioritised/ reduced Staff workloads increase Services suffer from lack of resources Public dissatisfaction with Council services Detrimental impact on Council Council reputation damaged Censure by audit and inspection |

Appendix 3 – Example Management Action Plan (MAP)

Plan owner:	

A				
B				
C				
D				
E				
F				
	IV	III	II	I

Likelihood / 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]