Report to the Finance and Performance Management Committee

Date of meeting: 26 March 2006

Epping Forest District Council

Portfolio: Finance and Performance Management

Subject: Risk Management – Updated Corporate Risk Register

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Recommendations/Decisions Required:

1. **Members are asked to consider the attached report and to agree the proposed amendments to the Corporate Risk scores.**

2. **Members are asked to consider whether there are any new risks that are currently not on the current Corporate Risk Register, and to consider whether the tolerance line on the risk matrix should be amended.**

Introduction

1. Members first received a report on risk management at this Committee in December 2005. The report advised Members of the work previously undertaken and was the first step in involving Members in the production of the Corporate Risk Register.

2. Members then participated in two workshops in February 2006 facilitated jointly by the Head of Finance and Zurich Municipal. The first workshop was to identify risks and the second was a joint officer and member workshop to consolidate and score the risks.

Decisions already taken

3. Since December 2005, this Committee has been presented with six reports on risk management. Below is a summary of the work undertaken by the Committee in chronological order.

Finance and Performance Management Committee	
Dates of meeting	**Decision made**
12 Dec 2005	Approved the proposal for the involvement of Members in the production of an updated strategic risk register.
01 Feb 2006	Member workshop involving Cabinet, the Chairman of the Overview and Scrutiny Committee and two of the Overview and Scrutiny Panel Chairmen to identify risks.
28 Feb 2006	Second workshop consisting of Officers and Members to consolidate and prioritise the risks identified.
03 Apr 2006	The Corporate Risk Register was adopted.
17 Jul 2006	The Risk Management Strategy and Policy Statement was adopted and the Terms of Reference were noted.
17 Jul 2006	The action plans associated with the Corporate Risk Register were agreed.
25 Sep 2006	Revised corporate risks and scoring of risks agreed.
11 Dec 2006	Adopted an updated Corporate Risk Register including revised action plans.

Corporate Risk Register

4. At the Corporate Governance Group meeting on 7 March 2007, the risks and their scores were reviewed to take account of any changes since these were last amended. These discussions were recorded and converted into the attached table at Appendix 1, which only details the items where changes are proposed.

5. Members were first involved in identifying risks in February / March 2006. The risks were then next reviewed in September 2006 (six months later) and the changes were adopted. It is now six months on from the last review or twelve months since Members have been asked to consider any new risks.

6. Members are now asked to consider whether there are any risks that are currently not included on the Corporate Risk Register. For ease of reference Appendix 2 shows the current corporate risks.

7. At the second workshop in February 2006, Members and officers originally set the risk tolerance line, which involved considering each of the squares on the risk matrix and deciding if the Council 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.

8. Members are now asked to consider whether the tolerance line needs to be amended. For ease of reference Appendix 3 shows the current risk matrix with the tolerance line and Appendix 4 shows the definitions of impact.

Conclusion

9. Now that the Council has a Corporate Risk Register and action plans in place, it is important that Members continue to review and monitor these risks every six months and to have an active involvement with identifying new risks annually to ensure that the Council can demonstrate the practical embedding of risk management, as well as to assist the Council in achieving its aims and objectives.

10. In order to keep the register updated on an ongoing basis risk management is now a standing agenda item for both Corporate Governance Group and Senior Management Team meetings.

Amendments Agreed to Risk Ratings – 26 March 2007

Risk Number	Risk Name	Previous Rating	Revised Rating	Comments
4	East of England Plan – unable to agree joined up plan	B1	B2	Given the success in achieving amendments to the original proposals, it is now felt that the potential impact has reduced from catastrophic to critical.
20	Key contracts collapses or service levels deteriorate	B1	C2	Greater confidence now exists in both Cory and SLM so both the likelihood and impact have been reduced.
5	Local Government reorganisation which is detrimental to the Council and Community	C1	D3	There now appears to be little chance of any boundary changes within Essex. The proposed change moves this risk below the tolerance line.
8	Business Continuity Management	C1	C2	Confidence in this area has been boosted by the work undertaken both before and after the recent flu pandemic exercise and this is reflected in the reduced impact.
13	Key objectives not delivered due to capacity issues	B2	A2	Concern still exists over corporate capacity to deliver change projects and this needs to be carefully considered as part of the top management review.
9	Joint Chief Executives – Structure by end of 3 year period	D2	D3	The work performed by the Member Panel to date suggests that arrangements will be in place within the required timescale. The proposed change moves this risk below the tolerance line.

Current Corporate Risk as at 26 March 2007

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	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	B1	*	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

Current Corporate Risk as at 26 March 2007

No	Rating		Short name	Vulnerability	Trigger	Consequence
20	B1	*	Key contract collapses or service levels deteriorate	Some key council services are being provided by contractors. In some areas, 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.	Contractor collapses / is unable to provide service or Service level deteriorates	• Service fails / adversely affected • Service stopped / paused • 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	C1	*	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
8	C1	*	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)	• Services disrupted / Loss of service • Possible loss of income • 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

Current Corporate Risk as at 26 March 2007

No	Rating		Short name	Vulnerability	Trigger	Consequence
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
13	B2	*	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

Current Corporate Risk as at 26 March 2007

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. A report has recently been submitted to scrutiny panel around green belt areas and developers requirements in terms of affordable housing	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 • Increased elderly population • Character of district changes
9	D2	*	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 make it difficult to plan	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

Current Corporate Risk as at 26 March 2007

No	Rating		Short name	Vulnerability	Trigger	Consequence
10	D2	*	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
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
19	D2	*	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

Current Corporate Risk as at 26 March 2007

No	Rating		Short name	Vulnerability	Trigger	Consequence
6	E2		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
7a	E2		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
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

Current Corporate Risk as at 26 March 2007

| 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
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 information is seen as a means rather than an end	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 • Image of Council damaged
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

Current Corporate Risk as at 26 March 2007

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
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

Current Corporate Risk as at 26 March 2007

No	Rating		Short name	Vulnerability	Trigger	Consequence
12	E4		Gershon – rule changes	There is a requirement, through the 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	Rules changed to preclude this	• Savings need to be made from other areas • 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

Current Risk Matrix as at 26 March 2007

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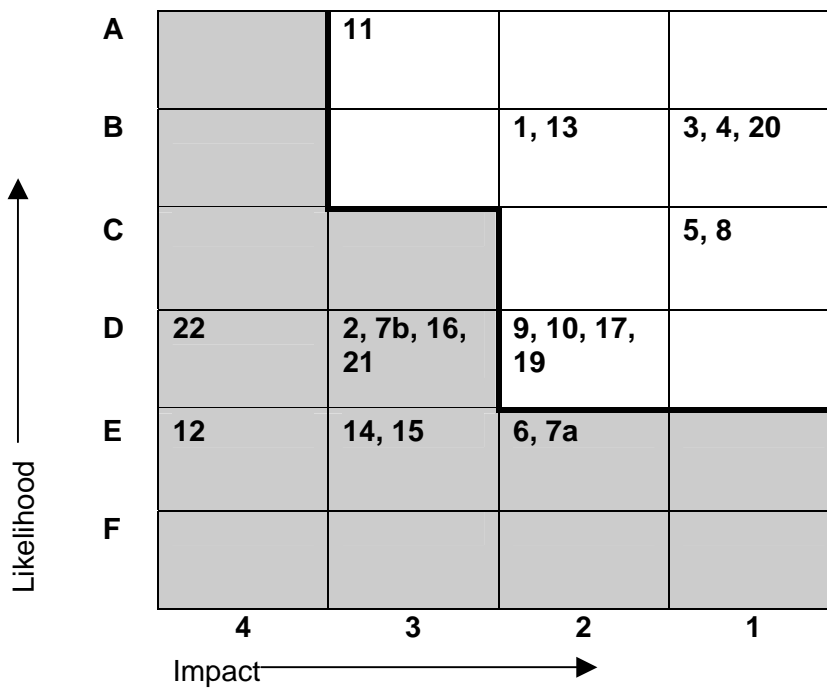
Impact

Tolerance Line = ————————

Likelihood:
A Very High
B High
C Significant
D Low
E Very Low
F Almost Impossible

Impact:
1 Catastrophic
2 Critical
3 Marginal
4 Negligible

Corporate Risk Scorecard

	IMPACTS			
	Negligible	**Marginal**	**Critical**	**Catastrophic**
Financial Impact	£0K - £10K	£10K - £200K	£200K - £1M	Over £1M
Service Provision	No effect	Slightly reduced	Service suspended short term / reduced	Service suspended long term / Statutory duties not delivered
Health & Safety	Sticking plaster / First aider	Broken bones / Illness	Loss of life / Major illness	Major loss of life / Large scale major illness
Objectives		Objectives of one section not met	Directorate objectives not met	Corporate objectives not met
Morale		Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving / Unable to attract staff
Reputation	No media attention / Minor letters	Adverse local media leader	Adverse national publicity	Remembered for years!!
Government Relations		Poor assessment(s)	Service taken over temporarily	Service taken over permanently