
RISK MANAGEMENT

1 SUMMARY

- 1.1 This report updates Members on progress on the Risk Management Strategy.

2 INTRODUCTION

- 2.1 Members agreed a Risk Management Strategy and a work programme in July 2002 (Minute 380/02).
- 2.2 Unfortunately, the overall work programme has proved over optimistic in the light of other work commitments. However, steady progress is being made and this report outlines details of that. A revised timetable is also submitted at this time for Members' approval.

3 PROGRESS TO DATE

- 3.1 A Risk Workshop for Corporate Management and Operational Management Teams has taken place and the outcome of that workshop is outlined in Appendix A. That workshop identified approximately 37 areas of risk to the Authority which has now been consolidated into 35 areas in the Council's overarching Risk Register (Appendix B).
- 3.2 Members will note from the Register that whilst some mitigation measures can reduce risk, there remains nevertheless an element of risk to manage. In some cases, notwithstanding mitigation, some risks do not reduce.
- 3.3 Following the successful senior management workshop, a series of divisional workshops has commenced and is now ongoing. These involve section managers in a day of identifying their risks within divisional boundaries.
- 3.4 It is anticipated that these workshops will conclude in early September.

4 THE FUTURE

- 4.1 Once all divisional workshops are complete, the results will be analysed for gaps and overlaps across the divisions. These criteria will also be applied to the CMB/OMT model in order to provide an overall Council Risk Register.
- 4.2 The Risk Register will be a useful tool to identify issues connected with the delivery of Corporate Plan objectives as well as the specifics of service delivery in general.

5 AUDIT

- 5.1 A key feature of Risk Management is the involvement of Internal Audit.

- 5.2 The Emergency Planning and Health and Safety Manager and the Audit and Process Review Manager are, therefore, working together on this, step by step, in order to facilitate early changes to procedures, rather than wait until the “end of term report”, where changes are considered necessary.

6 WORK PROGRAMME

- 6.1 A revised Work Programme is at Appendix C.

7 AGENDA ITEMS

- 7.1 It is proposed that in future, Agenda Items will carry a new sub-heading of “RISK MANAGEMENT”, under which would sit the sub-headings:
- Strategic Risk To identify any long-term and wide reaching issues.
 - Resource Risk To identify particular resource risk areas.
 - Operational Risk To identify short and medium term implications “at the coal face”.
 - Reputation Risk To identify any reputational issues.
 - Information Risk To identify any IT or communication issues.
 - Regulatory Risk To indicate the position regarding statutory compliance.
 - 3rd Party Risk To identify, if possible, any unavoidable risks associated with such relationships.
- 7.2 As with the current optional headings, e.g. Crime & Disorder Implications, the proposed new headings would be omitted where appropriate.
- ## **8 MEMBER TRAINING**
- 8.1 A training session for Members will be arranged in the Autumn.
- ## **9 RESOURCE IMPLICATIONS**
- 9.1 Each Risk Management Workshop requires a day for all key divisional managers.
- 9.2 These are facilitated internally.

10 RECOMMENDATION

10.1 It is proposed that the Council **RESOLVES**

To note progress so far and agree the revised Work Programme.

Paul Warren

Chief Executive

Background Papers:

None

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Rochford Strategic Risk Workshop Results

The risks identified from the workshop conducted on the 14th March 2003 are listed below together with the category that they fall within. Whilst the **key risks** are the most important to manage and monitor thoroughly, those identified as “**other risks**” will need to be effectively managed and monitored, as if they materialised they could still inflict serious damage to the Council’s financial position, reputation or ability to deliver services.

The mitigation workshop examined how these risks were managed, the controls and other mitigation that is in place and the residual risk remaining after they had been applied. The second risk map shows the positions of the risks after the mitigation processes have been applied. These results have all been recorded in the Risk Register below.

<u>Risk</u>	<u>Category</u>
Key risks. Inherent risk 9. <ol style="list-style-type: none"> 1. Fail to manage major projects effectively. 2. Risk of contract arrangements failing through poor relationship management or failure of key provider. 3. Poor CPA and/or inspection or audit report. 4. Unexpected major financial liability or uninsured loss. 5. Failure of Financial management and/or budgetary control. 6. Failure to obtain adequate funding to achieve service objectives. 7. Significant percentage of residents not paying Council Tax. 8. Failure of key ICT systems. Inherent risk 8. <ol style="list-style-type: none"> 9. Change in government priorities and /or local government structures. 10. Failure to achieve desired result relating to housing management. 11. Failure to meet requirements of the Freedom of Information Act. 12. Inability to attract or retain key individual or groups of staff. 13. Loss of key infrastructure system. 14. Death or injury to citizens through failure of duty or expectation. 15. Poor media and public relations management. 16. Rogue statement by Elected Member or member of staff. 	<ol style="list-style-type: none"> 1. Operational risk. 2. Third party risk. 3. Regulatory risk. 4. Financial risk. 5. Financial risk. 6. Financial risk. 7. Financial risk. 8. Information risk 9. Strategic risk 10. Strategic risk 11. Information risk 12. People risk 13. Operational risk. 14. Operational risk. 15. Reputation risk. 16. Reputation risk.

Risk	<u>Category</u>
<p>Inherent risk 7.</p> <ul style="list-style-type: none"> 17. Changing objectives and/or expectations leading to overload. 18. Death or injury of member of staff. 19. Lack of capacity to meet national requirements. 20. Failure to develop the Website and public access/transaction functionality. 21. Poor communications between departments and/or staff. <p>Other significant risks.</p> <p>Inherent risk 6.</p> <ul style="list-style-type: none"> 22. Inaccurate reporting of performance issues. 23. Ineffective performance management, training and development of staff leading to gaps in key skills. 24. Natural disaster, or deliberate act effects major part of the Authority. 25. Political scandal. 26. Major fraud or corruption case. 27. Sudden loss of key senior manager or group of staff. <p>Inherent risk 5.</p> <ul style="list-style-type: none"> 28. Risk of Complex partnership arrangements failing through poor relationship management or failure of key partner. 29. Unacceptable levels of work related illness. 30. Failure to manage public expectations. <p>Inherent risk 4.</p> <ul style="list-style-type: none"> 31. Ineffective complaints processes. 32. Significant changes to the local economic or social environment leading to an increased demand in services or the inability to deliver corporate objectives. 33. High volumes of staff or client fraud. 	<ul style="list-style-type: none"> 17. Operational risk. 18. People risk. 19. People risk. 20. Information risk 21. Information risk <ul style="list-style-type: none"> 22. Information risk. 23. People risk. 24. Operational risk. 25. Reputation risk. 26. Financial risk. 27. Regulatory risk. <ul style="list-style-type: none"> 28. Third party risk. 29. People risk 30. Information risk. <ul style="list-style-type: none"> 31. Information risk. 32. Strategic risk 33. Financial risk.

<u>Risk</u>	<u>Category</u>
<p>Inherent risk 3.</p> <ul style="list-style-type: none"> 34. Sudden death of key Member. 35. Loss of major section of staff i.e. lottery win. 36. Major strike action. <p>Inherent risk 2.</p> <ul style="list-style-type: none"> 37. Changes in political leadership and /or ineffective relationships between Offices and Members. 	<ul style="list-style-type: none"> 34. People risk 35. People risk 36. People risk 37. Strategic risk

Risk	Risk Description	Inherent Risk	Risk Owner	Risk Management Solution	Key Controls	Residual Risk	Risk Indicators	Action Points
	KEY RISKS							
1.	Fail to manage major projects effectively.	9		Control	1. Formal project management processes. 2. Budget management. 3. High levels of political & management commitment	8		1. Less efficient management of lesser projects.
2.	Risk of contract arrangements failing through poor relationship management or failure of key provider.	9		Control Transfer.	1. Careful selection. 2. Monitoring systems. 3. Opt out clauses. 4. Performance bonds and guarantees.	7		1. No capacity to instantly replace contractors.
3.	Poor CPA and/or inspection or audit report.	9		Control	1. Training 2. Self-assessment. 3. Written procedures. 4. Planning and preparation.	7		
4.	Unexpected major financial liability or uninsured loss.	9		Control. Insurance.	1. Insurance reviewed annually. 2. Reserves. 3. Whistle blowing policy.	5		1. Liabilities being looked at but needs some more work on risk assessment.
5.	Failure of Financial management and/or budgetary control.	9		Control.	1. Monthly reporting. 2. Internal check and signatories. 3. strong central control of budgets. 4. Formal planning processes.	5		

6.	Failure to obtain adequate funding to achieve service objectives.	9		Control.	1. Statutory powers. 2. Budget strategy. 3. Good relations with members. 4. Building up reserves. 5. Balanced budget.	6		1. Some risk assessment required for operational risks.
7.	Significant percentage of residents not paying Council Tax.	9		Control.	1. Established and proven systems. 2. Trained staff. 3. People chased promptly.	3		1. Some criticism of speed of chasing in customer survey.
8.	Failure of key ICT systems.	9		Control.	1. Daily back up procedures. 2. Short-term manual back up.	9		1. Contingency plan needed.
9.	Change in government priorities and /or local government structures.	8		Control.	1. Work with L.A. associations etc. 2. Change culture. 3. Understanding Government guidance. 4. Option appraisal & pre-planning.	4		
10.	Failure to achieve desired result relating to housing management.	8		Control	1. Consultation and communication programme for members and public.	8		1. Approach needs to be formalised in the near future.
11.	Failure to meet requirements of the Freedom of Information Act.	8		Control	1. Lead officer. 2. Team and action plan to 2005.	2		1. Some lack of understanding remains.

12.	Inability to attract or retain key individual or groups of staff.	8		Control	1. Some salary flexibility. 2. Training.	8		1. Problems remain over location, house prices and competition.
13.	Loss of key infrastructure system.	8		Control Recover.	1. Contingency plans. 2. Maintenance programme. 3. Some back-up systems.	8		1. BCP under development
14.	Death or injury to citizens through failure of duty or expectation.	8		Control Insure.	1. Health and Safety. 2. Incident recording. 3. Staff checks. 4. Media management. 5. Public liability insurance.	2		
15.	Poor media and public relations management.	8		Control.	1. RDM. 2. Media strategy. 3. Meetings with press. 4. Capacity to deal directly with the media.	5		
16.	Rogue statement by Elected Member or member of staff.	8		Control.	1. Standards process. 2. Member protocols and training. 3. Culture.	5		
17.	Changing objectives and/or expectations leading to overload.	7		Control.	1. Setting smart objectives. 2. Member agreement of work programme. 3. SAP. 4. PDR system.	5		
18.	Death or injury of member of staff.	7		Control.	1. H & S officer. 2. Record keeping 3. Training. 4. Risk assessment.	6		1. Outside workers still to be addressed

19.	Lack of capacity to meet national requirements.	7		Control.	1. Piece meal initiatives to address.	7		1. Initiative increasing over which there is no control.
20.	Failure to develop the Website and public access/transaction functionality.	7		Control.	1. Rules on usage. 2. Payments on line. 3. Firewall security. 4. Testing regime. 5. Contractors report to I.T. manager. 6. Anti Spam software	3		1. Website currently under review.
21.	Poor communication between departments and/or staff.	7		Control	1. Intranet/e-mails. 2. Departmental meetings. 3. Annual objectives. 4. PDR mechanisms in place. 5. OMT/CMB.	5		1. PDR consistency to improve. 2. IIP being pursued.
	OTHER SIGNIFICANT RISKS							
22.	Inaccurate reporting of performance issues.	6		Control	1. Disseminated to the public annually. 2. Quarterly reports to Members.	3		1. Need to make information more meaningful.
23.	Ineffective performance management, training and development of staff leading to gaps in key skills.	6		Control.	1. PDR process. 2. Team targets. 3. Quarterly performance reports. 4. Service action plans.	3		1. Need to ensure consistency.

24.	Natural disaster, or deliberate act effects major part of the Authority.	6		Control. Contingency plan	1. Emergency planning. 2. Out of hours plan. 3. Emergency planning Officer.	6		1. BCP to be developed.
25.	Political scandal.	6		Control.	1. Standards committee. 2. Member training. 3. Culture.	3		
26.	Major fraud or corruption case.	6		Control. Insurance.	1. Code of conduct, 2. Whistle blowing policy. 3. Authorisation processes. 4. Contract controls. 5. Purchasing protocols.	3		
27.	Sudden loss of key senior managers or group of staff.	6		Control.	1. Stand-ins identified for short term.	6		1. No formal succession planning.
28.	Risk of Complex partnership arrangements failing through poor relationship management or failure of key partner.	5		Control. Transfer.	1. Relationship management. 2. Service level agreements. 3. Bonds and guarantees.	5		1. Lack of some formal arrangements. 2. SLAs not formal.
29.	Unacceptable levels of work related illness.	5		Control.	1. Stress management training. 2. Counselling service. 3. T & C helpful.	5		1. Lack of cover if there are problems.

30.	Failure to manage public expectations.	5		Control	1. Performance standards in some areas. 2. Set targets. 3. Complaints system. 4. Some satisfaction surveys.	2		
31.	Ineffective complaints processes.	4		Control	1. Procedures in place. 2. Ombudsman cases defended, no losses.	2		1. Shortcomings being addressed.
32.	Significant changes to the local economic or social environment leading to an increased demand in services or the inability to deliver corporate objectives.	4			1. Budget strategy. 2. Land use planning infrastructure. 3. Local economic development.	4		
33.	High volumes of staff or client fraud.	4		Control.	1. Verification framework. 2. Fraud team. 3. Prosecution policy.	2		1. Potential for debit/credit card fraud.
34.	Sudden death of key Member.	3		Control.		3		
34.	Loss of major section of staff i.e. lottery win.	3		Control.		3		
34.	Major strike action.	3		Controls	1. Regular meetings with unions. 2. PDR process.	3		1. IIP aim.

35.	Changes in political leadership and /or ineffective relationships between Offices and Members.	2		Controls	1. Member training.	2		
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APPENDIX C

REVISED WORK PROGRAMME

	Responsibility	Target date for completion
Report to Council to seek approval of Risk Management Strategy.	Corporate Director (Finance & External Services)	30 July 2002
Risk prioritisation training sessions for CMB/OMT	Corporate Risk Officer/ Specialist	March 2003
Risk prioritisation training sessions for service managers	Corporate Risk Officer/ Divisional Management Teams	June/July/August/ early September 2003
Compilation of divisional risk registers and approval of agreed actions	Heads of Service/ Divisional Management Teams	Ongoing – July to September 2003
Preparation of controls assurance statements	Heads of Service	Autumn 2003
Report to Finance Overview & Scrutiny Committee on risk management progress and results of divisional and corporate self assessments for 2003/04	Corporate Risk Officer	March/April 2004
Internal Audit review of adequacy and effectiveness of risk management and internal control arrangements	Chief Executive Leader	May/June 2004
Council approval of annual assurance statement on effectiveness of risk management and internal control arrangements.	Chief Executive Leader	July 2004