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## **REVIEW OF RISKS FACED BY THE COUNCIL AS A RESULT OF THE ECONOMIC DOWNTURN**

### **1 SUMMARY**

- 1.1 This report summarises the review undertaken at the request of the Audit Committee at its meeting on 4 December 2008 to assure Members that any additional risks facing the Council as a result of the economic downturn were being identified and addressed. An update to the Council's Corporate Risk Register is proposed.

### **2 INTRODUCTION**

- 2.1 The review was undertaken by the officers who comprise the Council's Corporate Risk Group (CRG) and each Division has identified how they are affected by the situation.
- 2.2 The results have been summarised and are presented as appendix 1 to this report.
- 2.3 A proposed addition to the Corporate Risk Register for 2009/10 is included at appendix 2. This appendix also includes an extract from the Corporate Risk Register showing associated risks already included in the Register.

### **3 UPDATING OF THE CORPORATE RISK REGISTER**

- 3.1 The proposed addition to the Corporate Risk Register shown at appendix 2 will be made if the Audit Committee indicates its approval.
- 3.2 The CRG meets at approximately monthly intervals and will continue to review this and other risks in respect of the actions required at both corporate and divisional level.
- 3.3 Additional reports will be made to the Audit Committee should the risk environment change materially.

### **4 RISK IMPLICATIONS**

- 4.1 Management of risk is fundamental to the sound operation of the Council. Failure to manage risk could have significant impact on the Council's ability to correctly define its policies and strategies or deliver against its objectives.
- 4.2 The implementation and operation of the Risk Management Framework seeks to minimise risks and thus mitigate any potential strategic, operational, reputational or regulatory consequences.

### **5 LEGAL IMPLICATIONS**

- 5.1 The Council's Risk Management Policy and Framework will assist in meeting any specific and general requirement to monitor and manage its risks.

**6 RECOMMENDATION**

6.1 It is proposed that the Committee **RESOLVES**

- (1) That the Risk Assessment of the effect of the economic downturn on the Council be noted.
- (2) That the proposed addition to the Corporate Risk Register be approved.
- (3) That a further report on the review and management of this and other corporate risks be considered by the Audit Committee at the next meeting in September 2009.

Yvonne Woodward

Head of Finance Audit & Performance Management

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**Background Papers:-**

None.

For further information please contact Terry Harper: -

Tel:- 01702 546366 extension 3212

E-Mail:- [terry.harper@rochford.gov.uk](mailto:terry.harper@rochford.gov.uk)

If you would like this report in large print, Braille or another language please contact 01702 546366.

**Appendix 1 - Corporate Risk Analysis (2a)**

<b>Risk No(s):</b>	<b>Risk Descriptor(s):</b>	<b>Risk Owner:</b>
	<p>Failure of the Council to respond appropriately to the economic downturn.</p> <p><b>Risk Management Objectives/Notes:</b></p> <p>The impact of the downturn in the economy needs to be taken into consideration both in terms of the current year budget and the Council's Medium Term Financial Strategy (MTFS) which sets out the council's medium term spending plans and level of balances.</p> <p>Income streams which may be affected by reduced economic activity and the downturn in the property market include:</p> <ul style="list-style-type: none"> <li>• Planning application fees</li> <li>• Building control fees</li> <li>• Land charges search fees</li> <li>• Parking charges income</li> <li>• Reduced investment income due to falls in interest rates</li> <li>• Collection of Council Tax and National Non-Domestic Rates</li> </ul> <p>Increased demands on Council Services consequent upon reduced economic activity and increases in unemployment could include:</p> <ul style="list-style-type: none"> <li>• A rise in the number of benefits claimants</li> <li>• Potential increase in demand for services to the homeless and to those at risk of losing their homes</li> <li>• Potential rise in the number of debtors and increased need for legal action to pursue debts</li> <li>• Greater propensity for fraudulent activity in times of hardship</li> <li>• Potential for increased social unrest and a rise in crime and disorder.</li> </ul>	<p><b>Y Woodward</b></p>

**Appendix 1 - Corporate Risk Analysis (2a)**

	<p><b>Risk Management Objectives/Notes (continued):</b></p> <p>Economic factors may also affect delivery partnerships and could include:</p> <ul style="list-style-type: none"> <li>• Reduced usage of leisure facilities and/or pressure for reduced prices</li> <li>• Cost pressures on contractors leading to inability to deliver services</li> </ul>	
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<b>Risk prior to controls</b>	<b>Likelihood :</b> <b>6</b>	<b>Impact:</b> <b>3</b>	<b>Risk Rating :</b> <b>High</b>
<b>Residual Risk</b>	<b>Likelihood:</b> <b>3</b>	<b>Impact:</b> <b>3</b>	<b>Risk Rating:</b> <b>Medium</b>

<b>Review Frequency:</b>  <p style="text-align: center;"><b>Quarterly</b></p>	<b>Key dates for Review:</b>  <p style="text-align: center;"><b>Quarterly budget monitoring at end of each quarter</b></p>
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<p><b>Risk Consequences:</b></p> <ul style="list-style-type: none"> <li>• Overspends &amp; under recovery of income</li> <li>• Insufficient funds to meet costs of delivering services</li> <li>• Insufficient balances at end of the financial year</li> <li>• Requirement to make unplanned cuts in expenditure</li> <li>• Inability to increase services to meet demands</li> <li>• Contractors/partners unable to meet their commitments</li> <li>• Potential additional staff related costs e.g. due to Occupational Health referrals, counselling referrals etc.</li> </ul>
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### Appendix 1 - Corporate Risk Analysis (2a)

#### CONTROLS AND ACTION PLAN(S)

Action/controls	Adequacy of controls*	Evidence of controls	Action required by SMT	Monitoring/success measures
Estimates for planning fees, land charges, and building control income revised down in line with actual to date. Original estimate for 2009/10 is reduced – no recovery built in until 2010/11	Good	MTFS and budget monitors	None	Budget monitoring
Investment income – revised down and reduced estimate set for 2009/10	Good	MTFS and budget monitors	Depending on further falls in rates, it is likely that estimate for 2009/10 will be revised down	Budget monitoring
Freeze of Parking charges	Good	MTFS and budget monitors	None	Budget monitoring
Capacity regularly reviewed in order to ensure adequate to meet increasing demand in Benefits and Homelessness and Legal Services	Good	Resourcing levels and staffing requests to SRMT	Heads of service will need to monitor demand and determine the trigger points for requesting additional resource	Performance reporting measures
Reduce surplus capacity in areas where volumes have decreased and redeployment of staff as appropriate	Good	Resourcing levels and staffing requests to SRMT	Heads of service to identify the need to retain or reduce trained staff pending a resumption of demand and identify productive redeployment opportunities.	Performance reporting measures
Monitoring additional indirect staff costs	Good	Budget monitors	None	Budget monitoring

### Appendix 1 - Corporate Risk Analysis (2a)

Action/controls	Adequacy of controls*	Evidence of controls	Action required by SMT	Monitoring/success measures
Supporting local businesses by paying invoices within 10 days	Good	Prompt payment monitoring	Raising orders on marketplace	% of payments made within 10 days
Participation in Government and/or Essex County initiatives to prevent homelessness and protect vulnerable households	Fair	Guidance supplied by government	To be decided for each initiative	To be decided for each initiative
Crime and Disorder Reduction Partnership (CDRP) continue to monitor crime levels and take appropriate action	Good	CDRP action plans and Minutes	None	Levels of crime and antisocial behaviour
Continued vigilance within existing fraud prevention and detection activity	Good	Existing fraud detection and prevention procedures	None	Existing fraud measures
Monitor collection rates for Council Tax and NNDR	Good	Monthly report on collection rates	None	Collection rates targets achieved (BVPI 9 & 10)
Debtor control - enforce efficient debt recovery and offer payment options	Good	Debt monitoring arrangements	None	Measures of debt levels and age of debt.

#### Adequacy of Controls:

- \* Poor indicates no controls in place or the few that are do not mitigate the risk.
- \* Fair indicates that some controls in place and some reduction in risk but still not adequate.
- \* Good indicates that controls in place are considered adequate and reduce the risk.
- \* Excellent indicates that effective controls in place which reduce the risk considerably.

Risk review completed by:	Name: T Harper	Signed:	Date: 18/05/09
Risk review approved by:	Name: Y Woodward	Signed:	Date: 18/05/09

## Appendix 2 - Rochford District Council – Corporate Risk Register – Executive Summary – additional risk

### KEY TO TERMS / ABBREVIATIONS USED

ACRONYM	MEANING
ATS	Access To Services
BCPs	Business Continuity Plans
BVPI	Best Value Performance Indicator
CD (ES)	Corporate Director (External Services)
CD (IS)	Corporate Director (Internal Services)
CEx	Chief Executive
CPA	Comprehensive Performance Assessment
CAA	Comprehensive Area Assessment
CPPM	Corporate Policy & Partnerships Manager
CRR	Corporate Risk Register
DQ&RMP	Data Quality & Records Management Policy
DRRs	Divisional Risk Registers
FPG	Financial Programmes Group
HFAPM	Head of Finance, Audit & Performance Management
HoS	Heads of Service
HRM	Human Resources Manager
IIP	Investors In People
IT	Information Technology
LA	Local Authority
LAA	Local Area Agreement

ACRONYM	MEANING
LDF	Local Development Framework
LSP	Local Strategic Partnership
MTFS	Medium Term Financial Strategy
MTP	Member Training Programme
PDR	Performance Development Review
PR	Public Relations
PRM	Performance Report to Members
QPR	Quarterly Performance Report
SDIMT	Service Development & Improvement Management Team
SPMT	Strategy and Partnership Management Team
SCS	Sustainable Community Strategy
SIC	Statement of Internal Control
SLAs	Service Level Agreements
SMT	Senior Management Team
SRMT	Staffing and Resources Management Team
VFM	Value For Money
WDP	Workforce Development Plan

Appendix 2 - Rochford District Council – Corporate Risk Register – Executive Summary – additional risk

Risk Description	Risk owner	Action/ controls already in place	Adequacy of controls in place and evidence	Required action/control by Senior Management Team	Monitoring / success measures	Review frequency /key dates	Likelihood	Impact	Risk	Risk Management Objectives/Notes
2. Mis-match between plans and available funding  <b>This is an existing risk register entry</b>	HFAPM	Divisional Planning Process Medium Term Financial Strategy (MTFS) Budget controls	<u>Controls:</u> Good <u>Evidence:</u> MTFS Budget book FPG minutes	Budget monitoring  All plans to have specific budget allocations	Planned achievement and spend in line with budgets	Annual Next review - Jan. 2010 within Budget setting process	2	3	Med.	Budget controls include the monitoring of income streams. See also risk 15 in respect of funding for concessionary fares. Reviewed Jan 2009 in Budget setting process
2.a Failure of the Council to respond appropriately to the economic downturn.  <b>Proposed additional risk register entry</b>	HFAPM	Income estimate revised in line with actual. 2009/10 estimate reduced – no recovery built in until 2010/11  Reviews to ensure capacity to meet demand and reduce / redeploy surplus capacity  Prompt payment to local suppliers  Debtor controls Fraud vigilance  Homelessness prevention initiatives  CDRP activity Parking charges frozen	<u>Controls:</u> Good <u>Evidence:</u> MTFS Monthly Budget monitoring  Resourcing levels and staffing requests to SRMT  Payment & debt monitors  Fraud detection and prevention procedures  Guidance supplied by ECC or government  CDRP plans and Minutes	Revise estimates in line with income  Heads of service to monitor demand and identify where additional resource or staff retention is required and redeployment opportunities  Ensure orders raised promptly to identify budget commitments  To be decided for each initiative.	Budget monitoring  Performance reporting measures  Measures of debt levels and age of debt  Existing fraud measures  Levels of crime and antisocial behaviour	Risk to be reviewed Quarterly in: - July 2009 - October 2009 - January 2010 - April 2010	3	3	Med.	The principal risks are a downturn in income, an increase in demand for services such as Benefits and Housing , and a potential increase in fraud and/or criminal activity  The objective is to prevent: - Budget overspends - Under recovery of income - Insufficient funding to deliver services - Insufficient balances at end of the financial year - Unplanned cuts in expenditure - Inability to increase services to meet demands - Contractors/partners being unable to meet their commitments - Deter fraud and criminal activity and social unrest  Additionally, there is a need to support the local economy and help vulnerable residents.

## Appendix 2 - Rochford District Council – Corporate Risk Register – Executive Summary – additional risk

## Related Risks

Risk Description	Risk owner	Action/ controls already in place	Adequacy of controls in place and evidence	Required action/control by Senior Management Team	Monitoring / success measures	Review frequency /key dates	Likelihood	Impact	Risk	Risk Management Objectives/Notes
11. Unexpected major financial liability or uninsured loss	HFAPM	Insurance reviews Whistle Blowing policy Budget Strategy Review of Financial Reserves & Balances Prudent investment strategy	<u>Controls:</u> Good <u>Evidence:</u> Insurance Policies Insurance reserve Budget Strategy Collection Fund reserve Budget/planning process includes risk assessment	Embed risk management culture	Good external audit and inspection judgements on financial and risk management  Risk Assessment included in budget process	Annual  Reviewed in Strategic Risk Review Sep.2007 and then Oct 2008  Next review - Oct. 2009	1	3	Low	Reviewed at commencement of each Business Planning Cycle.
12. High volumes of staff, client , or contractor fraud	HFAPM	Verification framework Whistle blowing/ Prosecution / Fraud / policies Internal Audit Register of interests Segregation of duties AGS assurance framework	<u>Controls:</u> Excellent <u>Evidence:</u> Audit reports Register of Interests SIC document Procedure manuals Internal Audit reports & Self assessment	Delegate specific measures to DRRs  Fraud awareness training / culture  Develop AGS process further if required	Demonstrate a proactive approach to identifying areas that are high risk for fraud	Annual  Reviewed October 2008 following June 2008 AGS  Next - review after AGS of June 2009	1	3	Low	SIC updated June 2007 AGS prepared June 2008 AGS being prepared for June 2009

**Appendix 2 - Rochford District Council – Corporate Risk Register – Executive Summary – additional risk**

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