

OVERVIEW AND SCRUTINY COMMISSION
11 September 2008

RISK MANAGEMENT UPDATE
Director of Corporate Services

1 PURPOSE OF REPORT

- 1.1 Risk management forms a key part of the Council's corporate governance and internal control framework and should form part of all decision-making and policy-making. Through effective risk management, the Council is better placed to meet its strategic and directorate priorities by:
- Enabling the early mitigation of threats or maximisation of opportunities to the achievement of opportunities;
 - Promoting better decision-making;
 - Encouraging innovation by being risk-aware rather than risk-averse;
 - Embedding a consistent approach to risk management which is a key part of day-to-day business functions; and
 - Ensuring the Council meets its statutory and regulatory responsibilities relating to risk management.
- 1.2 The purpose of this report is to provide the Overview and Scrutiny Commission with an update on progress on risk management at the Council.

2 SUPPORTING INFORMATION

Strategic Risk Register

- 2.1 Developing and maintaining a robust Strategic Risk Register is vital for effective risk management. During 2007/08, Zurich Municipal was appointed to undertake an exercise to develop a new Strategic Risk Register for the Council. Discussions were held with individual members of the Corporate Management Team (CMT) to identify what they considered to be the significant risks to achieving the Council's medium term objectives (see Appendix 2).
- 2.2 Following this, Zurich Municipal facilitated a workshop to discuss the potential risks that had been identified and CMT agreed which risks needed to be included in the Strategic Risk Register. CMT established its risk tolerance threshold (see Appendix 3), evaluated each risk in the Register in terms of impact and likelihood and agreed risk owners for those risks over the tolerance threshold. Members were consulted on potential risks to the achievement of the medium term objectives at the Risk Management Workshop for Members. These were consistent with the risks agreed at the CMT workshop.
- 2.3 CMT agreed that the Strategic Risk Register should be reviewed on a quarterly basis. The Register as developed by Zurich Municipal has therefore now been updated to take into account changes and new risks arising since the start of the new financial year. The updated Register was reviewed by the Strategic Risk Management Group Register in April and June and changes proposed by the Group were taken into account in presenting the updated register to CMT on 2 July.

Following this, the Executive considered and approved the updated Register on 22 July. The approved register is attached at Appendix 1. The Executive also agreed that actions to address risks over the tolerance level should be developed by officers who have been identified as risk owners and that these be monitored by the Executive on a quarterly basis through the Performance Management Reports.

Risks in Service Plans

- 2.4 Significant effort has been made to improve the identification of risks and mitigating actions in directorate Service Plans for 2008/09. Senior officers were engaged in a workshop to assess the risks included in the Strategic Risk Register and identify how they impacted on Service Plans. The results of this were used to help develop the Risk Sections of each Service Plan. Risks in the draft Service Plans were then reviewed in detail by the Head of Audit and Risk Management and feedback was provided to assist directorates in ensuring all significant risks had been included and that appropriate actions had been identified. Risks in Service Plans will be monitored through the quarterly Performance Management Reports.

Risk Management Strategy and Guidance

- 2.5 An internal audit review of risk management carried out in March 2008 recommended that the Risk Management Strategy and Guidance which was issued in 2006 should be reviewed. The Head of Audit and Risk Management is updating the Strategy and Guidance and the revised document will then be reviewed by the Strategic Risk Management Group before being taken to the Executive for approval.

Risk Management Training

- 2.6 Risk management training was provided to Members at a workshop on 18 February 2008 facilitated by the new Head of Audit and Risk Management who joined the Council in January 2008. In addition, the Head of Finance provided training to senior managers in January on risks in Service Plans and how these should reflect the Council's strategic risks. Further training will be provided to officers following the updating of the current Risk Management Strategy and Guidance. All reports for decision making already include a section on strategic risk and the planned training will cover the factors to be considered when completing this section.

Background Papers

Zurich Municipal Strategic Risk Management Report
Risk Management Internal Audit Report

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Doc. Ref

G/Technical and Audit/Internal Audit/Sally/My documents/risk management/Overview and Scrutiny risk management report 11 September 2008

STRATEGIC RISK REGISTER AS AT 22 JULY 2008

RISKS AGREED AT CMT WORKSHOP IN JANUARY 2008 OVER TOLERANCE LEVEL (* risk over tolerance level)								
No	Rating		Short name	Link to Medium Term Objectives (see below)	Vulnerability	Trigger	Consequence	Risk Owner
1	B2	*	Decision making	Medium Term Objective 10	<p>Current financial circumstances mean that the Council must take and maintain some potentially difficult decisions, as outlined previously to inspectors, and maintain a tight financial regime.</p> <p>Some of these decisions will have an impact on frontline services, and there may be a reluctance to do this.</p>	The Council is unwilling / unable to take difficult decisions	<ul style="list-style-type: none"> • Unable to make key decision • Savings cannot be made • Savings made from other areas or across the board • Salami slicing of a number of service areas • Impact on frontline services • Further impact on support services • Service delivery affected • Adverse effect on performance • Complaints from stakeholders • Adverse publicity • Image of Council damaged 	Chief Executive
2	B2	*	Demographic and socio economic changes	Medium Term Objective 6, 7 and 9.	The council plans in advance for possible demographic changes and estimates of this have been built into the budget. A high number of the services provided by the Council are demand-led, however, and it can be difficult to predict	Unplanned demographic or socio-economic changes have significant detrimental impact on the delivery of services	<ul style="list-style-type: none"> • Community does not receive services they require • Sudden surges in community and police issues • Impact on recruitment • Adverse publicity • Reputation damaged 	Director Social Care and Learning / Director of Environment Culture and Communities

					<p>this accurately.</p> <p>It is recognised that the profile of elderly and young people, and ethnic diversity is rapidly changing in a number of other areas also, which can be difficult to map, and can have a significant impact.</p>			
3	B2	*	Demand led services	Medium Term Objective 5, 6, 7 and 9.	<p>There are challenges to the demand-led care services within Bracknell Forest. The population of older people is set to dramatically increase and there are more, younger, people coming into the system with intensive support needs and there is a changing incidence of disability. These services represent major components of the Councils funding provision.</p>	<p>Finances and/or resources required to support demand are significantly higher than planned</p>	<ul style="list-style-type: none"> • More and more resource is needed to run the services • Significant budget overspends • Money drawn from other services • Cost spiral • Reductions in service level the council can offer • Revenue problems not resolved by capital investments • Adverse effect on staff morale affected • Adverse effect on assessments • Members need to make unpopular decisions. • Councils finances compromised 	Director Social Care and Learning
4	C2	*	South East Plan	Medium Term Objective 3.	<p>The South East plan will mean a significantly increased level of housing in the borough. (approx 11k houses)</p> <p>The increased number of houses will require an accompanying level of infrastructure improvements (transport, schools, hospitals)</p>	<p>Houses built without accompanying improvements in infrastructure</p>	<ul style="list-style-type: none"> • Demands on services increase • Infrastructure is put under pressure • Transport system under pressure • Area becomes less attractive to employers • Risk of unemployment • Area becomes less attractive place to live. • Residents complain • Image of Council damaged 	Director of Environment Culture and Communities

5	D1	*	Town Centre	Medium Term Objective 1.	A key element of the Town Centre redevelopment is securing a high profile anchor store. Discussions are quite well advanced, however there still needs to be confirmation secured.	Key elements may not go ahead eg. third party funding eg. anchor store	<ul style="list-style-type: none"> • Overall Scheme potentially unviable • Delays • Council reputation damaged • Satisfaction with Council and services decline 	Chief Executive / Director of Environment Culture and Communities
6	D2	*	Key people leave	Medium Term Objective 1,2,3,4,5,6, and 9.	<p>The council is a lean organisation delivering a wide range of services and improvement programme with little excess capacity or resources. A large amount of knowledge and expertise in the council rests with a few key people in key positions.</p> <p>The council is in competition for staff with a number of similar authorities in the area and London.</p>	A number of key person(s) leaves or is unavailable for a significant period of time	<ul style="list-style-type: none"> • Loss of skills, knowledge and experience • No-one else in council has skills or capacity to cover the post • Impact felt across whole council • Remaining staff under pressure • Adverse impact of staff morale leading to stress, increased absenteeism or high turnover • Service delivery or improvement programme affected 	Director of Corporate Services
7	B2	*	Income projections	Medium Term Objective 10	The Council has made projections and forecasts around income levels. e.g. leisure fees and charges, commercial property and interest	Significantly lower income than projected	<ul style="list-style-type: none"> • Significant amount of money needs to be found • Budgets have to be cut to balance the books • Services have to be prioritised/reduced • Staff workloads increase • Staff feel they are being targeted for cuts • Staff are frustrated at situation 	Borough Treasurer

						<ul style="list-style-type: none"> • Services suffer from lack of resources • Public dissatisfaction with Council services • Detrimental impact on Council • Council reputation damaged 	
RISKS AGREED AT CMT WORKSHOP IN JANUARY 2008 BELOW TOLERANCE LEVEL (* risk over tolerance level)							
8	B3	Limited staffing resources	Medium Term Objective 1,2,3,4,5,6, and 9.	<p>The council is a lean organisation delivering a wide range of services and improvement programme with little excess capacity or resources. There is a perception of a dependency on key individuals (usual suspects) in some positions. Senior managers have to balance their strategic v operational roles.</p> <p>There are some concerns around having sufficient critical skills e.g. project and change management across the organisation.</p>	BFBC does not have enough of the right people in the right job at the right time	<ul style="list-style-type: none"> • Knowledge & expertise continue to be held with a few key people • Senior management involved in too much day to day operational and tactical management • Stretches the capacity of the few key people • Long hours culture continues • Key staff burn out • Levels of stress and staff absenteeism • The council is not 'growing its own' for the future • Some members of staff skill sets do not match those required for the job they are in • Talented people feel under utilised, or frustrated, in their current role and leave • Inertia and resistance to change 	
9	C3	Realising benefits of the town centre redevelopment	Medium Term Objective 1.	The town centre redevelopment will include a new civic hub, which, alongside a significant investment in IT capability over recent years will be key elements of changing how the Council interacts with the public, particularly in terms of CRM and service transformation.	Maximum benefits or improvements of significant change and investment are not realised or demonstrated	<ul style="list-style-type: none"> • Changes do not have desired impact • Value of changes not seen • Service improvements not delivered • VFM questioned • Promises not met, or not seen to be met • Staff frustration • Impact on morale • Adverse publicity • Image of Council suffers 	

10	E2	Potential failure of key contractor(s)	Medium Term Objective 10.	A significant number of council services are provided through contracts with external providers.	Failure of key contractor to deliver	<ul style="list-style-type: none"> • Service fails / adversely affected • Public expectations of service need to be met • Alternative arrangements need to be made • Service brought back in house • Increased costs • Effect on Council Tax/reserves • Contract examined • Legal implications • Censure by audit/inspection • Adverse publicity 	
11	D3	Impact of area based funding through the LAA	Medium Term Objective 10.	<p>As part of the move to a more area based approach, specific grants have been moved into a more area basis through the LAA.</p> <p>This may mean that the overall amount available falls and that the Council's direct influence on how it is used diminishes, as it will require agreement from partners, and will increasingly be provided cross-organisationally.</p>	Realigning of funding to a more general approach leads to a relative reduction to funding available to specific services	<ul style="list-style-type: none"> • Significant amount of money needs to be found • Budgets have to be cut to balance the books • Impact on Council Tax • Possibility of Council Tax capping • Services have to be prioritised/reduced • Staff workloads increase • Staff feel they are being targeted for cuts • Staff are frustrated at situation • Services suffer from lack of resources • Public dissatisfaction with Council services • Detrimental impact on Council • Council reputation damaged • Censure by audit and inspection 	
12	E4	Increasing delivery of services through partnership arrangements	Medium Term Objective 3,5,6 and 9.	The council is involved in a number of key partnerships to deliver services for local people and going forward this will be an even more important part of how Local Authorities deliver better outcomes for their area.	A key partnership fails to deliver	<ul style="list-style-type: none"> • Impacts on service delivery • Community outcomes compromised. • Tension between partners • Relationships with other bodies deteriorate • Unforeseen accountabilities and liabilities fall on the council • Financial implications 	

							<ul style="list-style-type: none"> • Claw-back of grants • Don't get joined up approach to achieving the vision for the borough • Impacts the ability to deliver on a long-term vision for the borough • Impact on reputation 	
OTHER RISKS IDENTIFIED AT WORKSHOP TO BE MANAGED IN THE NORMAL COURSE OF ACTIVITIES (* risk over tolerance level)								
13	B2	*	Travel planning	Medium Term Objective 10	Systematic approach for the Council to review the impact of its travel and transport plans and promote greener travel alternatives.	Reduced levels of parking mean that fewer staff are provided with free parking.	<ul style="list-style-type: none"> • Adverse impact of staff morale • Loss of staff • Impact on recruitment of new staff 	
NEW RISKS / RISKS IN PREVIOUS CORPORATE RISK REGISTER AS AT MARCH 2007 (* risk over tolerance level)								
14	E2		Performance Management and Data quality	Medium Term Objective 10.	The Council's priorities, activities and resource allocation are informed by an extensive evidence base drawing on data collected across Council departments and from partners. The robustness of this data is crucial to ensuring good decision-making. There are a number of factors which can jeopardise good-quality data, including the complexity of the processes used to obtain data; the age, stability and general fitness-for-purpose of the systems used to obtain data; the expertise of relevant staff; and the robustness of third-party data validation processes.	The performance management information reported internally via PMRs and externally to partners and audit and inspection bodies is based on poor-quality data.	<ul style="list-style-type: none"> • Badly informed prioritisation and resource allocation, leading to deterioration in services, poor staff morale and wasted resources • Increasing numbers of externally reported performance indicator outturns qualified by auditors, leading to censure, damage to the Council's reputation, and adverse publicity • Disruption of relationships with partners due to the lack of a single, reliable evidence base on which all are agreed • Inability of the Council to take full advantage of emerging opportunities for benchmarking and peer review, or successfully to meet the challenges and opportunities of partnership working, area-based funding and the increasing emphasis on local innovation 	

15	B2	*	Funding pressures	All Medium Term Objectives	Financial pressures due to potential factors such as reduction in funding, increased costs, major project overspend, savings targets not being achieved, inability to identify additional income or as a result of changes to national or European legislation, eg Social rent Reform.	Inability to meet financial targets and reduction to funding available for specific services	<ul style="list-style-type: none"> • Budgets have to be cut to balance the books • Impact on Council Tax • Services have to be prioritised/reduced • Staff workloads increase • Staff feel they are being targeted for cuts • Staff are frustrated at situation • Services suffer from lack of resources • Public dissatisfaction with Council services • Detrimental impact on Council • Council reputation damaged • Censure by audit and inspection 	
16	E3		Thames Basin Heath's SPA	Medium Term Objectives 2,3 and 4	The Government has designated the Thames Basin Heaths Special Protection Area (SPA) under the EC Birds Directive. This recognises the international importance of heathland as a habitat for endangered bird species. Natural England have advised that new housing within 5 kilometres of the SPA may harm the rare bird populations. A mitigating strategy is in place but this needs to be modified to meet regional needs.	Mitigating strategy may not satisfy regional needs.	<ul style="list-style-type: none"> • Unable to meet the housing needs of the growing regional population • Educational and social needs not met • Target outcomes not achieved around education and social care • National performance targets not achieved • Public dissatisfaction with the Council • Detrimental impact on Council reputation • Censure by audit and inspection 	
17	D2	*	Loss of systems and data	Medium term objectives 6,7, 8,9 and 10	The Council is heavily dependent on its IT systems to deliver and record the delivery of services and process	IT system failure or loss of paper based sensitive information.	<ul style="list-style-type: none"> • Loss of key management information • Potential loss of income if unable to record and process transactions for front line services • Loss of personal data on employees or 	

					transactions. IT failure would impact significantly on this. In addition, the Council holds sensitive information on individuals in both electronic and paper form.		<p>residents including vulnerable groups such as children</p> <ul style="list-style-type: none"> • Breach in data protection legislation • Detrimental impact on Council reputation • Censure by audit and inspection 	
18	D2	*	Business Continuity Incidents	Medium term objectives 2,7 and 10	The Council's activities could be disrupted by a major incident such as a national flu pandemic or a serious fire. This may also arise from a more mundane occurrence such as temporary loss of water in one of its key buildings that would make it impossible to operate on health and safety grounds.	Serious incident disrupting the Council's ability to continue its operations eg. flu pandemic, terrorist attack, utilities failure, power failure, flu crisis, loss of a building.	<ul style="list-style-type: none"> • Staff unable to get to work • Unable to access buildings/ IT to deliver services • Service fails / adversely affected • Vulnerable groups such as children and the elderly put at risk • Public expectations of service not met • Alternative manual arrangements need to be made • Loss of income where systems to record transactions are not operational • Increased costs where alternative IT arrangements/accommodation needed • Effect on Council Tax/reserves • Censure by audit/inspection if unable to sustain service and meet legal requirements 	
19	D2	*	Loss of reputation	Medium Term Objective 10	The Council's standing is built on its sound performance. This is reflected in the external assessments such as CPA, OFSTED, etc which have concluded that it is performing strongly. Stakeholders such as residents, businesses and partners consequently have confidence in the Council to deliver but this could be	Critical external inspection, poor exam results, bullying incidents inappropriate use of public monies by Members or officers	<ul style="list-style-type: none"> • Impact on recruitment and retention of staff • Public dissatisfaction with the Council • Detrimental impact on Council reputation • Censure by audit and inspection • Adverse publicity • Impact on funding bids • Relationship with partners impaired 	

					undermined by any factors that would cast doubt on the Authority.			
20	D2	*	IT Security/Identity breach	Medium term objectives 6,7, 8,9 and 10	The Council's and contractors' IT systems hold sensitive data such as suppliers and employees bank account details which could potentially be misused or stolen if not secure. The Council also holds large amounts of personal data on staff, residents, vulnerable individuals such as children and adults with social care needs. It is therefore potentially a key target for potential fraudsters intent on committing identity fraud.	Breach in IT security leading to loss of monies or personal data. Identity theft.	<ul style="list-style-type: none"> • Loss of personal data on employees or residents including vulnerable groups such as children • Breach in data protection legislation • Detrimental impact on Council reputation • Censure by audit and inspection • Breach in requirements for holding credit card details 	
21	E2		Major fraud or corruption	Medium Term Objective 10	The Council's Codes of Conduct, Constitution, Fraud and Corruption Policy and Employee Handbook provide guidance to both officers and Members on standards of behaviour. However, a small number of irregularities continue to arise each year.	Major fraud and corruption identified from Whistleblowing, disciplinary or complaints process.	<ul style="list-style-type: none"> • Cost implications if unable to recover financial losses arising from fraud or corruption • Staff resources in investigating fraud and corruption cases • Risk of challenge if associated with procurement • Public dissatisfaction with the Council • Detrimental impact on Council reputation • Censure by audit and inspection 	
22	E1	*	Corporate Manslaughter	Medium Term Objective 10	New legislation effective from 1 April 2008 means that the Council may potential culpable as an	Successful prosecution under the Act resulting in a publicity order,	<ul style="list-style-type: none"> • Financial impact • Financial targets not achieved • Need to identify savings to cover unanticipated costs 	

					organisation for the death of individual(s) arising from failure at senior management level.	unlimited fine and remedial order.	<ul style="list-style-type: none"> • Detrimental impact on Council reputation • Censure by audit and inspection • Adverse publicity 	
23	D2	*	Project management	Medium Term Objectives 1, 6 and 0	The Council has several large projects ongoing eg Town Centre re-generation, Civic Hub, Garth Hill. Failure to manage projects effectively could potentially have severe financial, reputational and service impacts.	Failure to control implementation of a major projects	<ul style="list-style-type: none"> • Project objectives not achieved • Cost overruns • Delays • Council reputation damaged • Satisfaction with Council and services decline 	
24	E2		Combined Heat and Power (CHP).	Medium term Objective 1	Installation of combined heat and power for the new civic hub and Times Square. Decision on the responsibility for delivery of the CHP is outstanding. Responsibility for CHP would bring with it liability for any delays to the overall project that CHP might cause.	Delay in CHP if the Council were responsible for the delivery.	<ul style="list-style-type: none"> • Financial penalties • Significant fees invested not recouped if the combined heat and power installation is not delivered. • Proposed energy savings not achieved. 	
25	E2		Car parks	Medium Term Objectives 1, 2 and 3	New car space has opened in the town in competition with Council parking. Equipment in the multi-storey car park is 25 years old and overdue for replacement. Also need to consider re-tendering of contract in terms of a new car park strategy once this has been	Reduction in use of Council car parks. Equipment fails and cannot be repaired.	<ul style="list-style-type: none"> • Potential financial impact due to loss of car park income • Unable to operate car park if equipment fails • Cost of equipment replacement might not be recouped 	

					developed.			
26	C2	*	Industrial Action	Medium Term Objectives 2, 5,6,7 and 9.	Trade Unions have rejected local government pay offers and have confirmed strike action for 48 hours in mid July. Further action may arise if demands are not met.	Confirmed and potential further strike action	<ul style="list-style-type: none"> • Impact on ability to deliver services • Risk that critical functions might not be delivered • Impact on performance targets • Negative impact on Council reputation with residents and local businesses • Staff morale affected if industrial action results in services and targets not being achieved 	
27	D2	*	Financial settlement	Medium Term Objective 10.	A significant element of the Council's funding comes from central government grant. The allocation of the grant is based on a set of formulae and ministerial discretion. Whilst the annual settlement is now part of a three year agreement and the grant 'floor' currently ensures that the annual increase in grant is at least 2%, there remains the risk that significant changes may be made either during the three year period if there is a change in government or at the end of the three year review period.	Change in grant 'floor' reduces central government funding.	<ul style="list-style-type: none"> • Significant amount of money needs to be found • Budgets have to be cut to balance the books • Impact on Council Tax • Possibility of Council Tax capping • Services have to be prioritised/reduced • Staff workloads increase • Staff feel they are being targeted for cuts • Staff are frustrated at situation • Services suffer from lack of resources • Public dissatisfaction with Council services • Detrimental impact on Council • Council reputation damaged • Censure by audit and inspection 	

MEDIUM TERM OBJECTIVES

Priority one: a town centre fit for the 21st century

Medium term Objective

1. To build a vibrant Bracknell town centre that residents and businesses are proud of.

Priority two: protecting and enhancing our environment:

Medium term Objectives

2. To keep our parks, open spaces and leisure facilities accessible and attractive.
3. To promote sustainable housing and infrastructure development.
4. Keep Bracknell Forest clean and green.

Priority three: promoting health and achievement:

Medium term Objectives

5. To improve health and well being within the Borough.
6. To improve the outcomes for children and families through the Children and Young People's Plan.
7. Seek to ensure that every resident feels included and able to access the services they need.

Priority four: create a borough where people are, and feel, safe:

Medium term Objectives

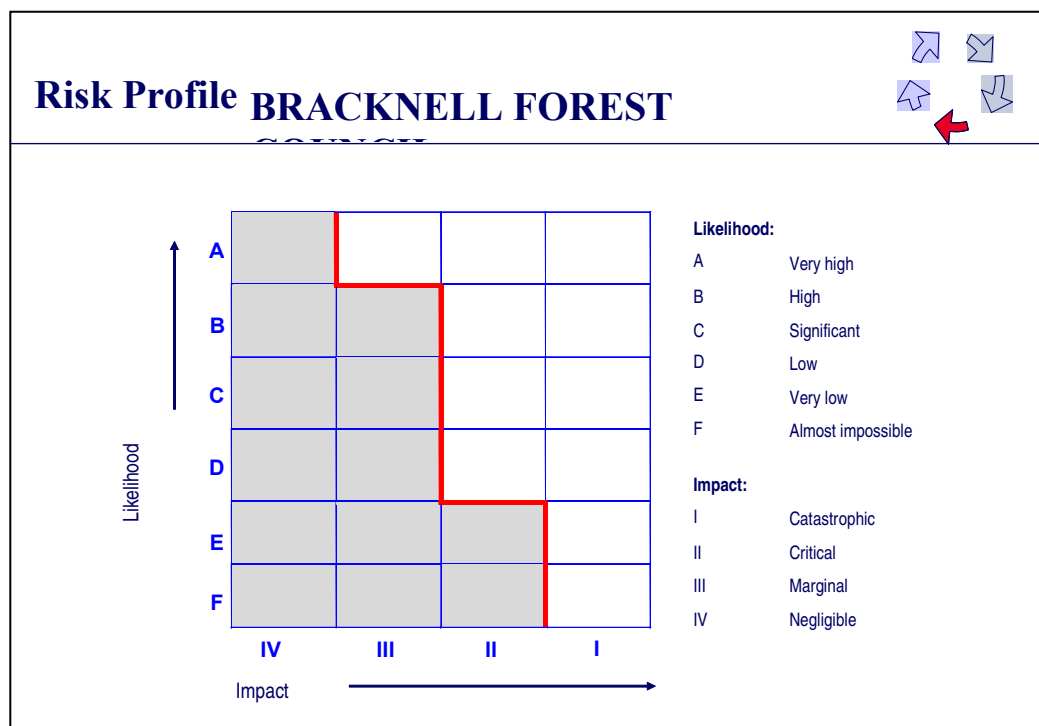
8. To reduce crime and increase people's sense of safety in the Borough.
9. To promote independence and choice for vulnerable adults and older people.

Priority Five: value for money

Medium term Objective

10. To be accountable and provide excellent value for money.

BRACKNELL FOREST BOROUGH COUNCIL RISK TOLERANCE LEVEL



The risk tolerance level as denoted by the bold line in the diagram above was determined by the Corporate Management Team at their risk workshop.