

BABERGH DISTRICT COUNCIL

FROM: Director of Finance

REPORT NUMBER: **H87**

TO: OVERVIEW AND SCRUTINY
(STEWARDSHIP) COMMITTEE

DATE OF MEETING: 12 August 2008

SIGNIFICANT BUSINESS RISKS REFRESH

1. PURPOSE OF REPORT

- 1.1 To update Members on the results of a strategic risks refresh exercise that has been undertaken, which has examined the current issues and challenges facing the Council.
- 1.2 Based on this, approval is sought to a revision to the Council's significant business risks register

2. RECOMMENDATIONS

- 2.1 That the significant business risk register is updated to reflect the outcomes of the latest strategic risk refresh set out in the report and summarised in the appendices.
- 2.2 That Management Action Plans for each risk above the tolerance line are monitored by the Overview and Scrutiny (Stewardship) Committee on a quarterly basis.

The Committee is asked to recommend the above to Strategy Committee.

3. FINANCIAL IMPLICATIONS

- 3.1 None directly. Officers will take actions within existing budgets and resources. Member approval will be sought for any actions that require additional resources.

4. RISK MANAGEMENT

- 4.1 This report is most closely linked with the Council's Significant Business Risk No. 7 – Financial, Performance and Risk Management. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Significant business risks are not regularly reviewed and managed.	Low	Critical	Risk Management Strategy is in place. Business risks are reviewed and updated quarterly. Guidance and training has been provided.

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Consideration not given to changes to the latest risks and opportunities facing the Council.	Low	Critical	The risk refresh reviewed and updated existing risks and identified and assessed new risks facing the Council in the light of Local Government Review in Suffolk and other issues.

5. **KEY INFORMATION**

- 5.1 The most significant business risks facing the council were last reviewed during the first half of 2007. It is recognised that these should be reviewed on a regular basis and one of the key actions for this year was to undertake a strategic risk refresh to update the risks, especially in the light of Local Government Review in Suffolk.
- 5.2 Although this risk was already captured in the 2007 significant business risk register, the previous intention under the Suffolk Pathfinder project to improve two-tier working has been overtaken by the Government asking the Boundary Committee to look at proposals for the establishment of Unitary councils in Suffolk (and Norfolk).
- 5.3 Therefore, the risk scenarios and action plans agreed in 2007 have changed, as has the impact on other risks such as, for example, capacity, culture and shared services.
- 5.4 The latest strategic risk refresh exercise has revisited the risk scenarios and looked at these in relation to the following themes, representing the four key challenges and issues facing the council over the next two years:

Maintaining and improving existing services

- Local Government Review
- Shared Services
- Partnerships
- Capacity
- Financial, Performance and Risk Management
- Managing Projects and Programmes

Planning for the Future of the District

- Partnerships
- Political and Managerial Leadership
- Local Response to National Issues

Efficiencies and Financial Savings

- Local Government Review (as a barrier)
- Shared Services (business operating model)
- Partnerships
- Financial, Performance and Risk Management
- Efficiencies

Managing the Transition

- Local Government Review
- Political and Managerial Leadership
- Capacity
- Culture and Change
- Managing Projects and Programmes

5.5 Management Team and Service Heads have, as a result:

- Reworked the risk scenarios to reflect the latest risks facing the council and the potential impacts
- Identified one additional new risk in relation to Babergh's response locally to current national (and international) issues such as climate change and the general economic downturn.

5.6 The outcome is that ten risks, with revised risk scenarios are being proposed for approval, as summarised in Appendix A. A Member workshop was held on the 8 July and general support was given to these.

5.7 These risk scenarios set out for each risk:

- Vulnerability – why, what's happening, what's the problem/issue
- Trigger/risk – what's the event, what could go horribly wrong
- Consequences – what could occur as a result, how big a problem it would be, to whom and why.

5.8 Each risk is rated, based on the following scale (see Appendix B):

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

5.9 The June 2007 and latest proposed risk ratings are shown below:

Risk No.	Risk Theme	June 2007 Score	June 2008 Score	Movement
1	Local Government Review	B2	C2	Down
2	Shared Services	B2	C3	Down
3	Partnerships	C2	C2	No change
4	Political and Managerial Leadership	B2	C2	Down
5	Capacity	C2	B2	Up
6	Culture and Change Management	C1	C2	Down

Risk No.	Risk Theme	June 2007 Score	June 2008 Score	Movement
7	Financial, Performance and Risk Management	D2	C2	Up
8	Efficiencies and Savings	B2	C3	Down
9	Project and Programme Management	C2	C2	No change
10	Local Response to National Issues	New Risk	C2	New risk

- 5.10 As can be seen from the table, Capacity – being able to deliver the strategic plan, efficiencies & savings and deal with LGR whilst maintaining and improving services to the public - is seen as the biggest risk facing the Council. The increase in the risk rating reflects the increasing demands on the Council and its staff.
- 5.11 Similarly, the risk rating for Financial, Performance and Risk Management has been increased to reflect the importance of continuing to focus on improving services and managing performance/risks whilst undertaking the necessary work on LGR and preparing for the potential new Unitary Councils. These are high priorities in order to maintain a positive Direction of Travel and Use of Resources assessment and recognises their importance to these and the new Comprehensive Area Assessment arrangements.
- 5.12 Other risks have reduced or remained the same due to the actions taken over the last 12 months to manage these. All of the risks have been mapped on a risk profile matrix, which is shown at Appendix B. This provides an overall picture of all 10 risks.
- 5.13 It should be noted that, whereas previously all risks were seen as being above the Council's risk tolerance line, two are now seen as falling below the line – shared services and efficiencies/savings. These are still significant issues but are seen as lower risk in terms of the existing planned approaches to managing them.
- 5.14 Risk management action plans are being drawn up by officers for the risks above the line and these, along with progress in managing the risks, will be reported to Members in November.

6. **APPENDICES**

- A – Risk scenarios
- B – Risk Matrix

7. **BACKGROUND PAPERS REFERRED TO:**

Significant Business Risk Register
Risk Management Strategy

CONTACT: Barry Hunter
Director of Finance

EMAIL: barry.hunter@babergh.gov.uk

Elfreda Walker
Audit Manager

elfreda.walker@babergh.gov.uk

Appendix A

1. Local Government Review

Risk Rating June 2007 B2

Revised Risk Rating June 2008 C2

Management Team Lead – Pat Rockall

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be? to whom and why
<p>Local Government structures in Suffolk subject to review by the Boundary Committee, with changes to be implemented in April 2010.</p>	<ul style="list-style-type: none"> • Failure to engage in the review process • Failure to influence the review process. 	<ul style="list-style-type: none"> • Lack of influence on future local government arrangements • Inability to engage with partners in change planning process • Not able to manage transition to new arrangements • Poor morale/motivation amongst staff and Members. • De- stabilising impact on Babergh District Council of 'threat' of externally imposed change • Detrimental impact on service delivery.

2. Shared Services

Risk Rating June 2007 B2

Revised Risk Rating June 2008 C3

Management Team Lead – Mike Hammond

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The need to achieve more (in terms of service quality) from less (in terms of funding and staff resources).</p>	<p>Our failure or failure by potential partner councils, to vigorously pursue the opportunities that are available.</p>	<p><u>Up to 2010</u></p> <ul style="list-style-type: none"> • Efficiency target not delivered • Service improvements not achieved.

3. Partnerships

Risk Rating June 2007 C2

Revised Risk Rating June 2008 C2

Management Team Lead – Mike Hammond

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>Babergh is a small council. If it is to achieve its strategic plan it needs to 'punch above its weight' by:</p> <ul style="list-style-type: none"> • Influencing local/sub regional partners to achieve the strategic plan • Influencing, delivering and engaging with Government agenda/regional agenda. 	<p>Babergh fails to engage or our partners do not value our contribution.</p>	<p>Failure to lever in resources / expertise of our partners for the benefit of our communities.</p>

4. Political and Managerial Leadership

Risk Rating June 2007 B2

Revised Risk Rating June 2008 C2

Management Team Lead – Pat Rockall

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>There are serious challenges facing the council and the community that require strong political and managerial leadership.</p> <p>The Council is under no overall control and there are stretched managerial leadership resources.</p>	<p>Inability to provide strong leadership during a period of significant change.</p>	<ul style="list-style-type: none"> • Indecision/poor decision making • Mixed /conflicting messages • Lack of influence in external arenas • Change programme poorly managed and led. • Low morale and motivation • Staff unprepared for future change • Reputation of Council compromised • Not seen as a credible player.

5. Capacity

Risk Rating June 2007 C2

Revised Risk Rating June 2008 B2

Management Team Lead – Andrew Hunkin

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The Council needs to ensure it has sufficient capacity to: deliver the strategic plan, deliver its planned efficiencies and savings, and deal with the LGR proposals, whilst maintaining and improving services to the public.</p>	<ul style="list-style-type: none"> • Increase in staff turnover • Inability to recruit staff, or staff are recruited without all the necessary skills and competencies • Inadequate funding to deliver services and plans • Inadequate technology to deliver services and plans. 	<ul style="list-style-type: none"> • The Council fails to: deliver the strategic plan, deliver its planned efficiencies and savings, and deal with the LGR proposals, whilst maintaining and improving services to the public. • Customer satisfaction falls • Partner/stakeholder confidence deteriorates • External scrutiny increases and further resources required/diverted.

6. Culture and Change Management

Risk Rating June 2007 C1

Revised Risk Rating June 2008 C2

Management Team Lead – Pat Rockall

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The Council is facing a great deal of externally imposed change.</p>	<p>Members and staff do not see the need for change or are resistant to change.</p>	<p>The Council as a whole does not change and develop to meet new challenges and demands</p> <ul style="list-style-type: none"> • Reputational damage • Inability to maintain good performance levels • Inability to recruit/retain high calibre staff.

7. Financial, Performance and Risk Management

Risk Rating June 2007 D2

Revised Risk Rating June 2008 C2

Management Team Lead – Andrew Hunkin & Barry Hunter

Vulnerability: (why, what’s happening, what’s the problem)	Trigger/risk: what’s the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The Council needs to deliver the strategic plan, deliver its planned efficiencies and savings and deal with the LGR proposals, whilst maintaining and improving services to the public. It will only do so if financial, performance and risk information is managed efficiently and effectively.</p>	<ul style="list-style-type: none"> • Failure to embed risk management, including partnership risks • LGR impacts on capacity and focus on maintaining/improving financial and performance management • Targets set are not achieved • Direction of Travel and relative performance improvement compared to others not maintained. 	<ul style="list-style-type: none"> • The Council fails to deliver the strategic plan, deliver its planned efficiencies and savings and deal with the LGR proposals, whilst maintaining and improving services to the public • Service standards/quality suffers. Customer satisfaction falls • External scrutiny increases and further resources required/diverted - impact on CAA, Direction of Travel and Use of Resources assessments by Audit Commission (embeddedness) • Could affect Corporate Governance arrangements (annual governance statement) • Partnerships don’t deliver desired outcomes and partner/stakeholder confidence deteriorates.

8. Efficiencies and Savings (2 Year Time Frame)

Risk Rating June 2007 **B2**

Revised Risk Rating June 2008 **C3**

Management Team Lead – Barry Hunter

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The Council needs to save up to £700k per annum on the budget and meet the Government's 3% per annum efficiencies target. HRA savings and efficiencies are also desirable/ essential/required.</p> <p>(2 year timeframe, assuming unitary authorities are created - 2009/10 and 2010/11 financial years)</p>	<ul style="list-style-type: none"> • Plans for efficiencies over the next two years not agreed/established • Members/staff don't sign up to and/or engage in making decisions around these requirements and/or delivering them. • Insufficient delivery from shared services, procurement, BPR etc. 	<ul style="list-style-type: none"> • Unable/difficult to achieve council tax increases at or below inflation as per existing financial strategy • Investment in services (including HRA) less than desired/set out in strategic plan and 2-3 year Medium-Term Action Plans • Failure to meet 'Gershon' targets resulting in impact on Direction of Travel/UOR Assessment • Service quality suffers. Unable to maintain/improve. services. • Service cuts possible. • Potentially unrealistic calls on limited resources.

9. Project & Programme Management

Risk Rating June 2007 **C2**

Revised Risk Rating June 2008 **C2**

Management Team Lead – Mike Hammond

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>The approach of LGR and our new Strategic Plan could affect the timetable for the delivery of several major capital projects and programmes. Are we still able to deliver in terms of capacity and funding?</p>	<p>Decisions made to proceed with 'legacy' projects, which then fail due to unforeseen events or poor management.</p>	<ul style="list-style-type: none"> • No legacy left by Babergh • Capital funding transferred to a subsequent authority • Repercussions on Members and staff.

10. Local Response to National Issues

New Risk

Risk Rating June 2008

C2

Management Team Lead – Mike Hammond

Vulnerability: (why, what's happening, what's the problem)	Trigger/risk: what's the event/what could go horribly wrong?	Consequences: what would occur as a result, how much of a problem would it be?, to whom and why
<p>Recognition that an issue not directly involving the region or district may have a (significant) impact. E.g. Economic downturn, climate change etc.</p> <p>Ensuring that an effective and influential response/reaction to wider issues results in positive outcomes for district.</p>	<p>Failure to respond to or influence changes or impacts proposed by others.</p>	<ul style="list-style-type: none"> • Babergh does not benefit from financial /economic/social etc. rewards arising from issue • Results in dis-benefits or deterioration on Babergh's economy, environment society • Migration of population, skills economy etc. • Criticism of Council for being seen to fail to respond to issues • Adverse publicity/media reaction.

Appendix B

RISK PROFILE

Risk Matrix Updated June 2008

