

**Agenda Item No:** 5  
**Report To:** Audit Committee  
**Date:** 25 June 2012  
**Report Title:** Strategic Risk Register  
**Report Author:** Brian Parsons, Head of Audit Partnership



**Summary:** The report sets out the draft Strategic Risk Register for adoption by the Council.

The risks shown are 'pre-mitigation', in other words they represent the scenario that might occur should the risk not be managed. In practice, a number of controls are already in place to help to prevent the scenario occurring.

The risks have been allocated to 'risk owners' who are responsible for taking the necessary action to manage the risks. Management Action Plans are currently being completed and will be compiled to sit next to the Register.

Audit Committee is asked to endorse the Register and the process that is set out in the report for the ongoing management and reporting of the risks.

**Key Decision:** No

**Affected Wards:** N/A

**Recommendations:** **Audit Committee is asked to:-**

- endorse the content of the draft Strategic Risk Register and the wording used to describe the risk
- endorse the ownership of the identified risks
- agree the process for monitoring and reporting action on the risk register
- agree the respective responsibilities for the risk management process.

**Policy Overview:** The Strategic Risk Register provides a means for monitoring the risks to the delivery of the Council's strategic objectives and for ensuring that appropriate action is taken to manage them.

**Financial Implications:** None directly

**Risk Assessment** Risk is the basis for the report

**Equalities Impact** No

**Assessment**

**Other Material Implications:** None

**Background Papers:** None

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**Report Title: Strategic Risk Register**

**Purpose of the Report**

1. The report sets out the key strategic risks to the delivery of the Council's key objectives. The risks have been identified through a series of interviews with senior managers and Members and principally through a Strategic Risk Management workshop which took place on the 9 March 2012. The workshop provided an opportunity for attendees to identify and prioritise the Council's key strategic risks and to develop a robust Strategic Risk Register.
2. Management Team was provided with a copy of the report from the risk consultant who facilitated the risk workshop, on 17 May 2012. The Team was asked to consider the report and make any necessary amendments so that a draft Strategic Risk Register could be created and management action plans could be completed by the allocated 'risk owners'.
3. It was also necessary to define the roles and responsibilities for risk management and the process for reporting progress on the management of the risks.
4. The report to Audit Committee seeks the committee's endorsement of the Register and of the process for the ongoing management and reporting of action, to manage the risks.

**Issue to be Decided**

5. Audit Committee is asked to:
  - endorse the content of the draft Strategic Risk Register and the wording used to describe the risk
  - endorse the 'ownership' for the management of the individual risks
  - agree the process for monitoring and reporting action on the risk register
  - agree the respective responsibilities for the risk management process.

**Background**

6. The Head of Audit Partnership reported to the meeting of the Audit Committee on 28 September 2011, proposing an approach for taking risk management forward at Ashford. The proposal included the creation of a strategic risk register.
7. The report made it clear that there was very limited resource within the Audit Partnership for risk management activity and that the arrangements would need to be delivered in the spirit of the strategic objective to provide 'the best services resources allow'. Maximum use would need to be made of the risk allowance from the Council's insurers, Zurich.

8. The resource availability would have a direct affect on the speed at which risk management could be progressed within the Authority. However, this could be beneficial as it would allow risk management arrangements to be introduced over a period, with each stage becoming properly embedded before moving to the next stage.
9. The committee resolved that a small task group of Members be set up to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring. A report on the findings could then go up to Council via the next meeting of the full Audit Committee.
10. The task group, led by the Chairman of the Audit Committee agreed that there was a need to move quickly to create an up-to-date, comprehensive strategic risk register. This would involve a series of one-to-one meetings with senior management and members and a risk workshop which would include Management Team and representatives from Cabinet and from the Audit Committee.
11. The interviews and the risk workshop would be facilitated by Zurich Management Services, and would be funded by the allowance that the Council receives from Zurich under the terms of its insurance contract.
12. The task group's proposals were subsequently endorsed by the full Audit Committee and by a meeting of the Cabinet on 8 December 2011.
13. Meetings between the risk consultant and senior officers and members took place in February 2012 and the risk workshop was held on 9 March 2012.
14. The report from the risk consultant was provided to Management Team on 17 May 2012.

### **The draft Strategic Risk Register**

15. It is vital that there is agreement that the key strategic risks have been identified within the draft register.
16. Following the agreement of the risks by Management Team, Audit Committee is asked to endorse the draft strategic risk register.
17. It is important to note that the risk descriptions set out the risk consultant's report are those that could occur if the risks are not managed. For example, the first one listed in the consultant's report is the risk of 'Lack of economic growth in the borough'. While this clearly is the risk, it is not a statement of fact. The risk management process exists to prevent the risk occurring in practice, through 'managing the risk'.

### **Ownership of the Risks**

18. As part of the risk workshop exercise, the attendees were asked to agree which senior officer should have 'ownership' of the individual risks. Ownership in this sense means that the allocated senior officer will take responsibility for ensuring that the risk is properly managed. This involves the completion of a

'management action plan', which needs to be updated on a periodic basis thereafter. It is considered that this should take place on a six-monthly basis. Audit Committee is asked to endorse the allocation of the risks to the specified officers.

19. The register itself needs to be similarly 'owned'. It is normal practice within a local government setting for Management Team to exercise a collective ownership of the Strategic Risk Register, with Cabinet as the strategy setting committee endorsing the Register. The Audit Committee then perform the role of overseeing the risk management arrangements.

### **The process for monitoring and reporting action on the risk register**

20. Having identified the key strategic risks, there is a need to ensure that actions are taken to manage or mitigate the risks. This requires that periodic reports are prepared. It is suggested that action on strategic risk management should be reported to Management Team on a six-monthly basis, with a subsequent report to Cabinet. The Audit Committee would also receive a six-monthly report so that it is able to monitor the effectiveness of the process. The Committee is asked to endorse this reporting process.

### **The respective responsibilities for the risk management process**

21. In order to ensure accountability, which is vital to the effectiveness of the process, it is essential that the roles and responsibilities of those involved in the process are clear. Management Team therefore agreed the following definitions:
  - 1 The Head of Audit Partnership (together with the Audit Manager) is responsible for coordinating the strategic risk management process and reporting on the actions being taken to manage the identified risk.
  - 2 The individual senior officer 'risk owners' are responsible for taking action to manage their risks and for providing periodically updated action plans to the Head of Audit Partnership for subsequent reporting to Management Team and Members.
  - 3 Management Team is collectively responsible for the Strategic Risk Register and ensuring that strategic risk is properly managed.
  - 4 Cabinet is responsible for agreeing the Risk Strategy and adopting the Strategic Risk Register.
  - 5 The Audit Committee is responsible for ensuring the effective development and operation of risk management.

### **Risk Assessment**

22. The Council is a complex organisation responsible for many £ millions of public expenditure. It is also a tax collector and a landlord receiving substantial levels of income. The actions of the Council have a major impact

on the community for which it is responsible. It is therefore vital that the strategic risks to the Council's objectives are identified and properly managed.

### **Other Options Considered**

23. The alternative option would be not to have a strategic risk register; however this would bring into question the adequacy of the Council's governance arrangements and its business planning arrangements.

### **Consultation**

24. The creation of a strategic risk register has been the subject of considerable consultation as shown elsewhere in this report.

### **Implications Assessment**

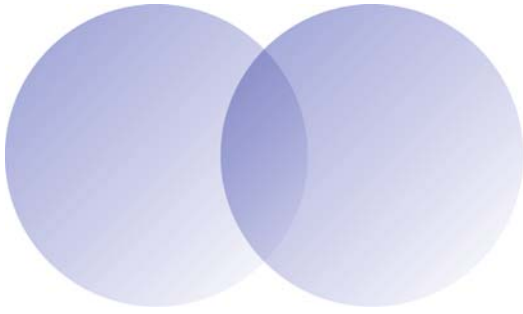
25. A strategic risk register, with proper arrangements in place for monitoring the management of the risks, should be seen as a vital element of the Council's governance arrangements.

### **Conclusion**

26. A draft Strategic Risk Register has now been compiled. It is important that the content of the register is endorsed, that ownership is clear and that proper arrangements are put in place to monitor and report progress on the management of strategic risk.

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Private and Confidential  
**Strategic Risk workshop report**

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Date prepared: March 2012

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# 1. Introduction

On 9<sup>th</sup> March 2012, a Strategic Risk Management workshop was conducted with senior managers and members at Ashford Borough Council. This workshop provided an opportunity for attendees to identify and prioritise the Council's key strategic risks and to develop a robust Strategic Risk Register.

This workshop was also informed by the outcomes from interviews undertaken with senior managers to discuss the strategic risks and these outcomes were presented to group to aid the discussion.

During the workshop each risk was discussed to ensure common agreement and understanding of its description and then prioritised according to likelihood and potential impact on the ability of the Council to achieve its core priorities:

1. Recycling and Environment
2. Activities for Young People
3. Economic Development and Housing
4. The Best Services Resources Allow

This report outlines the process used by Zurich Risk Engineering and the outcomes achieved. In doing so it includes detail on the strategic risks that were identified and prioritised by the group.

This is a private and confidential document prepared exclusively for Ashford Borough Council by Zurich Risk Engineering. It has been distributed to Brian Parsons, Head of Audit Partnership and a copy has been retained by Zurich Risk Engineering.

## 2. Executive Summary

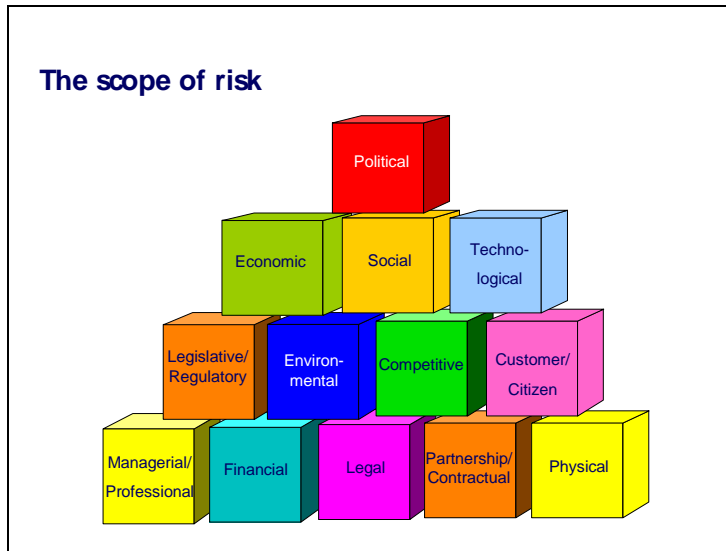
At the workshop the following risks were identified and prioritised:

<b>Risk No.</b>	<b>Risk</b>	<b>Risk Rating</b> Likelihood x Impact
1a)	Lack of economic growth in the borough	High (B) / Critical (II)
1b)	Failing to get the right mix and quality of housing	Significant (C) / Critical (II)
2	Volatility of key income streams	Very High (A) Critical (II)
3a)	Failure to understand levels of demand / Failure to manage expectations	Low (D) Marginal (III)
3b)	Failure to anticipate the consequences of the introduction of the Universal Credit	Significant (C) / Critical (II)
4	Failure to continue to recognise opportunities for localism for the community	Low (D) / Critical (II)
5	Lack of effective workforce planning	Significant (C) / Critical (II)
6	Members don't have the skills, capacity, experienced required to respond effectively to the changing agenda	Significant (C) / Marginal (III)
7	Lack of effective prioritisation from members and officers	High (B) / Critical (II)
8	Fail to manage the housing risk register	Significant (C) / Critical (II)
9	Not having the right funding at the right time for the right infrastructure	Very High (A) / Critical (II)

### 3. The Process

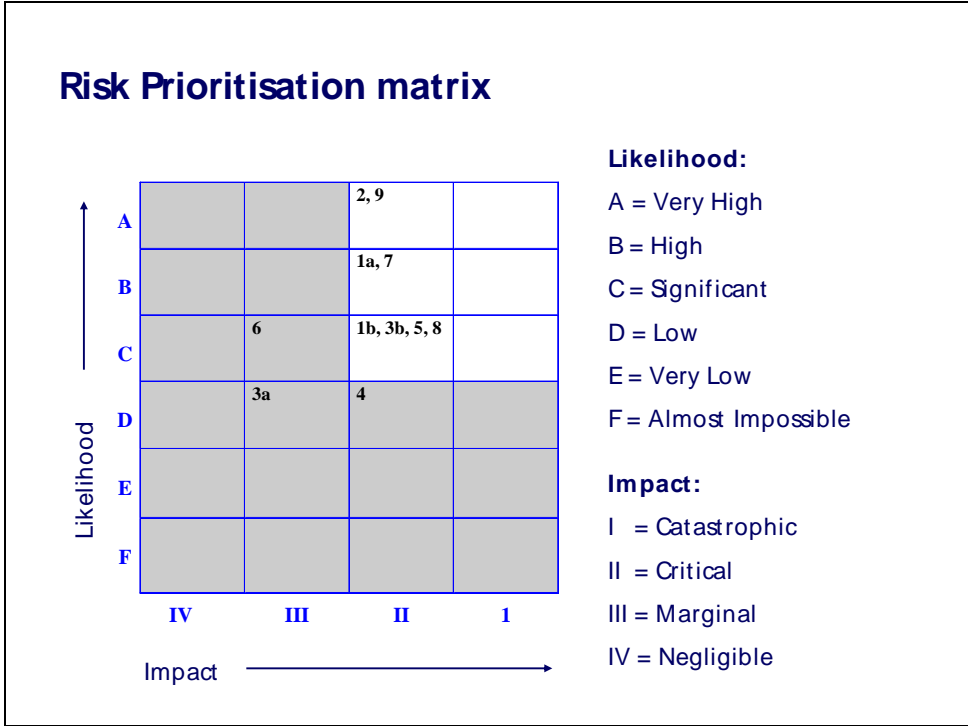
#### Risk Identification

The first stage of the risk management cycle requires risk identification. In doing so the group considered the following categories of risk.



#### Risk Analysis and Prioritisation

At the workshop 11 key strategic risks were identified these were then prioritised using the matrix below. In doing so, attendees prioritised residual risk by taking account of actions already in place to manage the risks.



## 4. Next steps

### Risk Management and Monitoring

At the workshop, senior managers were assigned ownership of each of the risks and in doing so were given overall responsibility for ensuring that each risk is effectively managed.

It is therefore recommended that action plans for addressing each of the risks are completed as soon as possible. These plans should include a summary of actions already in place, an assessment of how adequate these actions are and also further actions required (including responsibilities for actions and timescales).

It is also important that the risks and associated action plans are monitored and reviewed on a regular basis to ensure that they remain relevant and up to date and risks owners have a key role in overseeing the development and review of the plans.

# Appendix 1

## Ashford BC Strategic Risk Register

Risk No.	Vulnerability	Trigger	Consequences	Risk Rating Likelihood x Impact	Risk Owner
1	The Council needs to work with and influence developers, businesses and other agencies to ensure that the right quality and mix of housing, infrastructure and investment in the borough is delivered.	1a) Risk of a lack of economic growth in the borough / lack of facilitation of job creation / an inappropriate balance of jobs leading to a decline in average earnings.	<ul style="list-style-type: none"> <li>Investment not attracted to the area</li> <li>Local economy declines</li> <li>Housing fails to meet community needs</li> <li>Potential increase in homelessness</li> <li>Loss of community confidence in the quality agenda</li> <li>New communities not attracted to the area</li> <li>Strategy undermined</li> </ul>	High (B) / Critical (II)	RA
		1b) Risk of failing to get the right mix and quality of housing - fail to get the right units in the right places.		Significant (C) / Critical (II)	RA
2	The Council's income streams are vulnerable to a number of factors including new legislation e.g. localising support for Council Tax, local collection	Risk that key income streams are volatile and significantly adversely affected by the changing legislative and economic environment.	<ul style="list-style-type: none"> <li>Financial plans undermined</li> <li>Further savings have be made</li> <li>Service delivery adversely affected</li> <li>Business Plan undermined</li> </ul>	Very High (A) / Critical (II)	PN

	of business rates, new homes bonus and also adverse economic conditions e.g. impacting on the return on investments.				
3	The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.	<b>3a)</b> Risk that the Council fails to fully understand levels of demand / fails to manage expectations / fails to remain relevant to the local community	<ul style="list-style-type: none"> <li>• Increase in vulnerable people / vulnerable people at risk</li> <li>• Service mis-match</li> <li>• Financial implications</li> <li>• Business Plan undermined</li> <li>• Reputation undermined</li> </ul>	Low (D) / Marginal (III)	JB
		<b>3b)</b> Risk that the Council fails to anticipate the consequences of the introduction of the Universal Credit / fails to fully prepare and manage the budget consequences.		Significant (C) / Critical (II)	PN

4	The Council needs to continue to drive the localism agenda in a constructive way.	Risk of failing to continue to recognise opportunities for localism for the community / fail to take a clear leadership role / fail to be consistent around managing opportunities.	<ul style="list-style-type: none"> <li>• Opportunities missed</li> <li>• Resources not allocated effectively</li> <li>• Residual elements of service delivery become more expensive</li> <li>• Community lose confidence</li> <li>• Reputation undermined</li> </ul>	Low (D) / Critical (II)	JB
5	The Council needs to develop a more flexible workforce and in doing so assess what skills are required to meet current and future needs. It also needs to undertake effective succession planning to avoid being over reliant on key managers / staff who are responsible for leading the delivery and implementation of the Council's strategic plan.	Risk of a lack of effective workforce planning / Risk that key managers / staff leave and no obvious replacements are found.	<ul style="list-style-type: none"> <li>• Adverse impact service delivery</li> <li>• Momentum lost / Loss of strategic direction</li> <li>• Pressure on remaining staff increases</li> <li>• Staff morale declines</li> </ul>	Significant (C) / Critical (II)	MP
6	Members are being asked to make decisions against a backdrop of an increasingly complex local government agenda e.g. new legislation,	Risk that Members don't have the skills, capacity, experience required to respond effectively to the changing agenda / Risk of a	<ul style="list-style-type: none"> <li>• Impact on the decision making process / wrong decisions made</li> <li>• Potential tensions between members and officers</li> </ul>	Significant (C) / Marginal (III)	TM

	<p>new ways of working, commercial opportunities etc.</p> <p>This is at a time when a number of new members have joined the Council.</p>	<p>lack of an effective training and capacity building process in place / Risk of a lack of an assessment of skills.</p>	<ul style="list-style-type: none"> <li>• Opportunities missed</li> <li>• Business Plan undermined</li> </ul>		
7	<p>There is a perception that the Business Plan is not a living document and that there is a lack of effective prioritisation from members and officers - they find it hard to say 'no' and therefore new priorities are competing with existing priorities for resources.</p>	<p>Risk of an ongoing lack of effective prioritisation from members and officers.</p>	<ul style="list-style-type: none"> <li>• Anticipated savings are not delivered</li> <li>• Staff fail to buy in to changes</li> <li>• Confusion about what is a priority</li> <li>• Loss of strategic direction</li> </ul>	<p>High (B) / Critical (II)</p>	<p>JB</p>
8	<p>Risk of failing to manage the housing risk register.</p>	<p><b>Note -detail to be completed by Head of Customers, Homes and Property</b></p>		<p>Significant (C) / Critical (II)</p>	<p>TK</p>
9	<p>The Council is planning the timely implementation of infrastructure in a volatile funding context / difficult economic climate.</p>	<p>Risk of not having the right funding at the right time for the right infrastructure / Risk of over focussing on physical infrastructure at cost of social infrastructure.</p>	<ul style="list-style-type: none"> <li>• Dissatisfied community</li> <li>• Lack of the right social infrastructure</li> <li>• Long term problems stored up</li> <li>• Potential long term financial</li> </ul>	<p>Very High (A) / Critical (II)</p>	<p>RA</p>



			liability builds up • Reputation undermined		
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