

Agenda Item No: 7
Report To: Audit Committee
Date: 26th September 2013
Report Title: Six Monthly Strategic Risk Review
Report Author: Ian Cumberworth - Audit Manager



Summary:	The report sets out the position in respect of the Council's Strategic Risk Management arrangements.
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Key Decision: NO

Affected Wards: N/A

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

1. Note the strategic risk management arrangements in place for 2013/2014
2. Confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks

Policy Overview: The Strategic Risk Register provides a means of 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 of the report

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: None

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Report Title: Strategic Risk Review

Purpose of the Report

1. The report sets out the arrangements in place for Strategic Risks.
2. Management Action Plans were updated and amended in August 2013 to reflect the action being taken to manage the risks
3. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied with the action that is being taken to manage the Council's strategic risks.

Issue to be Decided

4. The Audit Committee is asked to confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks

Background

5. The Council is committed to the effective management of risk and engaged a risk consultant from Zurich Municipal to assist with a fundamental review of the Authorities risk arrangements in 2012.
6. This report sets out the position as at 31st August 2013.
7. The Council, through the Audit Committee, has monitored and reviewed the Strategic Risk register during the year and has adjusted the risk profile accordingly to reflect the changing risk environment.
8. The 'risk owners' are senior managers whose role makes them best placed to manage the identified risk. The Management Action Plan shows the risk and the risk owner, the current risk score and the target score, a description of the risk and the 'vulnerability' i.e. the context for the risk. The 'current risk score' incorporates a traffic light approach (red, amber, green) to reflect where the risk appears on the risk matrix. The consolidated risk profile matrix is shown at Appendix 1.
9. The risk register is a living document and is kept under review throughout the year and is amended when necessary to reflect changes in the risk environment. Risk reports are considered by Audit Committee Members throughout the year.
10. Detailed management action plans developed to manage each risk.

11. The table below sets out the movements in the risks since February 2013 to the 31st August 2013.

	<u>Corporate Strategic Risk (CSR)</u>	<u>Target Score</u>	<u>Score as at February 2013</u>	<u>Movement</u>	<u>Current score August 2013</u>
1a	Economic Growth	3/2	4/3	↔	4/3
1b	Right mix of quality housing	3/3	4/3	↔	4/3
2	Income Streams	5/2	6/3	↔	6/3
3a	Community Demands	2/2	3/2	↔	3/2
3b	Consequences of Universal Credit	3/3	4/3	↔	4/3
4	Opportunities for Localism	2/3	3/3	↔	3/3
5	Workforce Planning	3/2	4/3	↔	4/3
6	Members skills, capacity & experience	2/2	3/2	↔	3/2
7	Business Plan	3/3	4/3	↔	4/3
8	Housing	3/3	4/3	↔	4/3
9	Infrastructure	5/3	6/3	↔	6/3

12. It can be seen that there has been no movement in the risk scores over the period.
13. The action plans set out the target score for each risk to move to and the actions being taken by management to manage/mitigate the risks together with details of the risk vulnerability. All action plans have previously been considered and agreed by Management Team, Cabinet and Audit Committee.
14. The detailed action plans at Appendix 2 show
- The action/control that is already in place – these are the controls that already mitigate the potential effect of the risk
 - Whether the action/control is adequate to address the risk
 - The further action that needs to be taken to adequately manage the risk
 - Critical success factors – how we will know that the risk is being addressed
 - Review frequency – how often the risk management action needs to be reviewed

- Key dates – the key dates affecting the management of the risk
15. The action plans illustrate the current action position regarding the management of the strategic risks. The responsible Heads of Service (risk owners) are responsible for keeping their action plans under review and amending them accordingly to reflect the changing risk environment.
 16. The Strategic Risk Profile (Appendix 1) shows the current risk profile of strategic risks within the organisation. Each identified risk has been scored onto the risk matrix. The shaded top right-hand area of the matrix represents the highest risks.
 17. Of the eight risks that currently sit above the Council's risk tolerance threshold, no overall movement has occurred in the scores (Para 7) however amendments have been made to the action plans to reflect changes in actions being taken to manage these risks. (Appendix 2)
 18. Reports to Cabinet require risk to be considered as part of the decision making process where appropriate.
 19. Risk is a consideration in projects managed by and on behalf of the Council.

Risk Assessment

20. 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.
21. Risks where managed correctly, are not necessarily undesirable. Riskier models of delivery can often be the most innovative and effective. The key to setting a positive risk appetite is the knowledge that the organisation is able to manage risks effectively

Other Options Considered

22. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied that the action taken to manage risks is adequate. No other option could be advocated.

Consultation

23. The creation and review of the strategic risk register has been the subject of considerable consultation.

Implications Assessment

24. 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/strategic management arrangements

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Management Action Plan Risk 1a Economic Growth Risk Owner Richard Alderton

Likelihood	6				
	5				
	4			1a	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
1a	4/3 High/Severe	3/2 Low/Medium	Risk of 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
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered. As the market improves this risk will diminish.			

<u>Action/controls already in place</u>	<u>Adequacy of action/control to address risk</u>	<u>Required management action/control</u>	<u>Responsibility for action</u>	<u>Critical success factors (outcome)</u>	<u>Review Frequency</u>	
<p>Promotion of economic development through dedicated ED team; planning – allocations and 'business friendly' service, site negotiations and approvals; media and marketing activities</p>	<p>Adequate further progress sensitive to levels of staff and other resource available</p>	<p>Continued focus on 'economic growth' approach across the Council and the Unit's own priority approach to business activity Strategic audit of current approach and re-assessment of economic development capacity has resulted in funding for increased ED staff capacity. , Resource levels need to be kept under review for major applications handling – current proposals to increase resources to cope with the large peak in major schemes over the next 2 years.</p>	<p>Richard Alderton</p>	<p>Identify additional actions to promote economic activity -promote those that exist already</p>	<p>3 months</p>	
<p>Range of partnership activity with the Locality Board, Locate in Kent, Homes and Communities Agency and others</p>	<p>Adequate</p>	<p>Maintain commitment to joint working. Regular meetings are held to review progress and stimulate action with the HCA. East Kent Regeneration Board continues to address collective input that can be applied to economic objectives. Regular working with LIK continues.</p>	<p>John Bunnett</p>	<p>Clarify objectives and help drive achievement of priorities</p>	<p>3 months</p>	
<p>Specific initiatives such as Portas funding; deferred developer contributions; broadband access to rural areas; GREENOV support for sustainable energy sector; etc</p>	<p>Adequate and injection of new ED staffing resources is now assisting future progress.</p>	<p>Key areas are now being targeted - (e.g. the town centre through the Town Team, the \Town Team Manager in post and TCAT); continue to apply market sensitive approach to deferred contributions (e.g. Charter House); maintain commitment to GREENOV project and continue successful promotion of rural broadband project. within resources available – identify opportunities that could be taken with increased resources</p>	<p>Andrew Osborne</p>	<p>Concentrate resources on priorities and apply any extra to new opportunities</p>	<p>3 months</p>	

**Management Action Plan
Richard Alderton**

Risk 1b Mix and quality of housing

Risk Owner

Likelihood	6				
	5				
	4			1b	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
1b	4/3 Significant/ Severe	3/3 Low/Severe	Risk of failure to get <u>the right mix and quality of housing</u> – fail to get the right units in the right places
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
SPD adopted to drive space standards and quality environments	Adequate	Continued vigilance in application of the SPD and approach to high quality urban design. The market has generally responded positively and reports to Committee routinely address this issue.	Lois Jarrett	High quality living conditions and community building	Annual	[Milestones/deadlines]
'Quality Agreement' approach being trialled at Chilmington Green with the potential to be adopted elsewhere	Adequate	Details of Agreement and quality monitoring regime to be agreed and implemented. Developer team at Chilmington Green have signalled the intention to sign the Agreement	Richard Alderton	Quality place making; quality build and full attention to community development	Annual	
Implications of policy relaxations and deferred payments needs to be kept under review	Adequate	Schemes negotiated on viability grounds are reducing the supply of affordable housing – the impact needs to be kept under review (and balanced against the high levels of delivery over the last decade).	Richard Alderton	Adequate mix of housing delivered to address needs as far as possible	3 months	
Master plans to help shape density plans and help quality place-making, including new focus on garden city principles	Adequate	Programme of awareness raising for officers and members on garden city principles to help refine current approach; member reviews of completed development underway; specific approach being taken at Chilmington Green which will be taken forward in phase master-plans.	Richard Alderton	Understanding and support for clear set of development objectives to drive high quality living environments and 'place-making'.		

Management Action Plan

Risk 2

Volatile Income Streams –

Medium Term Financial Planning

Risk Owner Paul Naylor

Likelihood	6			2	
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
2	6/3 Very High/ Severe	5/2 High/Medium	Risk that financial planning assumptions about key income streams are affected by volatility through the changing legislative and economic environment
<p>Vulnerability: The Council's medium term planning assumptions about income streams are vulnerable to a number of factors including: recent legislative change introducing local council tax support schemes; local partial retention of business rates; new homes bonus, and also economic conditions impacting on local service income and returns on investments.</p>			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
1. Robust medium term financial and service planning, informed by reasonable data and assumptions	Good	MFTP process is developing to ensure stronger awareness and direct input by Leader and cabinet in plan formulation. This process replaces the previous task group arrangement, but opportunities for general briefings and input for members are to follow as part of the budget cycle. Enhancing the scrutiny role to focus on testing key plan assumptions is to be developed in tandem.	BL and PN	Across all points, success would be measured through: <ul style="list-style-type: none"> Ideally good predictions leading to good plans and not too many surprises 	Across all points. PN and BL to review progress and effectiveness with MT, Leader, and portfolio holder on periodic basis.	Initial work to be completed for an autumn Budget Statement to Cabinet, autumn 2013
2. Regular income monitoring through budget management (council tax, business rates yield, new homes bonus and service income)	Good	New data processes to review monthly council tax and business rates yields are in place. Results are to inform routine budget monitoring and financial planning work through the leader and cabinet briefing process and reports to cabinet.	BL and PN	<ul style="list-style-type: none"> Effective scrutiny 	Formal reports on MFTP at least twice yearly and available for scrutiny input.	
3. Development of corporate data sets that enhance knowledge of business rates growth and risks, and in-year progress with the council tax base for new homes bonus purposes; plus service usage and demand trends to inform financial planning.	Developing	Collection of other data to improve corporate understanding of local economic impacts is being organised by our planning policy and finance services. Finance and the DCX will keep all data processes under review to ensure regular monitoring works smoothly. We will refine the corporate data set as appropriate and set up bi-monthly cross-service discussions to analyse and evaluate results. Outcomes from these processes will strengthen the basis for medium term planning assumption.	BL/strategic planning policy team	<ul style="list-style-type: none"> Well informed organisation External acknowledgement of good methods, for example from external auditors 		
4. Flexible financial and service management ability to adjust priorities or to take corrective actions	Good	Keep financial management controls and procedures under review to ensure decision-making protocols are appropriate if circumstances change	BL			

<p>5. Keeping up-to-date with legislative reforms and how this impacts on income levels and having actions in place (for example council tax support scheme)</p>	<p>Good foundation to build on with current arrangements</p>	<p>Ensure management team and members are well briefed on the importance of managing income opportunity and risk, as central to the operation and funding for the council – this will require some special briefings on financial and welfare reforms and how they impact corporately.</p>	<p>BL</p>			
<p>6. New income generating opportunities and risk</p>	<p>Good</p>	<p>As more emphasis is planned on generating new sources of income from less traditional methods (for example the creation of the council controlled companies) using legislation now available, there is an added focus for medium term financial planning. MTFP planning will need to ensure the thorough and prudent assessments of income growth opportunities are made. The timing of inclusion of future income opportunities within core financial planning is also to be carefully considered.</p> <p>Risk assessments will be made.</p>				

Management Action Plan Risk 3a Community demands/expectations

Risk Owner John Bunnett

Likelihood	6				
	5				
	4				
	3		3a		
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
3a	3/2 Low/ Medium	2/2 Very Low/Medium	Risk that <u>the Council fails to fully understand levels of demand / fails to manage expectations / fails to remain relevant to the local community</u>
<p>Vulnerability: 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.</p>			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<ul style="list-style-type: none"> Aligned funding to VCS with the corporate priorities of the council through SGG 	Adequate but under continued pressure	Consultation on new Discretionary Rate Relief policy complete, a new policy agreed by Cabinet in April – implementation and reapplication is on-going and funding has been increased for 2013/14	Policy Team	<ul style="list-style-type: none"> Lack of substantive objections to upcoming policy changes Urban governance structure – seeking to make existing structures work better New Business Rate Scheme agreed 	Annually	Many are ongoing, organic projects rather than milestone [Milestones/deadlines]
<ul style="list-style-type: none"> Rolled out liaison officers to local communities (see 4) 	Adequate	Liaisons offer on-going communications and facilitation mechanism	Paul Naylor			
<ul style="list-style-type: none"> community consultations are integral to the review of the Core Strategy – since the start of 2013 almost 30 community meetings have been held to help develop it The council actively engages with community groups such as the Parish Forum and Kent Associations of Local Councils (KALC) 	Good	Continue to liaise with residents and community representatives over any substantive changes to council operations	Richard Alderton			
	Good		Kirsty Hogarth / Michelle Byrne			
<ul style="list-style-type: none"> Understanding of local economic, demographic and governance issues to incorporate into more detailed policy-setting 	Adequate but improving	On-going – The Leader recently announced that various models will be explored, with the South Ashford Member Improvement Task group offering one possible framework	Nicholas Clayton			
<ul style="list-style-type: none"> Used existing and new partnerships to reach out and understand better the needs of local communities 	Adequate	On-going to maintain active engagement and membership of strategic partnership groups i.e. CCG, CSP etc.	Policy Team			
<ul style="list-style-type: none"> Consulting / Implementing a new Council Tax Benefit scheme to comply with government policy 	Good	Extensive consultation completed and implementing from April. Public briefings are ongoing	Paul Naylor			
<ul style="list-style-type: none"> Begun implementation of wider Welfare Reform agenda. 	Good		Paul Naylor			
<ul style="list-style-type: none"> Council added a specific action point regarding the development of Chilmington Green in early summer 	[See Action Point]					

Management Action Plan Risk 4 Opportunities for Localism Risk Owner John Bunnett

Likelihood	6				
	5				
	4				
	3			4	
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
4	3/3 Low/ Severe	2/3 Low/Severe	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.
Vulnerability: It becomes a risk that the Council is not seen to facilitate the localism agenda in a constructive way, whilst ensuring that appropriate emphasis is attributed to the agenda.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<ul style="list-style-type: none"> Officers assigned to 4 areas(Parishes) with particular local issues to help break down barriers and facilitate change 	Adequate	[see 3a]	Policy Team	Set of principles to underpin all further discussions related to the localism agenda	6-monthly	3 months for agreed principles [Milestones/deadlines]
<ul style="list-style-type: none"> Piloted a number of localism initiatives, such as the parish handyman scheme 	Good	Progress on-going	Policy Team			
<ul style="list-style-type: none"> Increased the local influence and accountability of Ward Members through a local grant scheme 	Good	First year of grants was reviewed and reported to Cabinet in June. Second year now in place and funding increased for 2013/14	Policy Team			
<ul style="list-style-type: none"> Fully complied with the government's transparency agenda 	Good	On-going – officers will feed in to any government consultations which come out	Paul Naylor			
<ul style="list-style-type: none"> Taken a collaborative officer-member approach to implementing new community rights as set out in the Localism Act (Community Right to Challenge and Bid) 	Good	Implementation completed and the Rights are being explored by a number of community groups	Nicholas Clayton			
<ul style="list-style-type: none"> Maintain a focus on the rural aspects of localism, council now has a Portfolio Holder with responsibility for rural issues 	Good	New Homes Bonus and Community Infrastructure Levy allow the council to begin addressing community needs, including rural.	Management Team			
<ul style="list-style-type: none"> Taken steps to begin addressing the unique challenges to localism posed by the un-parished urban area 	Adequate and on-going	Further discussions on-going [see 3a]	Paul Naylor			
<ul style="list-style-type: none"> Neighbourhood Planning and other instruments brought in by government 	Good	Ongoing management and community liaison – Neighbourhood Planning has begun in Wye and Rolvenden	Richard Alderton			