

22 July 2014

Report of Head of internal audit and risk management, LGSS

Subject Review of corporate risk register

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Purpose

To update members on the review by the corporate leadership team of key risks facing the council and the associated mitigating actions.

Recommendation

To note the corporate risks and the key controls in place and further actions planned to mitigate the risks.

Corporate and service priorities

The report helps to meet the corporate priority “Value for money services”.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

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Background documents

None

Report

Background

1. On the recommendation of the audit committee, cabinet approved the council's updated risk management policy and risk management strategy in December 2013.
2. As previously reported, the new template for risk registers includes scoring for inherent risks (before any mitigating controls are considered) and residual risk (after taking account of key controls, which are listed). Any further planned actions to mitigate risks are also shown.
3. The other main format change is that risks are now listed under the headings of:
 - Customer perspective
 - Finance and resources
 - Processes and systems
 - Learning and growth
4. Corporate risks were reviewed by the business managers group at the start of the year in conjunction with the preparation of service plans and the review of the corporate plan.
5. Following this, the updated corporate risk register was approved by cabinet on 26 March 2014.

Review of corporate risks

6. In accordance with the risk management strategy, the corporate leadership team has reviewed the key risks to achieving the council's priorities and has updated the register.
7. The updated corporate risk register is attached at **annex 1**. One new risk relating to capital developments (B4) has been added to the Finance and Resources section of the register. Most of the other changes are minor updates to triggers, controls or planned actions to further mitigate certain risks. No risk scores have been changed.

Changes to the corporate risk register

8. A brief summary of changes to the register following the latest review follows:
 - B4 Capital developments (NEW) – this describes the risks around housing and other capital developments, such as taking longer or costing more than planned, or not generating planned levels of income, together with the possibility of interest rate rises, all of which would have an impact on revenue budgets and reserves. The controls in place mean that the residual risk is within the council's risk appetite.
 - A1 Customer demand – result of recent internal audit review added under key controls; action added to implement a customer service improvement plan.
 - A4 Safeguarding children, vulnerable adults and equalities duties – additions to trigger, result and key controls columns relating to equalities duties, and action updated.

- A6 Delivery of joint core strategy – one addition to trigger and controls columns.
- A8 Housing investment strategy – action updated.
- C1 Emergency planning and business continuity – further control added now that the council's business continuity policy and framework has been approved by cabinet.
- C3 Information security – further control added as the council is now PSN (public sector network) and PCI (payment card industry) compliant. An action has also been added to review the council's IT security policy.

Summary

9. As with the previous register, a summary is included at **annex 2** which shows the residual risk level for each of the risks. This demonstrates where each risk sits in relation to the council's risk appetite, ie there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.

Conclusion

10. Risk management processes are well embedded within the council, and members can be assured that the corporate risk register is up to date following review by the business managers group of the key risks to achieving the council's objectives.
11. Each risk shows the owner and the key controls in place or planned to minimise any impact on the council and its provision of services to stakeholders.
12. The risk management strategy requires managers to keep all risks under review, and the corporate risk register will be regularly updated accordingly.

CORPORATE RISK REGISTER

Version Date: July 2014

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Trigger	Result	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
CUSTOMER PERSPECTIVE																	
A1	Customer demand	1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies eg council tax benefits	1. Unable to cope with demand 2. Complaints 3. Reputation damage	EHoCCC	All	4	4	16 (R)	1. Proactive research on customer profile, forward planning, eg anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council (N.B. recent internal audit review resulted in 'substantial assurance' opinion)	3	2	6 (A)	Customer service improvement plan for F2F service	Head of customer services	Ongoing		G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework, including environmental strategy and financial inclusion strategy	Corporate priorities are not on target to be delivered. The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, financial inclusion strategy etc The welfare reform act and other key pieces of legislation are changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.	1. Key priorities for the city are not delivered 2. Projects halted or delayed 3. Adverse public opinion 4. Projects / work completed to a lower quality 5. Negative impact on outcomes for customers 6. Negative performance ratings for the council 7. Continual over-stretching of capacity 8. Inconsistent approach taken across council 9. Full benefits not realised 10. Benefits of cross working not gained 11. Lack of corporate working 12. Staff confusion over policies and process 13. Failure to take the opportunity to make the lives of Norwich citizens better	EHoSPD	All	3	4	12 (A)	1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies. 2. Effective performance and programme management 3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. 4. Effective preparation for changes in legislation.	2	4	8 (A)					

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A3	<p>Relationship management with key service delivery partners and the management of contracts.</p> <p>The council has a number of key partnerships with LGSS, NPS Norwich, and NP Law. There is also a highways agency agreement with Norfolk County Council. This approach to service delivery requires a different managerial approach by the city council. The council also has a number of key contracts – eg with NORSE, BIFFA, and Anglia Windows Ltd, – which require strong, consistent procurement and client management.</p>	<p>1. Partnerships not managed effectively and key service outcomes not achieved.</p> <p>2. Contracts not managed effectively, and key service outcomes not achieved.</p>	<p>1. The council doesn't get value for money</p> <p>2. Benefits of partner and contract arrangements not realised</p> <p>3. Constant negotiation around the service delivery agreement</p> <p>4. Specification not adhered to</p> <p>5. Services not provided at an acceptable level</p> <p>6. Customer and staff complaints</p>	Dep CEO & EHobRM	5	3	4	12 (A)	<p>1. New governance structure is in place to manage the individual partnership agreements (eg NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation.</p> <p>2. In response to the council operating model training requirements are being reviewed and staffing structures refreshed to reflect this change. Contract management training has been completed for staff delivering environmental works contracts.</p> <p>3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service.</p> <p>4. April 2013 Scrutiny meeting reviewed the LGSS service provision 1 year on after transfer.</p>	2	4	8 (A)					

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A4	Safeguarding children, vulnerable adults and equalities duties	1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners. 2. Change in council service delivery model with an increase in the number of partnership arrangements will require new arrangements for the delivery of safeguarding and equalities duties. 3. Impact of cuts on care services and benefit funding. 4. Critical incident 5. Change in contractor/ commissioned service/partner 6. Reduced service provision 7. Not being able to attract staff with diverse abilities and backgrounds	1. Vulnerable adults and children at greater risk of exclusion or harm 2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion 3. Risk of judicial review on accessibility of services 4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation	Dep CEO	1	3	4	12 (A)	1. Safeguarding children policy and procedures in place and reviewed annually through safeguarding group. 2. Safeguarding adult policy and procedures in place and reviewed annually. 3. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/ awareness sessions are held. 4. Equalities duties overseen by BMG 5. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding 6. Equality training undertaken for all staff and managers 7. Managing mental health training for managers 8. Safeguarding training provided to all staff. 9. Safeguarding guidance provided to all councillors	2	4	8 (A)	Work is progressing with contract managers to ensure monitoring and annual reporting of cross cutting themes including safeguarding and equalities is undertaken consistently.	Head of local neighbourhood services	Jul-14		G
A5	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP) Three elements: 1) Development of land at Bowthorpe for mixed tenure 2) Other affordable housing and regeneration schemes 3. South city centre masterplan work	1. Reputation - material breach of contract 2. Change of rules by the government – tighter deadline for bidding for affordable housing grant - deadlines missed 3. Need to establish a future investment programme using funds from Bowthorpe development - Failure to establish investment programme 4. Need to establish deliverable development proposals and funding. 5. Need to identify partner for delivery of affordable housing and care home provision. 6. Funding for some projects may not be obtained	1. Projects halted or delayed 2. Adverse public opinion 3. Increase in local unemployment 4. Funding may have to be returned 5. Core infrastructure and affordable homes may not be delivered	Dep CEO	3	2	4	8 (A)	1. Contract. Strategic Board includes Members and HCA. 2. Officer Implementation Board. 3. Annual Business Plan. 4. Project managers for individual projects. 5. Regular financial and budget reports. 6. Two audit reports gave good assurance on controls. 7. New outline planning permission in April 2012 to provide development framework for phased delivery of the site. 8. Consultants appointed for south city centre masterplan work. 9. Council to take on role of development partner for affordable housing in phase one and care home development partner has been agreed.	2	3	6 (A)					

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A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. One or more district councils failing to identify sufficient sites or bring forward detailed development plans to deliver the JCS in the next five years. 2. Markets failing to deliver on preferred development sites identified for housing 3. The government changing allowed approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (ie up to 2026). 4. Failure to deliver the infrastructure required to support development	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	Dep CEO	3	3	4	12 (A)	1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the proposed policy framework. 3. All policy work is supported by comprehensive evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infratsructure to support growth.	2	3	6 (A)					
A7	Community right to challenge	1. The Localism Act includes the community right to challenge. This means that community organisations (along with private contractors if they choose) can challenge the council on the delivery of a service and in doing so trigger a procurement process. This could lead to a fragmentation of services and leave the council with fixed overheads that would need to be paid for by the remaining services. 2. A successful challenge or series of challenges leads to a fragmentation of services	1. Services become fragmented and remaining overheads cannot be mitigated and overall service cost increases.	EHoBRM	All	2	4	8 (A)	1. Keep services under review to ensure they are delivering value for money. 2. If a challenge is successful ensure that the procurement process takes in to account all elements of the service including overheads. 3. Ensure any contracts as a result of challenges are flexible and allow the council to manage budgets.	2	3	6 (A)					

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A8	Housing Investment Strategy As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt will be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme	1. Should the cost of works increase and/or the level of income reduce, then it may be necessary to review the housing investment strategy. 2. In addition, below inflation/rpi increases in rents will impact on income. 3. Reduction in rental income (arising from a high level of council house sales, increasing debt or other factors). 4. Significant increase in the cost of delivering improvement works	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to support a new build programme. 3. Increased tenant dissatisfaction 4. Reduced new build programme.	Dep CEO & CFO	3	3	3	9 (A)	1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. 2. The main control will be the timescale for delivering the Norwich Standard to all properties together with the delivery of any agreed new build programme.	2	3	6 (A)	Opportunity to bid for central government grant to raise the HRA cap to help finance the new build programme	Dep CEO	Invitations to bid to raise the HRA cap July 2014		G
FINANCE AND RESOURCES																	
B1	Public sector funding	1. Further economic decline. 2. Change in national government policy as a result of the economic position 3. New policies and regulations place a major financial burden on the council eg RSG and HRA restructuring.	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Erosion of reserves 5. Major financial problems 6. Reputation damage 7. Possible industrial action 8. Changes become “knee jerk” 9. Govt intervention 10. Council loses critical mass in key areas 11. Service failures 12. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG& cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. Weekly review by CLT of government announcements to assess implications and response required.	5	3	15 (A)					

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B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNDP board decision or cabinet decision on CIL investment arrangements	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Govt intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNDP area is delayed.	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. GNDP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme.	3	4	12 (A)					
B3	Level of reserves The council has a legal duty to ensure it has a prudent level of reserves to conduct its business	1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels	1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council	CFO	All	3	4	12 (A)	1. Medium term financial strategy. 2. HRA Business Plan. 3. Planning and delivery of transformation (savings) programme. 4. Contract and business relationship management to identify and respond to business delivery risks. 5. Budget development, in-year monitoring and control	2	3	6 (A)					
B4	Capital developments	1. Housing / other developments may take longer to proceed than planned. 2. Housing / other developments may cost more than planned . 3. Interest rates on debt may rise beyond projections. 4. Developments may not generate planned levels of income.	1. Delay in income streams may put pressure on revenue budgets. 2. Reduced net revenue contribution from developments. 3. May put pressure on revenue budgets / reserves to service debts 4. Pressure on revenue budgets	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan.	3	4	12(A)					

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PROCESSES AND SYSTEMS																		
C1	Emergency planning and business continuity (The council delivers a range of complex services to vulnerable elements of the community. Organisations generally are experiencing significant continuity events once every five years on average)	Occurrence of a significant event: <ul style="list-style-type: none">• ICT failure• Contractor collapse• Severe weather events – storms, heatwaves, strong winds• Flooding• Sea level rise• Fuel shortages• Communications failure• Pandemic The council, businesses and members of the public in the city may also be at risk from the local effects of climate change in the medium to long term.	1. Service disruption and inability to deliver services 2. Disruption of the delivery of goods and services to the council 3. Increased requests for council resources and services 4. Health and safety impact on staff and vulnerable residents 5. Damage to council property and impact on tenants 6. Reputation damage 7. Years to recover	Dep CEO & EHobRM	All	4	4	16 (R)	1. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register 2. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications. 3. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing. 4. Flu pandemic plan. 5. The Norfolk Climate Change Partnership has produced a climate change risk assessment for Norfolk local authorities. 6. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy and sustainable community strategy, together with service plans. 7. A new business continuity management policy and framework was approved by cabinet 25 June 2014	4	3	12 (A)						
C2	ICT strategy. The council has transferred its ICT service to LGSS and it will rely on LGSS to develop an ICT strategy for the council	ICT strategy fails to support the organisation moving forward and the lean blueprint for a new council	1. Incoherent approach to ICT systems 2. Systems not customer friendly 3. Systems are not integrated with one and other 4. Drain on resources as staff work around the systems 5. Lack of accuracy in key data 6. Data are unreliable 7. Key information not trusted 8. Hinders management and service improvements 9. Failure to deliver council priorities	EHobRM	All	3	4	12 (A)	1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change. 2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered.	2	4	8 (A)						
C3	Information security	1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost 2. Data is emailed to insecure email addresses. 3. Lap top or memory stick containing data is lost or stolen. 4. Information is sent to incorrect addresses. 5. Hard copy data is lost or stolen	1. Fine up to £0.5 million 2. Reputational risk	EHobRM	5	5	4	20 (R)	1. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data. 2. Avoid using mobile devices to store or process sensitive or personal data. 3. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued June 2013 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance	3	4	12 (A)	Review IT user security policy	Systems support team leader	September 2014		G	

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C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	1. The council has a number of key contractors who may be vulnerable to market and economy factors. 2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload 3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract	1. Customer and staff complaints 2. Services not delivered 3. Contingency plans have to be invoked 4. Cost and time to retender contract 5. Cost and time to defend legal challenge 6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels	EHoBRM	5	4	3	12 (A)	1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested. 2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice. 3. NPS JV extended to include works division. This arrangement will enable the JV to carry outwork that was previously contracted to private sector. This approach is in line with the Councils operating model. This will provide enhanced security over the supplier and increased direct control by the council. 4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves 5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT) 6. Increased use of framework contracts increases resilience against contractor failure.	3	3	9 (A)					
C5	Fraud and corruption	1. Poor internal controls lead to fraudulent acts against the council, resulting in losses. 2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery 3. Failure in internal control. 4. Discovery of fraudulent acts. 5. Allegations received. 6. Member of staff or councillor breaks the law.	1. Loss of income or assets 2. Adverse public opinion 3. Effect on use of resources 4. Increased costs of external audit 5. Cost of investigation and rectifying weaknesses 6. Prison	CFO	5	3	3	9 (A)	1. Internal audit 2. Anti-fraud and corruption policy, 3. Payment Card Industry security assessment to protect card payments, 4. National Fraud Initiative, 5. Fraud team, 6. Whistleblowing policy and prosecution policy. 7. Review and update as necessary policies and procedures. 8. Assess risk of bribery, train staff and monitor and review procedures.	2	3	6 (A)					

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LEARNING AND GROWTH																	
D1	Industrial action	1. Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees 2. National negotiating framework - failure to agree. 3. Ballot of union members. 4. Implementation of changes to the LGPS. 5. Implementation of government interventions on pay	1. Loss of key services 2. Public safety 3. Loss of income 4. Reputation	EHoSPD	All	3	4	12 (A)	2 stages – managing the threat of industrial action and responding to industrial action 1. Identify and agree with UNISON exemptions from strike action 2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met 3. CLT agree and implement strategy for response to strike action ie assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc 4. National and regional guidance 5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act	2	3	6 (A)					

Council Priorities 2012-15:

- 1. To make Norwich a safe and clean city
- 2. To make Norwich a prosperous city
- 3. To make Norwich a city with decent housing for all
- 4. To make Norwich a city of character and culture
- 5. To provide value for money services

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Summary of Residual Scores for Corporate Risks (18)

Impact	Very High	5					
	High	4		A2, A3, A4, C2	B2, B4 C3		
	Medium	3		A5, A6, A7, A8, B3, C5, D1	C4	C1	B1
	Low	2			A1		
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

Red scores – in excess of the council's risk appetite (score over 15) – action needed to redress, quarterly monitoring. In exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to CLT and cabinet.

Amber scores – likely to cause the council some difficulties (score over 4 and below 15) – quarterly monitoring

Green scores (score under 5) – monitor as necessary