

## Report for Resolution

<b>Report to</b>	Audit Committee 26 March 2009	<b>Item</b>
<b>Report of</b>	Head of Finance	<b>5</b>
<b>Subject</b>	Strategic Risk Management Review	

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### Purpose

For the audit committee to review the key strategic risks identified by the council's leadership group, which includes the corporate management team.

### Recommendations

That the Committee:-

- (1) identifies any changes or additions to the strategic risk register that it considers to be appropriate.
- (2) agrees the outline timetable included in the report for reviewing the council's risk management processes.

### Financial Consequences

There are no direct financial consequences related to this report.

### Strategic Objective/Service Priorities

The report helps to achieve the strategic priority "Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners".

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# Report

## Background

1. Effective risk management is a sign of best management practice in both the public and private sectors. In local government this importance is recognised in statute with the Accounts and Audit Regulations 2003 Regulation 4(1) stating 'The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'
2. Over the last three years the council has taken a number of steps to improve its risk management and now has well embedded processes at strategic, service and project levels.

## Strategic Risk Register

3. The register was originally developed from work undertaken by Zurich Municipal Risk Management (ZMRM) during 2007 which included interviews with senior managers and a workshop for the council's leadership group.
4. Early in 2008 the corporate management team (CMT) updated the strategic risk register, which was then reviewed by audit committee in March 2008.
5. Subsequent to this each risk was assigned to a senior council officer.
6. The strategic risks have again been reviewed by the leadership group with the assistance of ZMRM and have been updated to reflect changes in circumstances over previous months. The revised key strategic risks are included as annex 1 to this report.
7. The purpose of this review is for members to consider if any risks should be removed from the risk register, new risks added or risks re-assessed. To aid members with consideration of the risks the register shows any movement in the risk score, any risks that have been removed, and any new risks that have been added.
8. The outline timetable below shows the programme for reviewing risks, together with other risk management processes.

## Risk Management Review Timetable

9. Strategic Risks
  - Leadership group to review strategic risks and update register - February/March annually.
  - Training in risk management for audit committee members and portfolio holders – March 2009.
  - Audit committee to review the strategic risks and inform CMT of any amendments they consider should be made to the register. First audit committee after the leadership group review.
  - Consideration of mitigation measures to manage risks to an acceptable level - in conjunction with ZMRM April/May 2009.

- Both key and other strategic risks and mitigating measures to be reviewed by the council's leadership group September/October.
- Updated strategic risk register to be considered by the audit committee. First audit committee after the leadership group review.

#### 10. Operational Risks

- These are reviewed annually as part of the service and financial planning process and are included in the service plans which are subject to review by both the executive and scrutiny committee.
- During April/May 2009 ZMRM will carry out a 'health check' to challenge the current processes against good practice and key standards, and to gauge what further work may be needed to improve and embed risk management.
- An initial review by ZMRM of the risks included in the latest service plans has raised the following as possible issues to address:
  - Mitigation plans need to be further developed and scored.
  - More detail could be provided on risks.
  - Greater clarity needed on the linkages between service risks and strategic risks.
  - Questions over the ranking of some of the risks.

#### 11. Project Risks

- All significant projects have individual risk registers which are regularly reviewed by the project management team as the project progresses.

#### 12. Annual Governance Review

- This replaces the statement of internal control in the annual statement of accounts and will be considered at the audit committee that approves the statement of accounts (June 09).

**Key Strategic Risks  
Norwich City Council  
Updated 26<sup>th</sup> February 2009**

## Key Strategic Risks Summary (next 2 – 3 years)

21 risks ranked, 11 red risks

		Impact / Consequences				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	5	7
Likelihood / Probability	5 Very High			1	3	
	4 Likely			20, 21	2, 4, 5, 8, 9, 10, 11b, 18, 19	16
	3 Possible			12	6, 7, 11a, 13, 17, 22	
	2 Unlikely					15
	1 Rare					

Note: No 14 deleted

Note 1: Consider action plans for key strategic risks

## Annex 1

No	Top Strategic Risks
<b>Very High Likelihood – Major impact</b>	
3	Economic recession
<b>Likely – Catastrophic impact</b>	
16	Budgetary / financial management issues
<b>Likely – Major impact</b>	
2	IT provision
4	Contract management
5	Policy and strategy implementation
8	Achievement of service standards
9	Neighbourhood strategy
10	Use of Resources
11b	Greater Norwich Development Partnership
18	Single Status
19	Comprehensive Spending Review (CSR)

# Key Strategic Risks




## Annex 1

Likelihood scored on a scale 1 – 5 (5 = very high, 1 = rare)

Impact scored on a scale 1 – 7 (7 = catastrophic, 1 = insignificant)





Risk No	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
1	5	3 (changed 26/2 previous 5)	↓	15	Unitary – impact on service delivery	The council has submitted a bid for unitary status. The decisions has been delayed. The bid is a key driver for change and a great opportunity to deliver more effectively for the local area. If successful, the organisation will change fundamentally and grow significantly within a short timescale. This will need to be effectively managed while also maintaining core service delivery.	Move to unitary status has a detrimental impact on current service delivery and improvement.	<ul style="list-style-type: none"> <li>Unsettling for staff</li> <li>Major change issues</li> <li>Service delivery deteriorates or fails to continue to improve</li> <li>Customer dissatisfaction</li> <li>Complaints</li> <li>Adverse media</li> <li>Affects public confidence in new organisation</li> </ul>	Chief Executive Deputy Chief Executive Director of Regeneration & Dev
2	4 (changed 26/2 previously 5)	5	↓	20	IT Strategy	<p>The council is currently one third of the way through a 15 year PFI contract to provide IT.</p> <p>See Risk around Steria contract in 4.</p> <p>The council is also holds a variety of data that is confidential. The is a legal imperative to keep this data secure e.g. FoI, Data Protection</p>	IT strategy fails to support the organisation moving forward.	<ul style="list-style-type: none"> <li>Incoherent approach to IT systems</li> <li>Systems not customer friendly</li> <li>Systems remain unintegrated with one and other</li> <li>Drain on resources as staff work around the systems</li> <li>Lack of accuracy in key data</li> <li>Data are unreliable</li> <li>Key information not trusted</li> <li>Hinders management and service improvements</li> </ul>	Deputy Chief Executive
3	5	5	↔	25	Economy	National economic slow down	Further economic decline	Inability to raise capital receipts – decline in income streams (eg rents from investment properties) insufficient to maintain current service levels	Deputy Chief Executive






Risk No	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
4	4 (changed 26/2 previously 5)	5	↓	20	Contract Management	The council has a number of key contracts – e.g. with Steria and CityCare – which require strong, consistent procurement and client management.	Key contract not managed effectively and key objectives not achieved.	<ul style="list-style-type: none"> <li>The council doesn't get Value for Money from the contracts</li> <li>Benefits of contract not realised</li> <li>Constant negotiation around the contract</li> <li>Specification not adhered to</li> <li>Services not provided at an acceptable level</li> <li>Customer and staff complaints</li> </ul>	Deputy Chief Executive
5	4 (changed 26/2 previously 5)	5	↓	20	Implementation of key policies and strategies	There are a number of corporate strategies and policies being put in place which must be owned and delivered across the organisation to realise the full benefits envisaged, e.g. customer strategy, people strategy, equality strategy and new strategies – conservation and employee engagement.	Ownership and capacity prevent implementation of key strategies and policies.	<ul style="list-style-type: none"> <li>Inconsistent approach taken across council</li> <li>Full benefits not realised</li> <li>Benefits of cross working not gained</li> <li>Blurred lines of responsibility</li> <li>Lack of corporate working</li> <li>Staff confusion over policies and process</li> <li>Not seen as 'one' council</li> </ul>	Chief Executive
6	3 (changed 26/2 previously 4)	5	↓	15	Prioritisation	<p>The council is ambitious but doesn't have the capacity to deliver on everything. There is a lack of clear consistent understanding throughout the organisation of what the key priorities and objectives are.</p> <p>There is some confusion around lines of responsibility and accountability and 'everything is a priority'.</p> <p>Work is ongoing to establish clear corporate aims and objectives which define the council's priorities.</p>	Priorities remain unclear	<ul style="list-style-type: none"> <li>Everything remains a priority</li> <li>Lack of understanding of what the council wants to achieve</li> <li>Staff feel unable to say 'no'</li> <li>Nothing 'falls off the shelf'</li> <li>Officers add tasks to existing heavy workload</li> <li>Long hours culture continues</li> <li>Continual stretching of capacity</li> <li>Adverse affect on morale</li> <li>Risk of stress</li> </ul>	Chief Executive

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7	3  (changed 26/2 previously 4)	5		15	CityCare contract	<p>The council has a contract with CityCare to deliver its 'Blue Collar' services such as housing repairs, street cleaning and waste collection. These are the services which are most visible to the public, and those with which they most closely associate their council. The current contract finishes March 2010.</p> <p>See Risk 4.</p>	Service levels deterioration	<ul style="list-style-type: none"> <li>• Tension between council and partners</li> <li>• Customer and public complaints</li> <li>• Council seen to be failing to deliver services</li> <li>• Services 'fire fighting' to deal with complaints</li> <li>• Drain on resources</li> <li>• Media involvement / loss of reputation</li> </ul>	Director of Regeneration and Development
8	4	5		20	Minimum service standards	<p>The council has made significant progress in improving service delivery, however there is not a consistent understanding of this currently and there remain differing views of what is 'good' service delivery.</p> <p>Clear progress is being made to tie standards in city council re-let process with CityCare.</p>	The council fails to set and maintain minimum standards for service delivery.	<ul style="list-style-type: none"> <li>• Inconsistent standards for service delivery</li> <li>• The council fails to 'raise its game' to a sufficient level to achieve what it wants</li> <li>• Unable to fully embed culture of high achievement within the council</li> <li>• Failure to break out of culture of low aspiration</li> <li>• Customers and service users don't receive the service they expect</li> <li>• Loss of reputation</li> </ul>	Corporate Management Team
9	4	5		20	Neighbourhood Strategy	<p>The Neighbourhood Strategy is a priority for the council, which requires a joined up corporate approach.</p> <p>The council has a Neighbourhood Agenda around improving neighbourhoods by focusing more closely on the individual needs in specific locations, providing local solutions and involving residents in decision making.</p>	The council fails to deliver the agreed outcomes of the Neighbourhood Agenda.	<ul style="list-style-type: none"> <li>• Failure to take the opportunity to make the lives of Norwich citizens better</li> <li>• Other organisations, such as the police, take the initiative and lead the agenda</li> <li>• Loss of reputation</li> </ul>	Director of Regeneration and Development Director of Transformation



Risk No	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
10	4	5	↔	20	Use of resources	The council is making considerable progress since its last inspection. However, it is an external assessment and there will be a degree of uncertainty concerning outcomes.	Use of resources judgment has a negative impact on the council.	<ul style="list-style-type: none"> <li>Perception that progress has not been made</li> <li>Adverse publicity</li> <li>Impact on service improvement plan</li> <li>Damage to morale</li> <li>Wider perception of council affected</li> <li>Impacts on relationship with members</li> </ul>	Deputy Chief Executive
11a	3	5	Risk split	15	Greater Norwich Development Partnership	<p>The council, through the Greater Norwich Development Partnership, is seeking to ensure it receives the appropriate additional funding for the growth and regeneration programme.</p> <p>The city will develop and see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created.</p> <p>Initial studies show that the growth in jobs and homes will occur but there is a funding gap.</p>	11a Partnership failure on internal governance issues	<ul style="list-style-type: none"> <li>Lost opportunity</li> <li>Reputation damage</li> <li>Failure to provide: <ul style="list-style-type: none"> <li>Appropriate physical infrastructure (roads, drainage) /</li> <li>Environmental quality (parks, open spaces) /</li> <li>Social infrastructure (schools, health centres, community centres)</li> </ul> </li> <li>Failure to regenerate inner city areas and improve life for local residents</li> <li>Failure to develop the local economy and high quality job</li> </ul>	Director of Regeneration and Development
11b	4	5		20			11b Partnership fails to deliver (variety of causes e.g. funding, market, capacity)		
12	3 (changed 26/2 Previously 5)	3 (changed 26/2 previously 5)	↓	9	Environmental Strategy	<p>The Environment Strategy is a vital area for the council, which will require a joined up corporate approach.</p> <p>Currently the council has only one Environmental Policy officer, and whereas there is some work being done in areas such as Waste and Recycling there is a perception that the council does not fully understand what climate change, and the associated issues, will mean for the council in the future.</p>	The council has only just adopted a framework for its environmental strategy.	<ul style="list-style-type: none"> <li>Pressure from members to do more</li> <li>Puts greater pressure on services</li> <li>Loss of reputation</li> <li>Response is not co-ordinated corporately</li> <li>Piece meal approach</li> <li>Ineffective use of resources</li> <li>Unable to deal adequately with a fundamental issue</li> <li>Opportunities missed</li> </ul>	Director of Transformation

Risk No	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
13	3	5		15	Unitary bid unsuccessful	The Boundary Committee review of Norfolk is underway, and due to report by December 2008. Unitary status is a key driver for change in the organisation, and a unique opportunity to deliver more effective governance and services for the whole city.	Unitary bid unsuccessful and no viable alternative in place.	<ul style="list-style-type: none"> <li>Deflation</li> <li>Impact on morale</li> <li>Loss of credibility</li> <li>Political impact on administration</li> <li>Damage to key partnerships and relationships</li> <li>Uncertainty remains</li> <li>Loss of key staff</li> </ul>	Chief Executive
14	(Was 3 )	(Was 5)	Removed		Unitary decision delayed	Government has set a timetable for the Boundary Committee to advise (December 2008). However, there is no ongoing timetable, and implementation by 2010 will be tight.	Unitary decision delayed.	<ul style="list-style-type: none"> <li>Uncertainty</li> <li>Workload implications</li> <li>Hard to maintain momentum</li> <li>Hard to take a long-term view</li> <li>Impact on partnerships and relationships</li> </ul>	Chief Executive
15	2	7		14	Creation of new unitary council	If the unitary bid is successful, there will be a very tight timescale for successful implementation by April 2010.	A successful bid, but inability to implement a new council in the available timescale.	<ul style="list-style-type: none"> <li>Unfit/ unprepared new council</li> <li>Risks for service users</li> <li>Criticism from inspectors</li> <li>Adverse media/ reputation damaged</li> </ul>	Chief Executive
16	4	7	<b>new</b> 	28	Financial management	The council is facing an uncertain financial future. Part of balancing the budget involves significant change and financial savings	Unable to make saving within the required timescales	<ul style="list-style-type: none"> <li>Erosion of reserves</li> <li>Major financial problems</li> <li>Reputation damage</li> <li>Poor inspection results</li> <li>Changes become "knee jerk"</li> <li>Govt intervention</li> </ul>	Head of Finance
17	3	5	<b>new</b> 	15	Business Continuity	<p>The council delivers a range of complex services to vulnerable elements of the community.</p> <p>Organisations generally are experiencing significant continuity events once every five years on average.</p>	<p>Occurrence of a significant event</p> <p>(I.T failure, contractor collapse, weather event, comms failure, pandemic)</p>	<ul style="list-style-type: none"> <li>Service disruption</li> <li>Reputation damage</li> <li>Years to recover</li> <li>Poor inspection reports</li> </ul>	Head of Legal & Democratic Services

Risk No	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
18	4	5	<b>new</b> 	20	Single Status	The council is currently in the process of implementing single status. Single status is supposed to promote equality.  In some organisations it has caused significant problems.	Adverse impact either a) Significant financial cost b) Negative impact on staff morale c) Impact on the demand for resources e.g. appeals	<ul style="list-style-type: none"> <li>Time / Cost /Money</li> <li>Impact on service delivery</li> <li>Negative impact on outcomes</li> <li>Poor CAA</li> </ul>	Head of HR
19	4	5	<b>new</b> 	20	Comprehensive Spending Review (CSR)	The country is currently in a recession. Current financial plans make assumptions on the level of government support.	Adverse change due to CSR.	<ul style="list-style-type: none"> <li>Further savings required</li> <li>Council loses critical mass in key areas</li> <li>Service failures</li> </ul>	Head of Finance
20	4	3	<b>new</b> 	12	Customer demand	The profile of customer demand is always changing. The change will accelerate through periods of decline and changing demographics.	Excessive customer demand in key areas  (linked to the risk of recession No 3)	<ul style="list-style-type: none"> <li>Unable to cope</li> <li>Poor KPIs</li> <li>Complaints</li> <li>Poor CAA</li> <li>Reputation damage</li> </ul>	Chief Exec
21	4	3	<b>new</b> 	12	Maintenance of the Housing stock	The council has to achieve and maintain a decent homes standard. This requires ongoing planned and responsive maintenance of the housing stock.	Failure in the medium to long term to sustain the housing stock (affordability issues)	<ul style="list-style-type: none"> <li>Quality of stock diminishes and the need to decommission increases</li> <li>Responsive repairs increase</li> <li>Social problems increase</li> <li>Investment in the stock falls below required levels</li> </ul>	Director of Regeneration and Development
22	3	5	<b>new</b> 	15	New contracts	The CityCare contract with three significant elements (housing, non-housing and citizen services) is due to be retendered over the course of the next year.	Fail to deliver the process (on time / within financial parameters / to required standards).	<ul style="list-style-type: none"> <li>Pressure on budgets</li> <li>Continuity issues</li> <li>Poor negotiation position</li> <li>Standards fall</li> <li>Expectations not met</li> <li>Poor feedback</li> </ul>	Head of Procurement & Service Improvement