

Report for Information

Report to Audit Committee
26 October 2010

Report of Head of Finance

Subject Corporate Risk Management Review

12

Purpose

To update members on the results of the review of key corporate risks and mitigation actions by the council's corporate management team.

Recommendations

That members:

- Note the mitigation actions to address individual risks.
- Note changes to the register as a result of review by the corporate management team.

Financial Consequences

The financial consequences of this report are none directly.

Risk Management

The report deals with the councils risk management processes.

Strategic Objective/Service Priorities

The report helps to achieve the strategic priority "One council:

- customer focus – putting customers at the heart of everything we do;
- continuous improvement of our services; and
- cost conscious – efficient and effective service delivery "

Contact Officers

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Background Documents

Audit Committee 13 May 2010 – "Corporate Risk Management Review"

Report

Background

1. The previous version of the corporate risk register was presented to Audit Committee in May 2010.
2. Since then there have been a number of significant events that affect the council's corporate risks.
3. The corporate management team and other relevant senior managers have reviewed all the risks and mitigating actions accordingly, and the updated risk register is attached at **annex 1**.

Changes to the Corporate Risk Register

4. For each risk in the previous version of the register, the following shows a brief summary of where the changes have been made:
 - **CR01 – Recession and public sector funding.** Minor changes to 'trigger' and 'consequences' columns.
 - **CR02 – Single status.** Minor change to 'action/controls'. Although the proposed pay scheme is still with UNISON, it is satisfied that the scheme is legally compliant. However, the risk score remains unchanged.
 - **CR03 – Government policy.** Mitigation added under 'action/controls' to reflect weekly review by CMT of government announcements.
 - **CR04 – HCA strategic partnership.** Additions to 'vulnerability', 'trigger', 'consequences' and 'action/controls' to take account of change of rules by the government and collapse of Connaught. Mitigation added to take account of positive audit review.
 - **CR05 – Prioritisation.** Reviewed and renamed "Delivery of the corporate plan." Substantially amended to take account of updated situation.
 - **CR06 – Outsourced blue collar services.** This risk has been removed as the risks relating to the new contracts have either disappeared (where the contracts are in place and arrangements are working well), or have actually materialised in the case of Connaught, therefore they are no longer risks but issues which are being addressed. Contract management is now covered under CR17.
 - **CR07 – Neighbourhood strategy.** Addition to mitigation to reflect next phase of neighbourhood approach.
 - **CR08 – Customer demand.** Minor change to 'trigger'.
 - **CR09 – Maintenance of the housing stock.** Likelihood score has been reduced from 3 to 2. Updated 'consequences' and 'action/controls' to reflect the actions that have been taken as a result of Connaught going into administration. Additional mitigation to reflect the government's planned changes to the housing revenue account, which should help to mitigate the affordability issues of maintaining the housing stock.

- **CR10 – Business continuity.** Addition to ‘action/controls’, ‘responsibility’ and ‘review frequency’ to bring up to date.
 - **CR11 – Greater Norwich Development Partnership.** Addition to ‘action/controls’ to reflect all parties’ agreement with the proposed policy framework. For members’ information, the ‘likelihood’ score in the previous version of the risk register was reduced from 20 to 15 because decisions made in March by each of the respective councils to formally submit the draft Joint Core Strategy to the Secretary of State reduced the potential for dispute among the partners about the content of the strategy.
 - **CR12 – IT Strategy.** Minor changes to ‘trigger’ and ‘consequences’.
 - **CR13 – Implementation of key policies and strategies.** Change of ‘responsibility’ to chief executive officer and CMT.
 - **CR14 – Minimum service standards.** Mitigation added under ‘action/controls’ to reflect programme of ‘systems thinking’ training for managers.
 - **CR15 – Use of resources.** Renamed corporate governance. Although use of resources inspections under the comprehensive area assessment have been abolished, the principles remain relevant and may still need some form of reporting under the government’s transparency agenda. It is therefore appropriate to retain this corporate risk. Mitigation added under ‘action/ controls’.
 - **CR16 – Environmental strategy.** Addition to mitigation to reflect progress against national indicator NI188 – ‘adapting to climate change’. This will require risk assessments of all service areas, including risks around climate change.
 - **CR17 – Contract management.** This risk has been reworded to emphasise the need to have effective contract management and procurement in place, and takes account of the risk of failure of one of the council’s major contractors.
 - **CR18 – Impact of unitary status on service delivery.** Risk removed.
 - **CR19 – Fraud.** Minor change to ‘action/controls’.
5. Page 2 of the register, key corporate risks summary, has been updated to reflect the above changes.
 6. Page 3 of the register, council priorities 2010-12, has been updated to reflect the new portfolio holders following the recent local elections.
 7. Risks are again shown in ‘risk score’ order, highest risks first.
 8. A ‘tracked’ version of the register, showing all the changes in detail, can be made available to members if required.

Summary

9. Risks to achieving the council’s objectives, and mitigating actions to control the risks, continue to be regularly reviewed at both service and corporate level in response to changing threats, vulnerabilities and circumstances.

Norwich City Council Key Corporate Risks

Updated by Corporate Management Team October/November 2009

Reviewed by Audit Committee January 2010

Updated by DMTs Feb/March 2010

Reviewed by Audit Committee May 2010

Updated by Corporate Management Team October 2010

Key Corporate Risks Summary (next 2 – 3 years)

17 risks ranked, 8 red risks

		Impact / Consequences				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	5	7
Likelihood / Probability	5 Very High				1, 2, 3	
	4 Likely				5, 7, 8, 10	
	3 Possible			19	11, 12, 13, 14, 15, 16,	4
	2 Unlikely				9, 17	
	1 Rare					

No.	Top Corporate Risks
Very High Likelihood – Major impact	
CR01	Recession & public sector funding
CR02	Single status
CR03	Government policy
Likely – Major impact	
CR05	Delivery of the corporate plan
CR07	Neighbourhood strategy
CR08	Customer demand
CR10	Business continuity
Possible – Catastrophic impact	
CR04	Norwich & HCA Strategic Partnership

Council Priorities 2010-2012 (used to link to key corporate risks below)

City Council Aims	12 priorities for 2010-2012	Portfolio Holders (tbc)	CMT Lead
Strong and prosperous city	Under this aim, our priorities will be to deliver: 1. a dynamic local economy 2. a strong cultural offer 3. sustainable growth and development	Cllr Morphew Cllr Arthur Cllr MacDonald	J Massey A Bonsor N Rotsos
Safe and healthy neighbourhoods	Under this aim, our priorities will be to deliver: 4. better access to green spaces and leisure 5. more active and engaged communities and neighbourhoods 6. a safer and cleaner city	Cllr Arthur Cllr Bremner Cllr Brociek-Coulton Cllr Westmacott Cllr MacDonald Cllr Sands	J Massey D Wilkinson N Rotsos
Opportunities for all	Under this aim, our priorities will be to: 7. provide support to people during the recession 8. increase pride in the city 9. increase access and opportunity	Cllr Sands Cllr Waters	All
One council	Under this aim, our priorities will be: 10. customer focus – putting customers at the heart of everything we do 11. continuous improvement of our services 12. cost conscious – efficient and effective service delivery	Cllr Waters Cllr Sands	B Buttinger J Massey

Key Corporate Risks

Annex 1



Likelihood scored on a scale 1, 2, 3, 4, 5 (5 = very high, 1 = rare)

Impact scored on a scale 1, 2, 3, 5, 7 (7 = catastrophic, 1 = insignificant)



Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 01	All	5	5	↔	25	Recession and public sector funding	Recession leads to major reduction in public sector funding. Impact on balancing the budget – significant change and financial savings required	Further economic decline. Unable to make saving within the required timescales Other triggers: Residual liability re land at Bowthorpe. Bethel St Police Station – market value payment. Triennial pensions review. VAT partial exemption. Variable energy prices	<ul style="list-style-type: none"> Inability to raise capital receipts Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels Erosion of reserves Major financial problems Reputation damage Poor inspection results Changes become “knee jerk” Govt intervention Further savings required Council loses critical mass in key areas Service failures Potential disproportionate impact on the poorest and most vulnerable members of society Industrial Action 	S151 Officer
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Medium Term Financial Strategy incl. reserves policy, financial reporting to CMT & Executive, transformation projects regularly monitored, MTFS is regularly reviewed and updated							CMT and S151 Officer		Monthly or more frequently if needed	
CR 02	11, 12	5	5	↔	25	Single status	<p>The council is currently in the process of implementing single status. Single status is designed to promote equality.</p> <p>In some organisations it has caused significant problems.</p>	<p>Adverse impact either</p> <p>a) Significant financial cost</p> <p>b) Negative impact on staff morale</p> <p>c) Impact on the demand for resources e.g. appeals</p>	<ul style="list-style-type: none"> Time / Cost /Money Impact on service delivery Negative impact on outcomes Poor CAA 	Deputy Chief Executive

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	Financial projections of outcomes, regular review by CMT of overall impact, review by HR legal consultant for legal compliance (confirmed by UNISON), Single Status Steering Group (joint with UNISON)						Overall co-ordination by HR		As and when required	
CR 03	All	5	5	↔	25	Government policy	Change in direction of government policy	Change in national government policy as a result of the general election and economic position	<ul style="list-style-type: none"> Adverse effect on budgets and reserves Need to review financial strategy 	Chief Executive
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	.Weekly review by CMT of government announcements to assess implications and response required.						CMT and Heads of Service		Weekly	
CR 04	All	3	7	↔	21	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP)	Withdrawal or claw back of funding Reputation Change of rules by the government – tighter deadline for bidding for affordable housing grant Problems with major contractors	Material breach of contract Deadlines missed Major contractor in administration	<ul style="list-style-type: none"> Projects halted or delayed Adverse public opinion Increase in local unemployment Funding for some projects may not be obtained 	Director of Regeneration and Development
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	Contract. Strategic Board includes Members and HCA. Officer Implementation Board. Annual Business Plan. Project managers for individual projects. Regular financial and budget reports. Audit report gave good assurance on controls						Asst Director City Development & City Growth & Development Mgr		Monthly highlight reports	
CR 05	All	4	5	↔	20	Delivery of the corporate plan	The council has a clear set of corporate priorities within its corporate plan. Given the very significant savings the council is facing and the likely effect on overall organisational capacity there is a risk that the council will fail to deliver on all its corporate priorities.	Corporate priorities	<ul style="list-style-type: none"> Key priorities for the City are not delivered Projects halted or delayed Adverse public opinion Projects / work completed to a lower quality Negative impact on outcomes for customers Negative performance ratings for the council Long hours culture continues 	Director of Transformation



Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
									<ul style="list-style-type: none"> Continual over stretching of capacity Adverse affect on morale Risk of stress 	
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Regular review of Corporate Plan, Medium Term Financial Strategy and expected outcomes, effective performance and programme management, corporate planning and service planning aligned with budget setting to ensure resources in place.							Executive and CMT		Continuous process	
CR 07	4-6	4	5	↔	20	Neighbourhood Strategy	The Neighbourhood Strategy is a priority for the council, which requires a joined up corporate approach. 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.	The council fails to deliver the agreed outcomes of the Neighbourhood Agenda.	<ul style="list-style-type: none"> Failure to take the opportunity to make the lives of Norwich citizens better Other organisations, such as the police, take the initiative and lead the agenda Loss of reputation 	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Implementation plan in place - organisation restructure to reflect the requirements of the neighbourhood strategy. Resources aligned to needs. Neighbourhood teams established. Next phase of neighbourhood approach to service delivery to be agreed Autumn/winter 2010/11							Assistant Director – Neighbourhood Development		6 monthly review to Executive. DMTs will monitor progress	
CR 08	All	4	5	↔	20	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, particularly in relation to the need to cut services (linked to the risk of recession CR01)	<ul style="list-style-type: none"> Unable to cope Poor KPIs Complaints Poor CAA Reputation damage 	Deputy Chief Executive
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
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. Data capture, consultation, survey and service planning.							Head of Service where relevant and Customer Contact		Continuous	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 10	10	4	5		20	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, communications failure, pandemic)</p>	<ul style="list-style-type: none"> Service disruption Reputation damage Years to recover Poor inspection reports 	Deputy Chief Executive
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Flu pandemic plan, Norfolk Resilience Forum and Business Continuity Team. 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. Approach has also been used to test business continuity in the event that the main works contractor changing.							Public Health & Enforcement Manager co-ordinates general business, Service Improvement Manager co-ordinates the IT list of key officers. Heads of service responsible for works contracts.		All documents have review dates after valuable lessons learned. Business continuity plans for works contracts reviewed as necessary.	
CR 11	All	3	5		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. Initial studies show that the growth in jobs and homes will occur but there is a funding gap.</p>	<p>Partnership failure on internal governance issues</p> <p>Partnership fails to deliver (variety of causes e.g. funding, market, capacity)</p> <p>Joint Core Strategy not delivered or found to be unsound</p>	<ul style="list-style-type: none"> Lost opportunity Reputation damage Failure to provide: Appropriate physical infrastructure (roads, drainage) / Environmental quality (parks, open spaces) / Social infrastructure (schools, health centres, community centres) Failure to regenerate inner city areas and improve life for local residents Failure to develop the local economy and high quality job 	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Ensuring that strategies being prepared with GNDP colleagues are as robust as possible and firmly grounded in reliable evidence. Inter-Authority working based on consensus decision making ensures all parties are in agreement with the proposed policy framework. All policy work is supported by comprehensive evidence in accordance with government guidelines.							Head of Planning		Quarterly - DMT	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 12	10-12	3	5	↔	15	IT Strategy	<p>The council is currently half way through a 15 year PFI contract to provide IT.</p> <p>See risk around Steria contract in risk CR17</p> <p>The council also holds a variety of data that is confidential. There is a legal imperative to keep this data secure e.g. FoI, Data Protection</p>	IT strategy fails to support the organisation moving forward and the Lean blueprint for a new council.	<ul style="list-style-type: none"> Incoherent approach to IT systems Systems not customer friendly Systems are not integrated with one and other Drain on resources as staff work around the systems Lack of accuracy in key data Data are unreliable Key information not trusted Hinders management and service improvements Failure to deliver council priorities 	Deputy Chief Executive
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Regular monthly meetings of Programme Review Board, Service Review Board and feedback to Contract Board, delivering alignment of priorities, Data Security Forum, prioritisation of work requests, Strategy Board, Contract Board, monthly service reviews, Steria Programme Board							Head of Procurement & Service Improvement and Steria for governance arrangements in contract; Data Security Forum - Monitoring Officer		Bi-annual review of overall governance arrangements	
CR 13	All	3	5	↔	15	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"> Inconsistent approach taken across council Full benefits not realised Benefits of cross working not gained Blurred lines of responsibility Lack of corporate working Staff confusion over policies and process Not seen as 'one' council 	Director of Transformation
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Programme Management Plan developed to ensure policies and strategies are delivered. This is supported by governance structures.							Chief Executive/CMT		Monthly, dependent on strategy area	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 14	10-12	3	5		15	Service standards	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.	The council fails to set and maintain service standards	<ul style="list-style-type: none"> Inconsistent standards for service delivery The council fails to 'raise its game' to a sufficient level to achieve what it wants Unable to fully embed culture of high achievement within the council Failure to break out of culture of low aspiration Customers and service users don't receive the service they expect Loss of reputation 	Deputy Chief Executive
						Action/controls and other mitigation		Responsibility for Action	Review Frequency	
						Corporate performance reporting, reviewed by DMT, performance against standards reviewed regularly by CMT, service specific standards, corporate customer service standards A programme of training on systems thinking is now underway and this will support managers to focus on consistent levels of service delivery to customers in the most efficient way possible.		Review at CMT	Bi-annually Monthly to CMT	
CR 15	10-12	3	5		15	Corporate governance	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 (or replacement) judgement has a negative impact on the council.	<ul style="list-style-type: none"> Perception that progress has not been made Adverse publicity Impact on service improvement plan Damage to morale Wider perception of council affected Impacts on relationship with members 	Deputy Chief Executive
						Action/controls and other mitigation		Responsibility for Action	Review Frequency	
						Improvement plan, Annual Governance Report action plan, individual KLOE owners, plans detailed for levels 1, 2 and 3. Review progress at regular meetings of all lead officers on KLOE overall impact update A Finance Improvement Plan has been scoped and is now being implemented to support the improvements needed in the Finance Service		Reviewed by Deputy Chief Executive and KLOE reporting leads	Quarterly Monthly	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 16	3, 11	3	5	↔	15	Environmental Strategy	The Environment Strategy is a vital area for the council, which will require a joined up corporate approach. Currently the council has only one Environmental Policy officer, but a lot of people are involved across the authority. This risk may not be a priority for them. There is also a risk because a lot of the funding is short-term.	The council has only just adopted a framework for its environmental strategy.	<ul style="list-style-type: none"> Pressure from members to do more Puts greater pressure on services Loss of reputation Response is not co-ordinated corporately Piece meal approach Ineffective use of resources Failure to deliver Unable to deal adequately with a fundamental issue Opportunities missed 	Director of Transformation
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Environmental Strategy and Carbon Management Plan. Bid in budget for additional resources, eg energy efficiency officer. Members' climate change panel in process of setting up independent Climate Change Commission (including external input to review our next environmental strategy). Council wide energy champions will be reflected in service plans. Working towards achieving level 3 of NI188 (Adapting to climate change), which will require a risk assessment of all service areas, including risks around climate change							Environmental Strategy Manager		Quarterly	
CR 09	5	2 (changed Sept 2010: from 3 to 2 – better info from decent homes database)	5	↓	10 (was 15)	Maintenance of the housing stock	The council has to achieve and maintain a decent homes standard. This requires ongoing planned and responsive long-term maintenance of the housing stock. Health & Safety risk	Failure in the medium to long term to sustain the housing stock (affordability issues)	<ul style="list-style-type: none"> Quality of stock diminishes and the need to decommission increases Responsive repairs increase Social problems increase Investment in the stock falls below required levels Delay in meeting the decent homes standard Death/injury 	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Potential national funding changes should benefit the council financially - capital investment programme The council's major contractor has gone into administration. The importance of the services provided to tenants were assessed for the risk to tenants if they were ceased, and on that basis emergency contracts were set up for gas servicing and housing repairs. Short term contracts are in the process of being let to cover all other areas of work, and then the strategy for future service delivery will be developed.							Assistant Director – Neighbourhood Development		Housing Improvement Board, review annually, monitored quarterly CMT monthly	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 17	4-6, 10-12	2	5		10	Contract management	<p>The council has a number of key contracts – eg with Steria and Connaught Environmental – which require strong, consistent procurement and client management.</p> <p>Failure of major contractor</p>	<p>Key contracts not managed effectively and key objectives not achieved.</p> <p>Contractor goes into administration</p>	<ul style="list-style-type: none"> The council doesn't get value for money from the contracts Benefits of contract not realised Constant negotiation around the contract Specification not adhered to Services not provided at an acceptable level Customer and staff complaints Services not delivered Contingency plans have to be invoked Cost and time to retender contract 	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
<p>Management restructure is focused on contract management in relevant areas. Clarity over responsibility and a team established for contract enforcement - governance structure behind each of contracts.</p> <p>Learning and development needs of contract managers have been assessed and a programme is now in place to meet these needs.</p> <p>The contract governance of the 'direct works' contracts will be reshaped when the interim contracts have been let.</p> <p>Monitor major contractors for warning signs and make any necessary contingency plans</p>							<p>Head of Citywide Services and Head of Housing Property Services</p> <p>Learning and Development Manager</p> <p>Head of Procurement and Service Improvement</p>		<p>Direct Works Board and Strategic Board review quarterly</p> <p>Quarterly</p> <p>Quarterly</p>	
CR 19	12	3	3		9	Fraud	Poor internal controls lead to fraudulent acts against the council, resulting in losses	<p>Failure in internal control</p> <p>Discovery of fraudulent acts</p> <p>Allegations received</p>	<ul style="list-style-type: none"> Loss of income or assets Adverse public opinion Effect on use of resources Increased costs of external audit Cost of investigation and rectifying weaknesses 	S151 Officer
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Internal audit, fraud and corruption policy, Payment Card Industry security assessment to protect card payments, National Fraud Initiative, fraud team, whistleblowing policy and prosecution policy							Head of Finance		Quarterly	