

Report for Information

Report to	Audit Committee 25 March 2010	Item
Report of	Head of Finance	7
Subject	Strategic Risk Management Review	

Purpose

To update members on the key strategic risks and mitigation actions identified by the council's corporate management team.

Recommendations

That members note:

- (1) the mitigation actions that have been added to individual risks;
- (2) 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 "Aiming for excellence – effective management of our resources"

Contact Officers

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Report

Background

1. The latest version of the strategic risk register was presented to Audit Committee in January 2010.
2. At that time work was still progressing to gather and collate details of mitigation measures for each individual risk.
3. That work is now complete and the updated risk register, complete with mitigation actions, is attached at **Annex 1**.

Strategic Risk Register

4. During January and February the head of finance and audit manager attended departmental management teams (DMT) in order to ensure that measures to mitigate each strategic risk had been properly addressed and recorded by the risk owner.
5. The results have been incorporated into the register, with mitigation actions, risk owner and review frequency being shown below each risk.
6. As requested by members, risks are now shown in order of risk score, with the highest scores first.
7. Other changes have also been made to the register as a result of the DMT meetings. Specifically, risks previously numbered 20 (financial risks), 13 (new unitary council) and 22 (ICT risks) have been removed, as these were already covered by other risks and mitigation measures.
8. The strategic risks have again been reviewed by CMT members.

Proposed amendments

9. The following amendments have been proposed or are already being implemented, but are not yet reflected in the register:
 - The council's aims and twelve priority themes are likely to change as a result of the corporate planning process. The current priorities are included on page 3 of the risk register in order to link them with associated risks; therefore this page will eventually change.
 - It has been suggested that the risk score for risk 9, maintenance of the housing stock, could be reduced from 20 to 15 due to the new contracts. However, in view of the ongoing litigation it is felt prudent to keep the score at 20 until the outcome is known.
 - It has been suggested that the Greater Norwich Housing Partnership and non-housing asset management should be added as new risks.
10. At Audit Committee in January members requested that consideration be given to adding environmental risks to the register. Officers' view is that this is already covered by risk 16, environmental strategy, and the mitigating actions.

Summary of Risk Management Review Process 2009/10

11. Strategic Risks

- Audit committee reviewed strategic risks in March 09.
- Both key and other strategic risks were reviewed by the corporate management team (CMT) in October and November 2009.
- The updated strategic risk register was considered by Audit Committee in January 2010.
- The head of finance and audit manager attended departmental management teams in January and February to ensure that measures to mitigate each strategic risk have been properly addressed and recorded by the risk owner.
- The updated register is being presented to this meeting.

12. 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 Zurich Municipal Risk Management (ZMRM) carried out a 'health check' to challenge the current processes against good practice and key standards, and to gauge what further work was needed to improve and embed risk management.
- The issues raised by ZMRM are being addressed in the current review of the performance management system, which includes a risk management module.
- A briefing for all members, plus training for senior managers involved in risk management, will be delivered in March 2010. This is a requirement of key line of enquiry 2.4 for our use of resources assessment.

13. Partnership Risks

- A governance framework for partnership working operates to ensure that all the council's partnership arrangements are recorded on a single register. This register details the type of partnership and each lead officer. On an annual basis, every partnership is scored for significance and the highly significant partnerships are assessed for risk. Risks are recorded in the individual partnership risk assessment form, and together with an action plan, this is reviewed on an ongoing basis. These are amalgamated into a single partnership risk register.

14. Annual Governance Review

- The annual governance review is closely linked to risk management and is reported upon in the annual governance statement as part of the annual statement of accounts. The statement will be considered at a separate meeting of the Audit Committee (which approves the statement of accounts) in June 2010.

Norwich City Council Key Strategic Risks

Updated by Corporate Management Team October/November 2009

Reviewed by Audit Committee January 2010

Updated by CMT March 2010

Key Strategic Risks Summary (next 2 – 3 years)

19 risks ranked, 10 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, 6, 7, 8, 9, 10	
	3 Possible			18, 19	11, 12, 13, 14, 15, 16,	4
	2 Unlikely				17	
	1 Rare					

No.	Top Strategic Risks
Very High Likelihood – Major impact	
1	Recession & public sector funding
2	Single status
3	Government policy
Likely – Major impact	
5	Prioritisation
6	Outsourced 'blue collar' services
7	Neighbourhood strategy
8	Customer demand
9	Maintenance of the housing stock
10	Business continuity
Possible – Catastrophic impact	
4	Norwich & HCA Strategic Partnership

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

City Council Aims	12 proposed priority themes for 2010-2012 “This aim means we will focus on delivering.....”	Lead Portfolio Holder(s)	CMT Lead
STRONG AND PROSPEROUS CITY	1. A dynamic local economy	Cllr Morphew & Cllr Morrey	J Massey & A Bonser & N Rotsos
	2. A strong cultural offer		
	3. Sustainable growth for the city		
SAFE AND HEALTHY NEIGHBOURHOODS	4. Access to green spaces and leisure	Cllr Blakeway & Cllr Bremner	J Massey & D Wilkinson & N Rotsos
	5. Active and engaged communities and neighbourhoods		
	6. A safe and clean city		
OPPORTUNITY FOR ALL	7. Support to people during the recession	Cllr Arthur & Cllr Sands	ALL
	8. Pride in our city		
AIMING FOR EXCELLENCE	9. Effective management of our resources	Cllr Waters, Cllr Brociek-Coulton & Cllr Arthur	B Buttinger & P Spencer & J Massey
	10. Continuous improvement of our services		
	11. A stronger focus on our customers		
UNITARY STATUS	12. The best deal for the city	Cllr Morphew & Cllr Waters	P Spencer

Key Strategic 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
1	1-11	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: First Bus appeal re 09/10. Residual liability re land at Bowthorpe. Bethel St Police Station – market value payment. Triennial pensions review. VAT partial exemption	<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 	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	
2	9-11	5	5	↔	25	Single Status	The council is currently in the process of implementing single status. Single status is designed 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"> Time / Cost /Money Impact on service delivery Negative impact on outcomes Poor CAA 	Deputy Chief Executive
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 (legal compliance), Single Status Steering Group (joint with UNISON)							Overall co-ordination by HR		As and when required	




Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
3	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	
4	1-11	3	7	↔	21	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP)	Withdrawal or claw back of funding Reputation	Material breach of contract	<ul style="list-style-type: none"> Projects halted or delayed Adverse public opinion Increase in local unemployment 	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.							Asst Director City Development & City Growth & Development Mgr		Monthly highlight reports	
5	All	4	5	↔	20	Prioritisation	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. There is some confusion around lines of responsibility and accountability and 'everything is a priority'. Impact of budget savings. Work is ongoing to establish clear corporate aims and objectives which define the council's	Priorities remain unclear	<ul style="list-style-type: none"> Everything remains a priority Lack of understanding of what the council wants to achieve Staff feel unable to say 'no' Nothing 'falls off the shelf' Officers add tasks to existing heavy workload Long hours culture continues Continual stretching of capacity Adverse affect on morale Risk of stress 	Director of Transformation

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
							priorities, but even with clear corporate priorities there is a risk we will over-reach capacity.			
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	Medium Term Financial Strategy, corporate improvement and efficiency programme, Executive priorities, council debating priorities, corporate planning and service planning aligned with budget						Executive and CMT		Continuous process	
6	4-6, 9-11	4	5	↔	20	Outsourced 'blue collar' services	The council has contracted out the delivery of 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. Risk of not demobilising old contract and fully mobilising new contract on time. See also Risk 18.	Service levels deteriorate	<ul style="list-style-type: none">• Tension between council and partners• Customer and public complaints• Council seen to be failing to deliver services• Services 'fire fighting' to deal with complaints• Drain on resources• Media involvement / loss of reputation	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Demobilisation and mobilisation plans drawn up for CityCare. 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. Steria - contract strategic board							Head of Citywide Services and Head of Housing Property Services		Direct Works Board and Strategic Board review quarterly	
7	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	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

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							local solutions and involving residents in decision making.			
	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						Assistant Director – Neighbourhood Development		6 monthly review to Executive. DMTs will monitor progress	
8	1-11	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 (linked to the risk of recession No 3)	<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	
9	5, 9-11	4	5	↔	20	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• Death/injury	Director of Regeneration and Development
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
New contract delivering better VFM. See risks 6 & 7 re: new contracts. Potential national funding changes should benefit the council financially - capital investment programme							Assistant Director – Neighbourhood Development		Housing Improvement Board, review annually, monitored quarterly	
10	11	4	5	↔	20	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 (I.T failure, contractor collapse, weather event, communications failure, pandemic)	<ul style="list-style-type: none">• Service disruption• Reputation damage• Years to recover• Poor inspection reports	Deputy Chief Executive

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	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						Public Health & Enforcement Manager co-ordinates general business, Service Improvement Manager co-ordinates the IT list of key officers		All documents have review dates after valuable lessons learned.	
11	1-11	3 (changed Jan 2010: from 4 to 3 because key decisions which could have been risks have been resolved)	5	↓	15 (was 20)	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. Legal advice to ensure that internal governance procedures are defensible						Head of Planning		Quarterly - DMT	
12	9-11	3	5	↔	15	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 risk no. 17</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. Fol, Data Protection</p>	IT strategy fails to support the organisation moving forward.	<ul style="list-style-type: none"> Incoherent approach to IT systems Systems not customer friendly Systems remain unintegrated 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 	Deputy Chief Executive

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
									<ul style="list-style-type: none"> Hinders management and service improvements 	
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	
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.							Director of Transformation		Monthly, dependent on strategy area	
14	9-11	3	5	↔	15	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"> 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							Review at CMT		Bi-annually	

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15	9-11	3	5		15	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"> 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		Reviewed by Deputy Chief Executive and KLOE reporting leads	Quarterly	
16	3, 9	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. Climate change panel in process of setting up independent Climate Change Commission (including external input). Council wide energy champions will be reflected in service plans.		Environmental Strategy Manager	Quarterly	
17	4-6, 9-11	2	5		10	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 contracts not managed effectively and key objectives not achieved.	<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 	Director of Regeneration and Development
						Demobilising old contracts				

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
							and remodelling contracts – see risk 6		to <ul style="list-style-type: none"> Services not provided at an acceptable level Customer and staff complaints 	
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Demobilisation and mobilisation plans drawn up for CityCare. 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. Steria - contract strategic board							Head of Citywide Services and Head of Housing Property Services		Direct Works Board and Stretegic Board review quarterly	
18	9-12	3	3	↔	9	Unitary – impact on service delivery	The council has submitted a bid for unitary status. The decision 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"> Unsettling for staff Major change issues Service delivery deteriorates or fails to continue to improve Customer dissatisfaction Complaints Adverse media Affects public confidence in new organisation 	Director of Transformation
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Pre-planning for unitary implementation has been a well developed project. Management structure is included. District services should now be impacted on if City boundary - detailed plans. Will be prepared as and when announcement is made - proposals for project planning team ready to go.							Director of Transformation and rest of CMT		As and when announcement is made then monthly or as frequently as needed.	
19	9	3	3	↔	9	Fraud	Poor internal controls lead to fraudulent acts against the council, resulting in losses	Failure in internal control Discovery of fraudulent acts Allegations received	<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, National Fraud Initiative, benefit fraud team, whistleblowing policy and prosecution policy							Head of Finance		Quarterly	