

Report for Information

Report to Audit committee
17 January 2012
Report of Head of finance
Subject Review of corporate risk register

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Purpose

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

Recommendations

That members:

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

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

Report

Background

1. The previous version of the corporate risk register was presented to audit committee in January 2011.
2. In June 2011 the corporate leadership team (CLT) reviewed all the risks and mitigating actions to take account of the significant changes that had occurred, and the risk register was updated.
3. CLT agreed that the revised register should be submitted to audit committee (in line with the requirement for members to review the register every six months) and then cabinet.
4. However, the September meeting of audit committee was postponed and officers decided to submit the revised register to cabinet, as it was realised that cabinet had never previously been involved in the process of reviewing and approving corporate risks and mitigating actions.
5. The corporate risk register was presented to cabinet on 14 December 2011. Councillor Waters introduced the report and acknowledged the hard work of the audit committee and formally recorded his thanks. Cabinet resolved to approve the corporate risk register and actions to mitigate the risks.
6. At the audit committee meeting on 29 November 2011 Councillor Makoff reminded members that they should be reviewing the risk register every six months but that the committee had not received an update since January 2011. It was resolved that a report on the risk register be presented to audit committee in January 2012.
7. The updated corporate risk register is attached at **annex 1**. Reasons for the changes from the previous version are summarised in the following section.

Changes to the Corporate Risk Register

8. For each risk in the previous version of the register, the following shows a brief summary of where the changes have been made:
 - CR07 neighbourhood strategy and CR16 environmental strategy have been rolled into CR05 delivery of the corporate plan and other key policies and strategies. Therefore CR07 and CR16 have been deleted.
 - CR09 maintenance of the housing stock has been removed following an update by the director of regeneration and development - decent homes commitment almost completed and developing a new approach based on 'Norwich Offer'. No longer a strategic risk.
 - CR22 industrial action has been added as a 'red' risk with supporting details from the HR service manager.
 - CR04 homes and communities agency has been reworded by the director of regeneration and development.
 - CR11 delivery of the joint core strategy has been reworded by the head of planning.

- CR14 service standards has been reworded by the deputy chief executive.
 - CR10 business continuity has been reworded to include the effects of climate change and fuel shortages.
 - CR19 fraud and corruption - Bribery Act added.
9. Page 2 of the register, key corporate risks summary, has been updated to reflect the above changes.
10. Risks are again shown in 'risk score' order, highest risks first.
11. A 'tracked' version of the register, showing all the changes in detail, can be made available if required.

Norwich City Council Key Corporate Risks

Reviewed by Audit Committee May 2010

Updated by Corporate Management Team October 2010

Updated by Corporate Management Team December 2010

Reviewed by Audit Committee January 2011

Updated by Corporate Leadership Team June 2011

Key Corporate Risks Summary (next 2 – 3 years)

16 risks ranked, 5 red risks

		Impact / Consequences				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	5	7
Likelihood / Probability	5 Very High				1	
	4 Likely			17a	5, 8, 12, 22	
	3 Possible			19	2, 4, 10, 11, 14, 15, 20, 21	
	2 Unlikely				17	
	1 Rare					

No.	Top Corporate Risks
Very High Likelihood – Major impact	
CR01	Public sector funding
Likely – Major impact	
CR05	Delivery of the corporate plan and other key policies and strategies
CR08	Customer demand
CR12	IT Strategy
CR 22	Industrial action

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

City Council Aims	12 priorities for 2010-2012
Strong and prosperous city	Under this aim, our priorities will be to deliver: <ol style="list-style-type: none"> 1. a dynamic local economy 2. a strong cultural offer 3. sustainable growth and development
Safe and healthy neighbourhoods	Under this aim, our priorities will be to deliver: <ol style="list-style-type: none"> 4. better access to green spaces and leisure 5. more active and engaged communities and neighbourhoods 6. a safer and cleaner city
Opportunities for all	Under this aim, our priorities will be to: <ol style="list-style-type: none"> 7. provide support to people during the recession 8. increase pride in the city 9. increase access and opportunity
One council	Under this aim, our priorities will be: <ol style="list-style-type: none"> 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

Key Corporate Risks

Annex 1

Likelihood scored on a scale: 1 rare; 2 unlikely; 3 possible; 4 likely; 5 very high



Impact scored on a scale: 1 insignificant; 2 minor; 3 moderate; 5 major; 7 catastrophic


Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 01	All	5	5	↔	25	Public sector funding	<p>A major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies.</p> <p>Impact on balancing the budget – significant change and financial savings required.</p> <p>New policies and regulations place a major financial burden on the Council e.g. RSG and HRA restructuring.</p> <p>Change in direction of government policy.</p> <p>Under-utilisation of assets.</p>	<p>Further economic decline. Change in national government policy as a result of the economic position. Unable to make saving within the required timescales</p> <p>Other triggers: Residual liability re land at Bowthorpe. Bethel St Police Station – market value payment. Triennial pensions review. VAT partial exemption. Variable energy prices. Increasing voids due to market and economy factors. Loss of major tenant</p>	<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 Possible industrial action 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 Damage/costs across void portfolio 	S151 Officer
Action/controls and other mitigation							Responsibility for Action		Review Frequency	
Medium Term Financial Strategy incl. reserves policy, financial reporting to CLT & Cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. Weekly review by CLT of government announcements to assess implications and response required.							CLT and S151 Officer		Monthly or more frequently if needed	




Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 05	All	4	5	↔	20	Delivery of the corporate plan and other key policies and strategies within the council's strategic framework, including environmental strategy and neighbourhood strategy	<p>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 objectives, e.g. customer experience strategy, equalities policy etc</p> <p>The new localism bill will change the legislative 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 corporate objectives</p>	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 • Continual over-stretching of capacity • Inconsistent approach taken across council • Full benefits not realised • Benefits of cross working not gained • Lack of corporate working • Staff confusion over policies and process • Failure to take the opportunity to make the lives of Norwich citizens better 	Head of Strategy and Programme Management
Action/controls and other mitigation							Responsibility for Action	Review Frequency		
Regular review of Corporate Plan, Medium Term Financial Strategy and other key policies and strategies, effective performance and programme management, corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. Effective assessment and preparation of new localism bill.							Cabinet and CLT	Continuous process		

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
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	<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	
CR 12	10-12	4	5	↔	20	IT Strategy	<p>The council is currently two thirds of the 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 for governance arrangements in contract and chairing Corporate Information Assurance Group		Bi-annual review of overall governance arrangements	


Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 22	All	4	5	NEW	20	Industrial action	Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees	National negotiating framework - failure to agree. Ballot of union members. Implementation of changes to the LGPS. Implementation of government interventions on pay	<ul style="list-style-type: none"> Loss of key services Public safety Loss of income Reputation 	Deputy Chief Executive
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	2 stages – managing the threat of industrial action and responding to industrial action Identify and agree with UNISON exemptions from strike action Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met CLT (Cabinet?) 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 National and regional guidance Statutory immunities – Trade Union Labour Relations (Consolidation) Act						HR Services Manager		Monitor and review in line with national consultation and negotiations	
CR 02	11, 12	3	5	↔	15	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 	Deputy Chief Executive
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	Financial projections of outcomes, regular review by CLT 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	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 04	All	3	5		15	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP) Three elements: 1) Construction of homes on former council owned garage sites (green) 2) Development of land at Bowthorpe for mixed tenure (amber) 3) Other affordable housing and regeneration schemes (amber)	Reputation Change of rules by the government – tighter deadline for bidding for affordable housing grant Bowthorpe - need for master plan and detailed plan for phase one Need to establish a future investment programme using funds from Bowthorpe development	Material breach of contract Deadlines missed Failure to obtain planning approval Failure to establish investment programme Failure to meet targets	<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 Funding may have to be returned Core infrastructure and affordable homes may not be delivered 	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. Two audit reports gave good assurance on controls		Head of city development		Monthly highlight reports
CR 10	10	3	5		15	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. The council may also be at risk from the local effects of climate change in the medium to long term.	Occurrence of a significant event (I.T failure, contractor collapse, weather event, fuel shortages, 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. Approach has also been used to test business continuity in the event of the main works contractor changing. Adaptations to protect the council from the local effects of climate change are covered by corporate strategies and service plans.						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	Delivery of Joint Core Strategy (JCS)	<p>The council, through the Greater Norwich Development Partnership, 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. Initial studies show that the growth in jobs and homes may occur but there is a funding gap. GNDP is seeking to manage this by maximising external funding and introducing Community Infrastructure Levy (CIL).</p> <p>Legal challenge to the JCS has been lodged seeking quashing of plan. Government is committed to making radical changes to the planning framework. Some aspects of emerging framework have tension with JCS policy approach.</p>	<p>Partnership failure on internal governance issues or failure to agree CIL</p> <p>Partnership fails to deliver (variety of causes e.g. funding, market, capacity)</p> <p>Joint Core Strategy is quashed in part or whole as a result of legal challenge</p> <p>Changes made to national planning framework undermine the recently adopted strategy</p>	<ul style="list-style-type: none"> Lost opportunity and loss of income to the council Reputation damage Failure to provide: <ul style="list-style-type: none"> 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 jobs Radical change to work programmes Current plan development has to be aborted Could affect the way the city looks in the future, health of the city centre and level of congestion 	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 14	10-12	3	5		15	Service standards	The council has made significant progress in improving service delivery, however there is not always a consistent understanding of this	The council fails to set and maintain consistent service standards	<ul style="list-style-type: none"> Inconsistent standards for service delivery The council fails to deliver to the set standard 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 CLT, 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. Service standards being reviewed as part of establishing new corporate plan.		Review at CLT	Bi-annually Monthly to CLT	
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.	Value for money conclusion 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 owners for 'proper arrangements', plans detailed for 'proper arrangements'. Review progress at regular meetings of all lead officers.		Reviewed by Deputy Chief Executive and KLOE reporting leads	Quarterly	
CR 20	All	3 (changed June '11 from 2 to 3)	5		15 (was 10)	Level of reserves	The council has a legal duty to ensure it has a prudent level of reserves to conduct its business. Government policy. Economic climate	Reserves fall below acceptable levels	<ul style="list-style-type: none"> Government intervention Impact on reputation of the council 	S151 Officer
						Action/controls and other mitigation		Responsibility for Action	Review Frequency	
						Medium term financial strategy		Head of Finance	Quarterly	

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
CR 21	6	3	5	↔	15	Safeguarding children and vulnerable adults	Safeguarding responsibilities not embedded throughout the council. Impact of cuts on care services	Critical incident Reduced service provision	<ul style="list-style-type: none"> Vulnerable adults and children at greater risk of exclusion or harm 	Director of Regeneration and Development
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	Safeguarding children policy and procedures in place and reviewed annually through safeguarding children's officer group. Safeguarding compliance self assessment improvement plan being implemented. Draft safeguarding vulnerable adult policy and procedures has been prepared.						Safeguarding children - Head of local neighbourhood services Safeguarding vulnerable adults - Tenancy support manager		Quarterly	
CR 17a	4-6, 10-12	4	3 (changed June '11 from 5 to 3)	↓	12 (was 20)	Failure of major contractor	The council has a number of key contractors who may be vulnerable to market and economy factors.	Key contractor goes into administration	<ul style="list-style-type: none"> 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	
	Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested						Head of Procurement and Service Improvement (although contingency planning is responsibility of every head of service)		Quarterly	
CR 17	4-6, 10-12	2	5	↔	10	Contract management	The council has a number of key contracts – eg with Steria and Fountains Environmental Services – 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 to Services not provided at an acceptable level Customer and staff complaints 	Director of Regeneration and Development

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	
	<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>Meetings at head of service level with appropriate contract managers and portfolio holder is part of the governance structure</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>Procurement Board review quarterly</p> <p>Quarterly</p> <p>Quarterly</p>	
CR 19	12	3	3		9	Fraud and corruption	Poor internal controls lead to fraudulent acts against the council, resulting in losses. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies	Failure in internal control. Discovery of fraudulent acts. Allegations received. Member of staff or councillor breaks the law. Council fails to prevent bribery	<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 Prison 	S151 Officer
	Action/controls and other mitigation						Responsibility for Action		Review Frequency	
	<p>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.</p> <p>Review and update as necessary policies and procedures. Assess risk of bribery, train staff and monitor and review procedures.</p>						Head of Finance		Quarterly	