

## Report for Resolution

**Report to** Audit Committee  
21 January 2010

**Report of** Head of Finance

**Subject** Strategic Risk Management Review

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**Item**

**8**

### **Purpose**

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

### **Recommendations**

That members:

- (1) refer to the corporate management team any changes or additions to the strategic risk register the audit committee considers to be appropriate.
- (2) note the process for monitoring measures to mitigate risk.

### **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**

Barry Marshall  
Steve Dowson

01603 212556  
01603 212575

**Norwich City Council  
Key Strategic Risks**

**Updated by Corporate Management Team  
October/November 2009**

**Reviewed by Audit Committee January 2010**

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

22 risks ranked, 12 red risks

		Impact / Consequences				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	5	7
Likelihood / Probability	5 Very High				3, 15, 19, 20	
	4 Likely				6, 7, 9, 11, 14, 16, 17	
	3 Possible			1, 21	2, 5, 8, 10, 12, 22	18
	2 Unlikely				4	13
	1 Rare					

No.	Top Strategic Risks
<b>Very High Likelihood – Major impact</b>	
3	Recession & public sector funding
15	Single status
19	Government policy
20	Financial risks
<b>Likely – Major impact</b>	
6	Prioritisation
7	Outsourced 'blue collar' services
9	Neighbourhood strategy
11	Greater Norwich Development Partnership
14	Business continuity
16	Customer demand
17	Maintenance of the housing stock
<b>Possible – Catastrophic impact</b>	
18	Norwich & HCA Strategic Partnership

Note 1: Consider action plans for key strategic risks

## 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	9-12	3  (changed Oct 09: 5 to 3)	3  (changed Feb 09: 5 to 3)		9  (was 15)	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"> <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>	Director of Transformation
2	9-11	3  (changed Oct 09: 4 to 3)  (changed Feb 09: 5 to 4)	5		15  (was 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 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.	<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	1-11	5	5		25	Recession and public sector funding	<p>Recession leads to major reduction in public sector funding.</p> <p>Impact on balancing the budget – significant change and financial savings required</p>	<p>Further economic decline.</p> <p>Unable to make saving within the required timescales</p>	<ul style="list-style-type: none"> <li>Inability to raise capital receipts</li> <li>Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels</li> </ul>	S151 Officer


Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
									<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> <li>Further savings required</li> <li>Council loses critical mass in key areas</li> <li>Service failures</li> </ul>	
4	4-6, 9-11	2  (changed Oct 09: 4 to 2)  (changed Feb 09: 5 to 4)	5	↓	10  (was 20)	Contract Management	<p>The council has a number of key contracts – e.g. with Steria and CityCare – which require strong, consistent procurement and client management.</p> <p>Demobilising old contracts and remodelling contracts – see risk 7</p>	Key contracts 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>	Director of Regeneration and Development
5	All	3  (changed Oct 09: 4 to 3)  (changed Feb 09: 5 to 4)	5	↓	15  (was 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>	Director of Transformation
6	All	4  (changed Oct 09: 3 to 4)  (changed	5	↑	20  (was 15)	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.	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</li> </ul>	Director of Transformation





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		Feb 09: 4 to 3)					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, but even with clear corporate priorities there is a risk we will over-reach capacity.		<ul style="list-style-type: none"> <li>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>	
7	4-6, 9-11	4 (changed Oct 09: 3 to 4)  (changed Feb 09: 4 to 3)	5	↑	20 (was 15)	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 4.	Service levels deteriorate	<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	9-11	3 (changed Oct 09: 4 to 3)	5	↓	15 (was 20)	Minimum 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.  Clear progress is being made to tie standards in	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</li> </ul>	Deputy Chief Executive

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
							city council re-let process with CityCare.		<ul style="list-style-type: none"> <li>service they expect</li> <li>Loss of reputation</li> </ul>	
9	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"> <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
10	9-11	3 (changed Oct 09: 4 to 3)	5	↓	15 (was 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



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11	1-11	4	5	↔	20	Greater Norwich Development Partnership N.B. split risk removed	<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>	<ul style="list-style-type: none"> <li>Lost opportunity</li> <li>Reputation damage</li> <li>Failure to provide:</li> <li>Appropriate physical infrastructure (roads, drainage) / Environmental quality (parks, open spaces) / Social infrastructure (schools, health centres, community centres)</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
12	3, 9	3  (changed Feb 09: 5 to 3)	5  (changed Oct 09: 3 to 5)  (changed Feb 09: 5 to 3)	↑	15  (was 9)	Environmental Strategy	<p>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.</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>Failure to deliver</li> <li>Unable to deal adequately with a fundamental issue</li> <li>Opportunities missed</li> </ul>	Director of Transformation
13	9-12	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 2011.	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
14	11	4  (changed Oct 09: 3 to 4)	5	↑	20  (was 15)	Business Continuity	The council delivers a range of complex services to vulnerable elements of the community.	<p>Occurrence of a significant event</p> <p>(I.T failure, contractor collapse, weather event,</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>	Deputy Chief Executive

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
							Organisations generally are experiencing significant continuity events once every five years on average.	communications failure, pandemic)		
15	9-11	5 (changed Oct 09: 4 to 5)	5	↑	25 (was 20)	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"> <li>Time / Cost /Money</li> <li>Impact on service delivery</li> <li>Negative impact on outcomes</li> <li>Poor CAA</li> </ul>	Deputy Chief Executive
16	1-11	4	5 (changed Oct 09: 3 to 5)	↑	20 (was 12)	Customer demand	The profile of customer demand is always changing. The change will accelerate through periods of decline and changing demographics.	<p>Excessive customer demand in key areas</p> <p>(linked to the risk of recession No 3)</p>	<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>	Deputy Chief Executive
17	5, 9-11	4	5 (changed Oct 09: 3 to 5)	↑	20 (was 12)	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.	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> <li></li> </ul>	Director of Regeneration and Development
18	1-11	3	7	new 	21	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP)	Withdrawal or claw back of funding	Material breach of contract	<ul style="list-style-type: none"> <li>Projects halted or delayed</li> <li>Adverse public opinion</li> <li>Increase in local unemployment</li> </ul>	Director of Regeneration and Development

Risk No	Council Priority	Likelihood	Impact	Change	Risk Score	Short name	Vulnerability	Trigger	Consequence	Ownership
19	All	5	5	new 	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"> <li>Adverse effect on budgets and reserves</li> <li>Need to review financial strategy</li> </ul>	Chief Executive
20	1-11	5	5	new 	25	Financial risks	Increased expenditure or reduced income	eg: Concessionary bus fares – First Bus appeal. Residual liability re land at Bowthorpe. Bethel St Police Station – delapidations. Triennial pensions review. VAT partial exemption	<ul style="list-style-type: none"> <li>Adverse effect on budgets and reserves</li> <li>Need to review financial strategy</li> </ul>	S151 Officer
21	9	3	3	new 	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"> <li>Loss of income or assets</li> <li>Adverse public opinion</li> <li>Effect on use of resources</li> <li>Increased costs of external audit</li> <li>Cost of investigation and measures to rectify weaknesses</li> </ul>	S151 Officer
22	1-11	3	5	new 	15	Information & communications technology (ICT)	Failure of key ICT systems	Loss of one or more key systems	<ul style="list-style-type: none"> <li>Loss of key public services</li> <li>Disruption to customers</li> <li>Adverse public opinion</li> <li>Cost for rectifying</li> <li>Contractual disputes</li> <li>Disruption to staff</li> </ul>	Deputy Chief Executive

# 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 four years the council has taken a number of steps to improve its risk management and now has well embedded processes at strategic, project and partnership 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. The corporate management team (CMT) regularly updates the strategic risk register, which is subsequently reviewed by audit committee.
5. The register has been developed so that it now includes corporate priority themes to which risks are linked; the top strategic risks; movements on risk scores and new risks highlighted; and each risk assigned to a senior officer.
6. The strategic risks have again been reviewed by CMT 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 new risks should be added or risk scores re-assessed. To aid members with consideration of the risks the register shows any movement in the risk score and any new risks that have been added.
8. The summary below shows the process for reviewing risks during 2009/10.

## Summary of Risk Management Review Process 2009/10

9. 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 is being considered by this meeting (first audit committee after the CMT review).
  - The head of finance and audit manager will attend departmental management teams in January to ensure that measures to mitigate each strategic risk have been properly addressed and recorded by the risk owner.

- Once all the mitigation measures have been captured they will be collated and presented to a future meeting of this committee.

#### 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 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 review by ZMRM of the risks included in the service plans at the time 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.
- These issues are being addressed in the current review of the performance management system.
- It is also intended to commission further training for members and senior officers involved in risk management by the end of March 2010.

#### 11. 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.

#### 12. Project Risks

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

#### 13. 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.