

Report of the Assistant Director of CBSS Customers and Employees

Overview of National Risk Picture

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key and emerging risks facing the council, with a view to members considering any further information they would wish to receive on these matters.

Background

2. The risk management process at the council ensures that all key and emerging risks are reported regularly to A&G on at least a quarterly basis.
3. The work started earlier this year in which A&G members were involved to refresh the corporate risk register supported by Zurich Municipal is nearly complete. The revised register is scheduled to be brought to A&G in February 2015.

The National Risk Landscape

4. The corporate risk register previously reported to A&G is now out of date and no longer maintained. As the refreshed register is not due at A&G until February 2015 there is an opportunity for members to consider the wider risk landscape and risks affecting local authorities nationally. The information set out in the following paragraphs is based on the publication 'New world of risk: change for good' (2014) published by Zurich Municipal. The information provided within the document comes from a survey of 70 local authority chief executives and Senior Management Teams

(SMT) undertaken by Zurich Municipal in association with Ipsos MORI.

5. The background to the survey is that financial pressures have continued to escalate for local government. There is a growing recognition that austerity is not a short-term solution to economic problems but a long-term 'here to stay' approach to public sector funding.
6. This is the second risk survey undertaken by Zurich and follows up on their initial 'Tough Choices' paper in 2010/11. This second survey helps to illustrate changes in perceived risk priority between 2010 and 2014 from a chief executive and SMT perspective. Table 1 below sets out an analysis of the top ten perceived risks from the two surveys for comparison purposes:

Table 1
Top Ten perceived risks identified by Local Authority Senior Management Teams

Risk	2014	2010
Budget Pressures	1	1
Changes in Government policy, legislation & regulation	2	2
Workforce (attracting, retaining, right skills, rewards)	3	5
Business and Organisational transformation	4	-
Working with other organisations (Partnerships, Outsourcing, Supply Chains)	5	6
Reputation Management	6	3
Social Risk e.g. crime, population changes, antisocial behaviour	7	7
Data protection or security	8	8
Operational risk management including health & safety	9	4
Environmental challenges e.g. Extreme weather, climate change	10	9

7. The table shows that the top two perceived risks have not changed since 2010. Economic growth and the creation of more jobs in recent years coupled with skills shortages in

certain areas e.g. IT would appear to be impacting on staff retention pushing it further up the list. The addition of a new risk in 2014 (Transformation) would indicate that many authorities have implemented transformation programmes in the last 4 years to deal with financial pressures and austerity but that these themselves are perceived risks. The chief executives and directors were then asked to grade these risks in order of importance and the output from this is shown at Table 2 below:

Risk	Importance %		
	High	Medium	Low
Budget Pressures	94	6	0
Changes in Government policy, legislation & regulation	53	41	4
Workforce (attracting, retaining, right skills, rewards)	50	37	13
Business and Organisational transformation	49	44	7
Working with other organisations (Partnerships, Outsourcing, Supply Chains)	44	44	11
Reputation Management	39	51	10
Social Risk e.g. crime, population changes, antisocial behaviour	39	44	17
Data protection or security	23	53	24
Operational risk management including health & safety	21	49	29
Environmental challenges e.g. Extreme weather, climate change	20	50	30

8. It is clear that public sector austerity measures are by far the single most important risk to both chief executives and SMT's across the authorities surveyed. This risk is likely to be ongoing for some considerable time. The risk also acts as a driver or catalyst for the top five risks in both ranking and importance. Local government plans and priorities seek to mitigate the risks national policy such as welfare reform, endeavour to retain staff as the private sector grows, look to organisational transformation to achieve efficiency savings and also move some elements of council services into outsourced or shared provision with other private sector organisations or public authorities.

9. This is a council-centric view of risk and the survey looked to provide a more rounded picture by consulting with the public. It is interesting to compare chief executive and SMT perceived risks with the public view. Table 3 below sets out the public's () top three risks that they had concerns about. 977 people took part in the survey:

Table 3

Greatest public concerns	%
Quality of services will decline	31
People most in need of services will get poorer services or less help	29
Protecting vulnerable groups (e.g. older people, children)	25
Maintaining delivery of core services	25
Fewer frontline staff	20
Social change (e.g. ageing population, immigration, changing lifestyle)	19
Bureaucracy/top heavy management	17
Overall quality of staff will decline/good people will leave	16
Changes in government policy	15
Rising public expectations	9
Encouraging local business investment	7
Technological change (e.g. storing personal data electronically)	5

10. It is interesting that the public have a perception that there is a risk to the quality of council services as their highest ranked risk. This would suggest that for all the cuts that local authorities have delivered so far the general public have not noticed any significant changes or deterioration of service provision. The cuts in the early days of austerity fell very much in the back office and administrative areas of council services and yet the public still rank bureaucracy and top heavy management quite highly in their top ten risks.
11. The final part of the survey harnessed Zurich's experience of working with the local government sector. Their experts assessed the risks and impact for the generic council organisations, the wider sector and local communities as a whole over the next five years. The end result represents

their best assessment of the risks and challenges facing the local government sector. The risk ranking is generic and does not reflect the specific risk profile of any one organisation:

1 Financial sustainability: effective management of finances through ongoing austerity (the new 'normal') and increasing demand on services.

2 Transformation: the business processes of transforming from the existing model to the desired outcome, looking at innovative ways of meeting business objectives and service delivery.

3 Commissioning: including partnership working, supply chain and contract management.

4 Welfare reform: delivery of services through ongoing welfare reform (e.g. the Care Bill and Council Tax Support) and potential demand pressures as changes come to fruition.

5 Public health and social care: public health integration and managing new responsibilities.

6 Environmental: risks (some regional) including climate change, extreme weather events, escape of water, flooding, coastal erosion, fracking, sinkholes and waste management, with increased frequency and severity of loss.

7 Statutory responsibilities: compliance with statutory responsibilities, including health and safety, safeguarding infrastructural issues, maintenance, regulatory framework, information governance and transactions.

8 Technology: using new technology/ systems to reduce costs and fulfil today's communications, accessibility and transaction requirements.

9 Pandemic: a rapid and widespread infection/disease, affecting the health and wellbeing of a significant number of people over a large area.

10 Fraud: deliberate actions by criminals to seek financial gain at the taxpayer's expense.

- 12 The risks set out in paragraph 4 – 11 of this paper provide a comprehensive view across local government from chief executives, senior managers to members of the public and sector experts of the current risk landscape. This is informative and will allow the revised risk register due at A&G in February to be considered against the national risk picture to see if the perceived risks in York mirror those elsewhere.

Options

13. This is an information only report.

Council Plan 2011 - 2015

14. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aid the successful delivery of the five priorities.

Implications

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

Risk Management

15. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendation

16. The committee is asked to consider the national risk landscape set out within the paper for use in assessing the corporate risk register when it is presented to members in February 2015.

Reason

To provide a more informed view of risks nationally in comparison to locally identified risks

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Report
Approved ✓ **Date** 2.12.14

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report