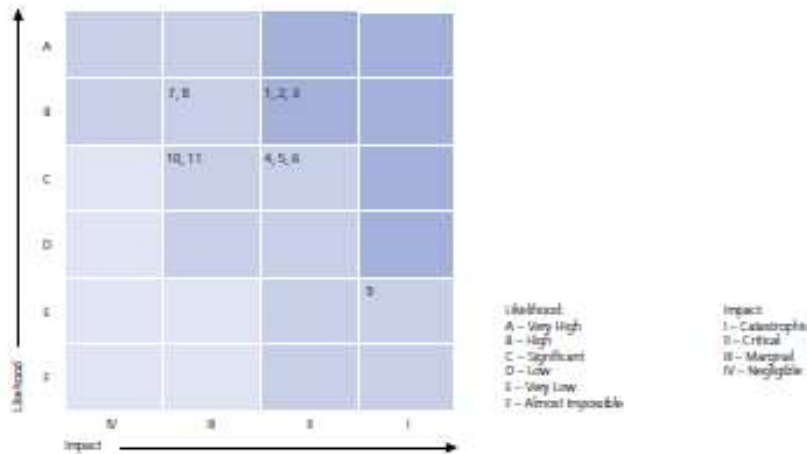# Zurich Municipal view: local government risk ranking

Based on the research conducted for this report and our own experience in the local government sector, we have compiled a list of the top risks facing local authorities.

Risk ranking methodology

Harnessing experience working with front line organisations, Zurich Municipal market and technical experts reviewed risks (insurable and non-insurable) for the local government sector. The experts assessed the risks and impact for the generic organisation, the wider sector and local communities as a whole over the next five years. A best practice total risk profiling (TRP) methodology led to an evidence-based prioritisation. The end result represents Zurich Municipal's best assessment of the risks and challenges facing the local government sector. The risk ranking is not meant to reflect the specific risk profile of any one organisation.

Likelihood:
A – Very High
B – High
C – Significant
D – Low
E – Very Low
F – Almost Impossible

Impact:
I – Catastrophic
II – Critical
III – Marginal
IV – Negligible

Zurich Municipal's view of top local government risks			
Risk	Description	Key challenges	Trend Indicator
1	**Financial sustainability** – effective management of finances through ongoing austerity (the new 'normal') and increasing demand on services.	• Limited ability to make savings and service key projects and ongoing maintenance • Unplanned spikes in demand • Further falls in income and inability to identify alternatives • Pressures to minimise council tax increases • Potential compromise on commissioning standards • Inadequate reserving to release funds for other projects • Employee morale	→
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.	• Managing lack of resources/skills • Workforce and change management issues • Possibly complex platforms involving a range of political organisations • Failure to plan and/or delivery failure	↑
3	**Commissioning** – including partnership working, supply chain and contract management.	• Need for procurement skills (e.g. ensuring no inappropriate indemnity clauses, suppliers have appropriate liability insurance and the tender bidding process is fair) • Ensuring service quality and continuity • Monitoring compliance with statutory and other requirements • Potential cost versus savings imbalance • Potentially new business models with no proven track record • Reliance on outsourced high turn-around staff instead of experienced employees	↑
4	**Welfare reform** – delivery of services through ongoing welfare reform (e.g. the Care Bill and child benefit changes) and potential demand pressures as changes come to fruition.	• Effects of capped payments, payment in arrears, payments direct and claiming online • New IT system implementation • Council tax benefit reduction • Greater incentive for fraud • "Revolving door" risks and service demands • Responding to the potential cumulative economic and social impact on vulnerable service users	→
5	**Public health and social care** – public health integration and managing new responsibilities.	• Demographic change – demand outstripping supply • Underfunded services • Skills and capacity gaps • Invocation of the Human Rights Act imposing greater duty for protection • Ensuring 'care at home' initiatives do not increase risk exposure • Public health directors' vacancies lead to service breakdown	↗
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.	• Comprehensive risk analysis • Changing growing seasons • Road maintenance • Meeting CO_2 targets • Continuity of services • Management of water/resources	↗
7	**Statutory responsibilities** – compliance with statutory responsibilities, including health and safety, safeguarding infrastructural issues, maintenance, regulatory framework, information governance and transactions.	• Impact of employee cuts on roles and responsibilities • Sharing sensitive data with third party service providers • Ensuring and monitoring compliance by partners/suppliers • Checking and amending 'standard' contracts and wordings • Reduced standards of inspections • Reputational implications of incidents	↗
8	**Technology** – using new technology/systems to reduce costs and fulfil today's communications, accessibility and transaction requirements.	• Robustness, resilience, protection and security of systems • Managing and sharing sensitive data • Availability of expertise and user training • Maintaining multi channel communications for non-computer literate • Health and safety considerations for employees working from home	↑
9	**Pandemic** – a rapid and widespread infection/disease, affecting the health and wellbeing of a significant number of people over a large area.	• Service continuity planning • Fast and effective communication systems • Ensuring seamless response with emergency organisations • Impact of disruption/loss of major local employer • High claims if resources diverted to support front line critical services, impacting future insurance costs	→
10	**Fraud** – deliberate actions by criminals to seek financial gain at the taxpayer's expense.	• Creation/inflation of claims • Possible increase in employee dishonesty/misappropriation of funds • Increased occurrence of hard to diagnose injuries (e.g. physiological injury and chronic pain) • Robust and effective prevention and detection procedures • Reputation management	↗
11	**Political** – risks driven by political agenda.	• National and local stability • Instituting successful long-term planning against a background of uncertainties (e.g. Scottish devolution, change of government)	↑

Zurich Municipal's view of top local government risks			Existing S/C R&O Register
Risk	**Description**	**Key Challenges**	
1	**Financial sustainability** Effective management of finances through ongoing austerity (the new 'normal') and increasing demand on services.	• Limited ability to make savings and service key projects and ongoing maintenance. • Unplanned spikes in demand. • Further falls in income and inability to identify alternatives. • Pressures to minimise council tax increases. • Potential compromise on commissioning standards. • Inadequate reserving to release funds for other projects. • Employee morale.	R6. Delivery of MTFS 2014/15 R7. Delivery of MTFS 2017/18 R12. Asset Management
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.	• Managing lack of resources/skills. • Workforce and change management issues. • Possibly complex platforms involving a range of political organisations. • Failure to plan and/or delivery failure.	R19. Managing Change / Capacity for Change R24. Community Engagement O27. Community Hubs
3	**Commissioning** Including partnership working, supply chain and contract management.	• Need for procurement skills (e.g. ensuring no inappropriate indemnity clauses, suppliers have appropriate liability insurance and the tender bidding process is fair). • Ensuring service quality and continuity. • Monitoring compliance with statutory and other requirements. • Potential cost versus savings imbalance. • Potentially new business models with no proven track record. • Reliance on outsourced high turn-around staff instead of experienced employees.	R15. Contract Management Consistency (removed from register In Q2 Review) O26. SE Local Enterprise Partnership O30. Business Rate (NNDR) Pooling
4	**Welfare reform** Delivery of services through ongoing welfare reform (e.g. the Care Bill and child benefit changes) and potential demand pressures as changes come to fruition.	• Effects of capped payments, payment in arrears, payments direct and claiming online. • New IT system implementation. • Council Tax benefit reduction. • Greater incentive for fraud. • "Revolving door" risks and service demands. • Responding to the potential cumulative economic & social impact on vulnerable service users	R9. Welfare Reforms
5	**Public health and social care** Public health integration and managing new responsibilities.	• Demographic change – demand outstripping supply. • Underfunded services. • Skills and capacity gaps. • Invocation of the Human Rights Act imposing greater duty for protection. • Ensuring 'care at home' initiatives do not increase risk exposure. • Public health directors' vacancies lead to service breakdown.	R1. ASC, Cost & Quality Standards R2. Failure to Implement the Care Act R3. Children Social Care R4. Health & Social Care Transformation
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.	• Comprehensive risk analysis. • Changing growing seasons. • Road maintenance. • Meeting CO2 targets. • Continuity of services. • Management of water/resources.	R13. Carbon Management R18. ERDF Low Carbon Business Prog.

Zurich Municipal's view of top local government risks			Existing S/C R&O Register
Risk	Description	Key Challenges	
7	**Statutory responsibilities** Compliance with statutory responsibilities, including health and safety, safeguarding infrastructural issues, maintenance, regulatory framework, information governance and transactions.	• Impact of employee cuts on roles and responsibilities. • Sharing sensitive data with third party service providers. • Ensuring and monitoring compliance by partners/suppliers. • Checking and amending 'standard' contracts and wordings. • Reduced standards of inspections. • Reputational implications of incidents.	R17. Equalities R23. School Place Planning
8	**Technology** Using new technology/systems to reduce costs and fulfil today's communications, accessibility and transaction requirements.	• Robustness, resilience, protection and security of systems. • Managing and sharing sensitive data. • Availability of expertise and user training. • Maintaining multi channel communications for non-computer literate. • Health and safety considerations for employees working from home.	R5. ICT Infrastructure. R22. Data Security and Encryption O28. Digital Programme / IT Connects
9	**Pandemic** A rapid and widespread infection/disease, affecting the health and wellbeing of a significant number of people over a large area.	• Service continuity planning. • Fast and effective communication systems. • Ensuring seamless response with emergency organisations. • Impact of disruption/loss of major local employer. • High claims if resources diverted to support front line critical services, impacting future insurance costs.	R10. Business Continuity Planning R16. Emergency Planning & Response
10	**Fraud** Deliberate actions by criminals to seek financial gain at the taxpayer's expense.	• Creation/inflation of claims. • Possible increase in employee dishonesty/misappropriation of funds. • Increased occurrence of hard to diagnose injuries (e.g. physiological injury & chronic pain). • Robust and effective prevention and detection procedures. • Reputation management.	
11	**Political** Risks driven by political agenda.	• National and local stability. • Instituting successful long-term planning against a background of uncertainties (e.g. Scottish devolution, change of government).	R31. Political Balance / No Overall Control

<u>Risk & Opportunity not matched/placed</u>:
R8. Purfleet Regeneration Project.
R11. Road/Transport Infrastructure
R14. Communication/Poor Reputation
R20. Sickness Absence
R21. Coalhouse Fort Project
R25 Data Quality
O29. Gloriana Thurrock Ltd