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**July 2005**

**HARROW COUNCIL  
STRATEGIC RISK MANAGEMENT REPORT  
Draft**

PRIVATE AND CONFIDENTIAL

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## Executive summary

During June 2005, a strategic risk 'refresh' workshop was conducted at Harrow Council. This was managed by Zurich Municipal Risk Management. This exercise was an opportunity to refresh, (or update), through identification, analysis and prioritising those risks that may affect the ability of Harrow Council to achieve its corporate objectives.

In doing so, the organisation is recognising the need to sustain risk management at the highest level, whilst continuing the process of cascading downwards through the management structure. This exercise is part of a systematic process by Harrow Council to identify and manage its significant business risks.

The refresh exercise involved preparation in advance by senior managers together with a half-day workshop to identify new business risk areas and to update and re-profile important risks from a strategic risk exercise carried out in late 2003/early 2004, and a strategic refresh exercise in November 2004.

In total 23 strategic risks were re-profiled or newly created at the workshop on the 29<sup>th</sup> June 2005.

7 risks, nos. 1a, 2,3,13,21,A and G were deleted. The risk matrix measured each risk for its likelihood and impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

The risk tolerance line created in January 2004 was reaffirmed for this exercise.

Of the risks rated at the workshop, the top risks facing Harrow Council are:

Scenario	Risk (or objective that creates a risk)
30	The Council needs services that are easily accessible to a diverse community.
B	The Council needs a workforce that represents the diversity of the community.
25	The Council has an increasing age profile across its workforce.
C	The Council has a legal requirement to establish integrated children's services.
F	The Council needs to achieve decent homes standard (and milestones on the way)
1b	The planning for the Business Transformation Partnership has been predicated on the budget allocation in the MTBS being delivered
5	The Council is developing a new partnership for ICT investment and the first three key projects need to be implemented effectively.
6	Harrow provides high profile and high-risk services.

8	Key messages e.g. about BTP, need to be effectively communicated and implemented throughout the Council and the Community
9	The HCU needs to deliver appropriate training programmes.
10b	The HSP needs to demonstrate added value to Harrow.
15	The Council needs to demonstrate improvement as part of its CPA assessment
24	Harrow is engaging in partnership with the PCT and embedding new governance arrangements for shared services.
D	New Government Agenda requires further personalisation and localisation of services leading to greater customer choice.
E	The expectations from the Gershon report, together with the comprehensive spending review will create funding issues for the Council.
4	The Council experiences difficulty in recruiting and retaining staff – especially in key specialist areas.
23	The relative affluence of the local area hides some pockets of serious deprivation, which require the Council's attention

For the risks that appear above the tolerance line the next stage is to manage them. This will require assessing the adequacy of existing actions and to identify the need for further action in order to move the risk to below the appetite.

Risks have been clustered by the corporate priorities set out in the corporate plan 2005/06 and the action planning for each risk has been assigned to identified senior managers. This is tabulated in appendix 1C

Finally, the management group needs to agree a timescale for re-visiting these risks in order to assess if they are still relevant and to identify and profile new scenarios.

## Introduction

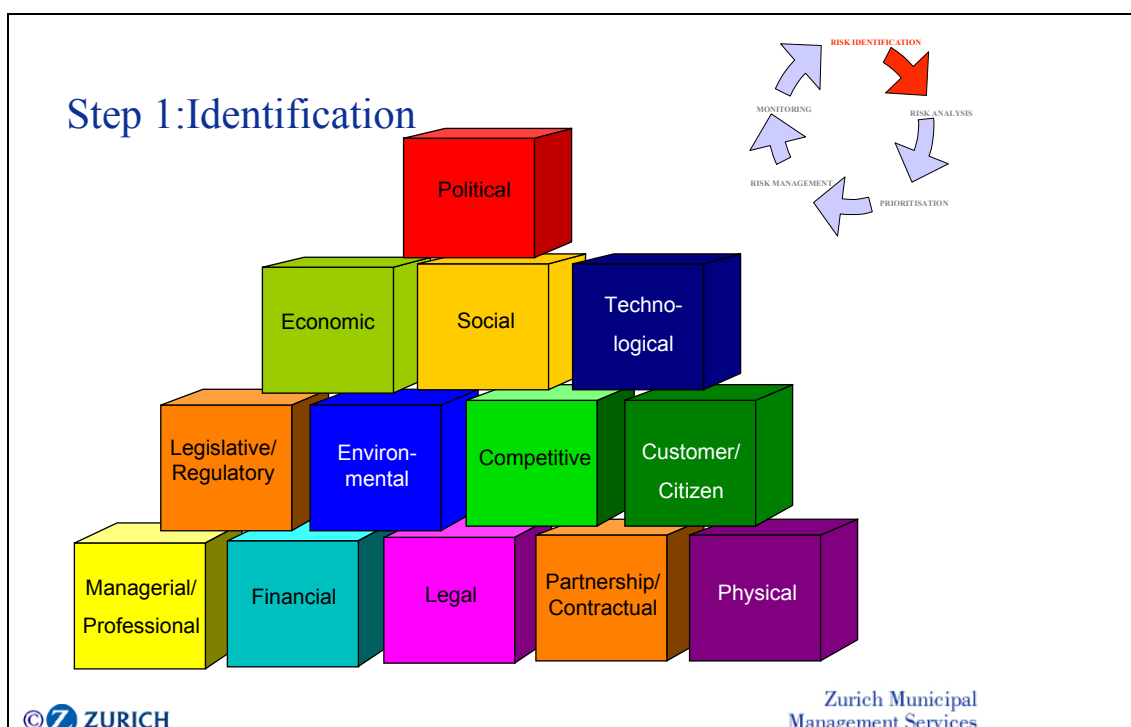
During June 2005 a strategic risk refresh was conducted at Harrow Council. The following report outlines the process utilised by Zurich Municipal Risk Management in their assessment.

This is a private and confidential document prepared exclusively for Harrow Council by Zurich Municipal Risk Management. It has been distributed to David Ward, and a copy has been retained by Zurich Municipal Risk Management.

## The process

### Risk identification

The first of five stages of the risk management cycle requires risk identification. This was achieved with a workshop with senior managers (see Appendix 1A) and a review of published literature). The workshop covered 13 categories of risk as shown below, with particular focus on external risks.



### Risk analysis

The results from the identification stage created risk scenarios. These were reviewed during a workshop on 29<sup>th</sup> June 2005.

The risk register attached to this report includes all modifications made to the rated risk scenarios.

### Risk profile/prioritisation

During the workshop the risks were assessed for impact and likelihood and plotted onto a matrix. The impact was measured as being negligible, marginal, critical or catastrophic. The likelihood was measured as being almost impossible, very low, low, significant, high or very high.

### Setting the tolerance line

To determine the group's appetite to risk (the risk tolerance line) the group considered each of the squares on the matrix and decided if they were prepared to live with a risk in that box or if they wanted to actively manage it. The team agreed to retain the tolerance line prepared at the earlier exercise.

Those risks above the line require further scrutiny and those below the line having sufficient control in place.

### Risk management and monitoring

The group was refreshed regarding management action plans (MAPs) during the course of the workshop. Management action plans had been prepared for most of the key strategic risks from the previous exercise. These plans frame the risk management actions that are required. They map out the target for each risk ie to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored. Existing action plans will be updated, and action plans created for new risks. Risks have assigned owners determined by the Executive Directors Group.

### Risk analysis results

#### Risk profile

Based on the identification and analysis during the workshop, 30 risks were presented and framed into scenarios. Of these risks, 17 were profiled above the line during the workshop. The results are shown on the following risk profile.

## THE RISK PROFILE TEMPLATE

**STRATEGIC RISK PROFILE**  
 Organisation Name: Harrow Council 29th June 2005

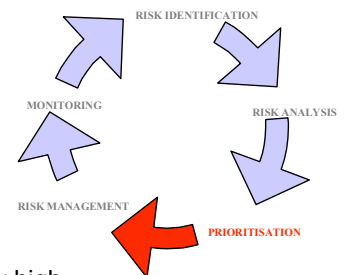
Likelihood ↑	A			25.	
	B			C, F.	30, B
	C		11, 12.	1b, 5, 6, 8, 9, 10b, 15, 24, D, E	
	D		17,	4, 23.	
	E		14, 22.	18,	
	F				
		IV	III	II	I
		Impact →			

#### 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



Appendix 1B shows all the risks that were profiled above the line during the exercise.

It is now important that action planning is carried out for each of the identified risks, as it is this, which will allow the risk to be monitored and successfully managed down. An example of this is shown in Appendix 1D.

## Above the line Risk Clusters

### Strengthening Harrow's Communities

Scenario	Risk (or objective that creates a risk)
F	The Council needs to achieve decent homes standard (and milestones on the way).
23	The relative affluence of the local area hides some pockets of serious deprivation, which require the Council's attention.
B	The Council needs a workforce that represents the diversity of the community.

### Valuing Harrow's customers

Scenario	Risk (or objective that creates a risk)
30	The Council needs services which are easily accessible to a diverse community.
6	Harrow provides high profile and high-risk services.
D	New Government Agenda requires further personalisation and localisation of services leading to greater customer choice.

### Impact through Harrow's partnerships

Scenario	Risk (or objective that creates a risk)
10b	The HSP needs to demonstrate added value to Harrow.
24	Harrow is engaging in partnership with the PCT and embedding new governance arrangements for shared services.

### Harrow, a true learning community

Scenario	Risk (or objective that creates a risk)
8	Key messages e.g. about BTP, need to be effectively communicated and implemented throughout the Council and the Community.
9	The HCU needs to deliver appropriate training programmes.

## A more business like organisation

Scenario	Risk (or objective that creates a risk)
25	The Council has an increasing age profile across its workforce.
C	The Council has a legal requirement to establish integrated children's services.
1b	The planning for the Business Transformation Partnership has been predicated on the budget allocation in the MTBS being delivered.
5	The Council is developing a new partnership for ICT investment and the first three key projects need to be implemented effectively.
15	The Council needs to demonstrate improvement as part of its CPA assessment
E	The expectations from the Gershon report, together with the comprehensive spending review will create funding issues for the Council.
4	The Council experiences difficulty in recruiting and retaining staff – especially in key specialist areas.

## Conclusion

The workshop has identified that for some risks, significant levels of activity are required to manage the issues. Some of the key risks will require immediate attention and it is important that having identified risks that could have a catastrophic or critical impact, that the required action is undertaken.

Therefore it is recommended that senior managers continue to monitor and measure the work that is undertaken and where required reassess the management action plans to ensure that progress is being made and the targets can be met. It is important that each identified risk is owned by one member of the management group to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

Finally, the management group needs to agree a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios.

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## **Appendix 1A**

### **Workshop attendees**

The following is a list of those who attended the workshop

- Joyce Markham
- Myfanwy Barrett
- Nick Bell
- Lorraine O'Reilly
- John Robinson
- Jill Rothwell
- Jon Turner



## Appendix 1B

### Risks register of risks 'above the line'

Risks marked “ \* ” are above tolerance and require managing

No	Rating		Vulnerability	Trigger	Consequence
30	B1	*	A key objective is to deliver accessible services to meet the needs of a diverse community.	Council does not have services, which are easily accessible to a diverse community.	<ul style="list-style-type: none"> <li>• Poor customer satisfaction</li> <li>• Adverse CPA rating</li> <li>• Legal action taken against the Council</li> <li>• Breakdown of community cohesion</li> </ul>
B	B1	*	A key objective is to deliver services to meet the needs of a diverse community.	Council does not have a workforce that represents the diversity of the community.	<ul style="list-style-type: none"> <li>• Poor customer satisfaction</li> <li>• Adverse CPA rating</li> <li>• Deteriorating relationship with other boroughs</li> <li>• Breakdown of community cohesion</li> </ul>
25	A2	*	The Council has an increasing age profile across its workforce. There is little new blood and succession planning	Significant numbers of staff retire / leave simultaneously	<ul style="list-style-type: none"> <li>• Key skills / experience lost</li> <li>• Difficult to recruit staff with same levels of experience/skills/qualifications</li> <li>• Gaps appear in structures</li> <li>• Pressures on existing staff</li> <li>• Loss of corporate 'memory'</li> <li>• Adverse impact on service delivery</li> <li>• Service failure</li> <li>• Adverse publicity</li> </ul>

C	B2	*	There is a legal requirement to establish integrated children's services.	Failure to make structural and functional changes to statutory posts by 2008 (ideally 2006)	<ul style="list-style-type: none"> <li>• Risk of challenge or even intervention by inspectorates</li> <li>• Adverse CPA rating.</li> <li>• Loss of funding</li> <li>• Reputation suffers</li> <li>• Recruitment &amp; retention difficulties</li> </ul>
F	B2	*	The Council needs to achieve the Decent Homes Standard by 2010.	Failure to achieve set targets and milestones along the way.	<ul style="list-style-type: none"> <li>• Tenant dissatisfaction</li> <li>• Adverse affect on reputation</li> <li>• Poor asset management</li> </ul>
1b	C2	*	The Council has all out elections in 2006 at a time when it is undertaking a major change programme. The planning for the Business Transformation Partnership has been predicated on the budget allocation in the MTBS being delivered.	Budget not agreed / compromised	<ul style="list-style-type: none"> <li>• Budget cuts have to be made</li> <li>• BTP has to be scaled back</li> <li>• Delays in implementing BTP</li> <li>• Adverse effect on staff morale</li> <li>• Public expectations not met</li> <li>• Council criticised</li> <li>• Council fails to move forward</li> <li>• Adverse publicity</li> <li>• Image of the Council damaged</li> </ul>

5	C2	<p>* The Council is developing a new partnership for ICT investment.</p> <p>In the past systems have been fragmented across the council and often implemented on an ad-hoc basis.</p>	<p>The first three key projects need to be implemented effectively</p>	<ul style="list-style-type: none"> <li>• Different ICT systems continue to be in place across the Council</li> <li>• Lack of connectivity across departments</li> <li>• E-government agenda may be affected/'misses the boat'</li> <li>• Procurement of hardware not financially prudent</li> <li>• Damaged reputation with private sector</li> <li>• Wasted resources</li> <li>• Not seen as 'one' Council</li> <li>• Silo-ism reinforced</li> </ul>
6	C2	<p>* Harrow provides high profile and high-risk services.</p> <p>(also health and safety issues)</p>	<p>High profile incident leading to sustained media, legal and audit attention</p>	<ul style="list-style-type: none"> <li>• Service is frozen</li> <li>• Negative impact on rest of organisation</li> <li>• Loss of confidence in management</li> <li>• Criticism of officers</li> <li>• Reputation of council damaged</li> <li>• HSE prosecution</li> <li>• Recruitment is inhibited</li> <li>• Loss of quality staff</li> <li>• Loss of confidence in council</li> <li>• Loss of public trust</li> </ul>

8	C2	* Key messages e.g. about BTP, need to be effectively communicated and implemented throughout the Council and the Community. This is particularly important at a time of considerable change for the Council.	A key message e.g. about BTP, is not effectively communicated and implemented throughout the Council and the Community	<ul style="list-style-type: none"> <li>• Some lower tier staff do not receive corporate messages</li> <li>• Staff confused by / unaware of new strategies</li> <li>• New ways of working not shared and adopted</li> <li>• Staff feel alienated / frustrated</li> <li>• Rumours / misunderstandings occur</li> <li>• Staff buy-in not achieved</li> <li>• Tensions between staff and managers</li> <li>• Council fails to move forward</li> </ul>
9	C2	* Following implementation of MMR, managers need an effective training and development programme in skills such as people and business management.  This is of particular concern at a time when the Council is embedding major directorate changes.	The HCU doesn't deliver appropriate training programmes.	<ul style="list-style-type: none"> <li>• Officers frustrated</li> <li>• Failure to directly challenge poor performers</li> <li>• Lack of confidence in managers</li> <li>• Low officer morale</li> <li>• Issues escalate</li> <li>• Frequent involvement of human resources staff and unions</li> <li>• Increased cost of resources</li> <li>• Possible litigation issues</li> <li>• Reputation as an employer suffers</li> </ul>

10b	C2	*	Harrow Strategic Partnership (HSP) needs to add value to Harrow.	HSP fails to deliver Local Area Agreements.	<ul style="list-style-type: none"> <li>• LSP does not produce the desired results for the local area</li> <li>• Government resources are not secured</li> <li>• Opportunities missed</li> <li>• Unforeseen accountabilities and liabilities fall on the Council</li> <li>• Adverse impact on performance</li> <li>• Adverse publicity</li> <li>• Public's views of partnering soured</li> <li>• LSP not seen to exercise community leadership</li> </ul>
15	C2	*	The Council needs to demonstrate improvement as part of its CPA assessment.	<p>Council receives a disappointing inspection report</p> <p>Failure to receive an improved CPA score</p>	<ul style="list-style-type: none"> <li>• Improvement plan undermined</li> <li>• Officer morale declines</li> <li>• Council seen to be failing</li> <li>• Council comes further under the 'spotlight'</li> <li>• Council fails to move forward</li> <li>• Adverse publicity</li> </ul>
24	C2	*	Harrow is engaging in partnership with the PCT and embedding new governance arrangements for shared services.	Governance arrangements fail, which leads, for example, to failure to agree contractual, financial and other issues	<ul style="list-style-type: none"> <li>• Collapse of services for vulnerable people</li> <li>• People at risk</li> <li>• Potential loss of funding</li> <li>• Criticism by media</li> <li>• Member criticism</li> <li>• Audit criticism</li> <li>• Services under supervision</li> </ul>

D	C2	*	New Government Agenda requires further personalisation and localisation of services leading to greater customer choice.	Resources cannot be secured to implement the agenda effectively	<ul style="list-style-type: none"> <li>• Loss of funding</li> <li>• Adverse CPA rating</li> <li>• Customer satisfaction suffers</li> <li>• Loss of reputation</li> </ul>
E	C2	*	The expectations from the Gershon report, together with the comprehensive spending review will create funding issues for the Council.	Funding is insufficient	<ul style="list-style-type: none"> <li>• Service cuts</li> <li>• Adverse CPA rating</li> <li>• Reputational issues</li> <li>• Reduced customer satisfaction</li> </ul>

4	D2	<p>The Council experiences difficulty in recruiting and retaining staff – especially in key specialist areas. There is considerable competition for quality staff and local government is not seen as an attractive, compelling career. Harrow is also an expensive area to live.</p> <p>Identification of hard to recruit posts</p>	<p>Key posts, remain unfilled/take unacceptable lengths of time to fill</p>	<ul style="list-style-type: none"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Lack of diversity</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> <li>• Adverse impact on service delivery</li> <li>• Service failure</li> <li>• Critical audit</li> <li>• Adverse publicity</li> <li>• Image of Council damaged</li> </ul>
23	D2	<p>* The relative affluence of the local area hides some pockets of serious deprivation, which require the Council's attention.</p>	<p>Funding bid to tackle deprivation is lost / funding not available</p>	<ul style="list-style-type: none"> <li>• Areas of deprivation not tackled</li> <li>• Increase in the divide between the affluent and less affluent areas</li> <li>• Increase in social problems eg crime and drugs</li> <li>• Impact on existing projects</li> <li>• Failure to address social inclusion agenda</li> <li>• The reputation of the area suffers</li> <li>• Effectiveness of the council and community plan questioned</li> <li>• Council seen to lack community leadership</li> </ul>





## Appendix 1C

### Assignment of action planning

Risk number	Risk rating	Short name	Assigned owner
30	B1	Council does not have services, which are easily accessible to a diverse community.	Area Directors
B	B1	Council does not have a workforce that represents the diversity of the community.	Director of HR
25	A2	The Council has an increasing age profile across its workforce.	Director of HR
C	B2	There is a legal requirement to establish integrated children's services.	Executive Director- People First
F	B2	The Council needs to achieve decent homes standards (and milestones on the way)	Director of Assets Urban Living
1b	C2	The planning for the Business Transformation Partnership has been predicated on the budget allocation in the MTBS being delivered	Director of Financial and Business Strategy
5	C2	The Council is developing a new partnership for ICT investment and the first three projects need to be implemented effectively.	Director of Business Services
6	C2	Harrow provides high profile and high-risk services.	Chief Executive
8	C2	Key messages e.g. about BTP, need to be effectively communicated and implemented throughout the Council and the Community	Head of Communications
9	C2	The HCU needs to deliver appropriate training programmes.	Director of HR and HCU
10b	C2	The HSP needs to demonstrate added value to Harrow.	Director of Organisational performance

15	C2	The Council needs to demonstrate improvement as part of its CPA assessment.	Director of Organisational Performance
24	C2	Harrow is engaging in partnership with the PCT and embedding new governance arrangements for shared services.	Director of Adult and Community Services
D	C2	New Government Agenda requires further personalisation and localisation of services leading to greater customer choice.	Directors of Strategy (PN to lead)
E	C2	The expectations from the Gershon report, together with the comprehensive spending review will create funding issues for the Council.	Director of Financial and Business Strategy
4	D2	The Council experiences difficulty in recruiting and retaining staff – especially in key specialist areas.	Director of HR
23	D2	The relative affluence of the local area hides some pockets of serious deprivation, which require the Council's attention	Director of Strategy (Urban Living)

Appendix 1D

**Example Risk Management Action Plan**

**Risk:** *Short Name*

**Description:** *(Full Description as appears on the register)*

Likelihood	A				
	B				
	C				
	D				
	E				
	F				
		IV	III	II	I
	Impact				

Risk Number	Current Risk Score	Target Risk Score
<i>(No.)</i>	<i>(Matrix position)</i>	<i>(Improved position)</i>

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control
<i>(actions / controls already being done that relate to this risk / cluster)</i>	<i>(how effective are the actions / controls already in place)</i>	<i>(new actions / controls required to manage the risk down to its target score)</i>

<b>Responsibility for Action</b>	<b>Critical Success factors &amp; KPI's</b>	<b>Review Frequency</b>	<b>Key dates</b>
<i>(the person responsible for this action plan being carried out)</i>	<i>(what will success look like? How will performance indicators have improved)</i>	<i>(frequency of reviewing this action plan)</i>	<i>(Milestones / deadlines)</i>

Notes: