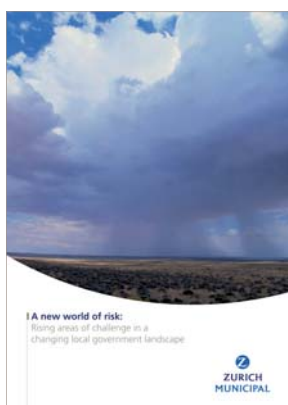


## Executive Summary

# A new world of risk: rising areas of challenge in a changing local government landscape



The full Briefing Paper is available online at [www.NewWorldofRisk.com](http://www.NewWorldofRisk.com)

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Significant times of change lie ahead for local government. Over the coming years, local government leaders – politicians, Chief Executives, Finance Directors and their respective management teams – will be faced with difficult decisions regarding the very purpose of the local authority, which services are core and non-core, and in what ‘organisational shape’ to move forward. In this environment, managing greater risk and uncertainty will be a critical challenge.

It is more important than ever that local authority leaders heed the guidance of HM Treasury to recognise “the importance of looking over the horizon and managing upcoming risks.”<sup>1</sup>

Local government’s role, responsibilities, business model and finances are set to change; as such, this means a significant shift in the traditional risk profile of each and every local authority – with new risk challenges. The rising areas of risk - supply chain, climate change, data protection, organisational change, reputational damage, workforce management, financial & economic challenge and asset management – all have the potential to challenge the viability of the local authority and its core concerns.

### Supply Chain

Local authorities are increasingly entering into a broad range of relationships across the public, private and third sectors (civil society). Many of these relationships underpin critical operations and service delivery. Unfortunately, outsourcing and partnership working failure has caused a variety of disasters and embarrassments, emphasising that supply chain risk is topical, potentially catastrophic and urgent.

### Organisational Transformation

The UK public sector is facing a period of deep austerity. The automatic reaction to a need for efficiency is organisational rationalisation, or downsizing, and implementing shared service operations; yet neither are without their own inherent risks.

### Climate Change

Flood risk is a significant and growing problem for Great Britain, whether it is inland flooding, urban drainage or coastal flooding. Councils are now required to lead local flood and water risk management programmes, recovery operations, as well as being expected to meet statutory targets and influence local action on CO<sub>2</sub> emissions.

### Data Protection

Managing information risk is a growing challenge for public sector organisations who collect, store and use a wide range of personal information. Where local authorities hold or use personal information, they must act “as the custodian of that data and retain and build public confidence that information is held securely.”<sup>2</sup>

<sup>1</sup> HM Treasury. *The Orange Book*, 2004.

<sup>2</sup> *Data Handling Procedures in Government: Final Report*, June 2008

## Reputational Damage

In the modern day, 24-hour news media, the risk of reputational damage is a growing issue as the public becomes increasingly aware and less tolerant of organisations that do not conform to regulatory, legal, societal and environmental expectations. For local government, the risk and challenge is perhaps even greater. A local authority – and its executive team – is at the very centre of the community and must retain the public's confidence at all times.

## Workforce Planning

In 2008 the Audit Commission<sup>3</sup> found that only one-in-four English councils had adequate or effective workforce strategies. Without improving a council's approach to workforce planning, key corporate priorities such as service transformation, efficiency gains and mainstreaming equalities may be at risk.

## Asset Management

The current fiscal environment will place local authorities under increasing financial pressure to improve their asset management, both in terms of the need for efficiency gains and greater resilience for the remaining asset base. Emerging asset management opportunities, such as co-location in partnership working and shared services, plus the transfer of public assets to community ownership, carry new risks and challenges.

## Financial & Economic Challenges

The implications of a significant fall in local government funding, matched by increased service demands, are broad. Local authorities will have to balance the risk of financial cuts against local economic and community impact. Councils will also have to focus on stringent cost controls and mitigating unplanned costs, such as fraud, 'claims farming' and major climate change-driven incidents.

What is at stake therefore is nothing more than the core concerns of the local authority and the local community, such as critical strategic community initiatives, outcome and service delivery, and organisational change programmes to name a few.

In this changing risk landscape of local government, it is more important than ever that the management of risk "should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy."<sup>4</sup> Day-to-day risk management can be delegated, but the ultimate responsibility for understanding and managing these threats has to be with the Chief Executive and the Board.

Over the next few years, local authority executives face the prospect of diminished sources of government funding and the challenge of 'more for less'. It will be critical to maximise the value from new strategic initiatives, whilst minimising the impact of threats to the productivity of the organisation and delivery of services and outcomes; managing risk and uncertainty must be at the very heart of this endeavour.



This paper is a companion paper to the Briefing Paper *Building Resilience: developing a 'whole risk' approach to managing risk and uncertainty*, where Zurich Municipal outlines the appropriate response to this new world of risk; an integrated approach to managing risk that focusses on building resilience.

<sup>3</sup> Audit Commission. *Tomorrow's People*, 2009.

<sup>4</sup> IIRM, ALARM, AIRMIC. *A Risk Management Standard*, 2002.

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