

NORTH HAVEN FINANCIAL RISK REGISTER

1 INTRODUCTION

- 1.1 This risk analysis considers each item in the workbook in turn and assesses risk in the context of likelihood of occurrence, potential impact and mitigation measures available. This risk assessment is the view of the Lead Authority, having considered the relevant factors for each element.

2 ONE OFF EXPENDITURE

2.1 Redundancy/Early Retirement

- 2.1.1 **Risk:** That redundancy /retirement costs will be higher due to the number of transferred staff being higher than estimated.

Likelihood (Medium): The numbers affected have been provided by the Suffolk Authorities Human Resources Group. However there is concern about the accuracy of the full time equivalent staff data for Suffolk County Council. There is also a fair chance that the numbers may be different given the estimate basis and that the proposed reorganisation is 2 years away. The Suffolk County Council estimate is comparable with other unitaries.

Impact (Low): If the numbers transferring were different then this could change the redundancy/ retirement cost. However the numbers transferring are unlikely to have a significant effect on redundancy /retirement costs as the proportion of staff affected is likely to be 3% (197 out of 6,802).

Mitigation: As the Due Diligence phase is progressed, we will obtain a precise staffing profile which will be further refined during service design.

- 2.1.2 **Risk:** that the number or mix of higher grade redundancy /retirements costs will be higher than estimated.

Likelihood (Low): The number of redundancies and retirements will be determined by individual circumstances and the new organisational structure. The likelihood is regarded as minimal for the following reasons.

The creation of a new unitary will mainly involve the transfer of operational staff. A separate analysis of senior management has been undertaken.

The majority of staff will transfer from Suffolk County Council. Both Suffolk and Ipswich Councils have adopted similar redundancy/early retirement schemes. The opportunity for redundancy/early retirement will not be restricted to higher-grade staff. The mix of redundancies/early retirements is based on the current demographic profile of staff.

The Council intends to keep the initial change to operational services and structures to a minimum.

Redundancy/early retirement will be a last resort and the Council will take advantage of redeployment and natural turnover of staff.

Mitigation/Impact (Low): If costs are higher these would need to be financed but should achieve higher ongoing savings.

2.1.3 Risk: that the average cost of redundancy/retirements is higher than estimated.

Likelihood (Low): The cost of redundancy/early retirement can vary depending on individual circumstances. The average costs have been identified from recent experience at Ipswich, which has significant recent experience due to major restructuring of the organisation. There is a small chance that average costs will be higher.

The numbers involved will determine the overall impact and the Council will use redundancy/ early retirement as a last resort.

Mitigation/Impact (Low): If costs are higher these would need to be financed but should achieve higher ongoing savings.

2.2 Relocation

2.2.1 Risk: Relocation costs are higher than estimated.

Likelihood (Low): This cost reflects the numbers affected and the additional distance to the workplace. Ipswich is the County town and the headquarters of Suffolk County Council, where most staff will transfer from, is adjacent to Ipswich Borough Council's headquarters significantly reducing the potential relocation cost of central staff. Other District Headquarters are within a short distance of an Ipswich Park and Ride. Relocation costs of operational staff are likely to be minimal.

Mitigation/Impact (Low): No significant impact.

2.3 Recruitment

2.3.1 Risk: That recruitment costs, particularly for senior staff, will be higher than anticipated.

Likelihood (Low): The estimate is based on benchmarked costs. Existing recruitment budgets will be included in the disaggregated base budgets

Mitigation /Impact (Low): No significant impact.

2.4 Accommodation

2.4.1 Risk: That the cost of relocating and accommodating staff is higher than anticipated.

Likelihood (Low): A key assumption is that, for service continuity, existing operational services will initially continue to operate from current service points. The majority of these will be located in or near Ipswich, as the major urban centre. The cost estimate is based on moving staff to a Headquarters focused on Ipswich Village.

Mitigation/Impact (Low): Costs are relatively insensitive to numbers of staff.

2.5 Information Technology

2.5.1 Risk: That the integration of IT systems needed for transferred or combined services is greater in scope or more complex than anticipated, resulting in higher costs.

Likelihood (Medium): Modern processes rely on IT systems. The analysis of current systems is based on a recent survey using the SOCITM product categories. It is regarded as a comprehensive list of current systems but at this stage there may be gaps.

Impact (Medium): The costs of IT systems to support transferred services is significant. If costs are higher than anticipated then these would need to be financed and would reduce the anticipated net savings over the transitional period.

Mitigation: The estimated cost of IT systems has assumed that the Council will initially use the same systems for transferred services as Suffolk County Council and will select an existing best of breed for District Services. The estimated cost has been identified following advice from the suppliers of the systems and should be reasonably accurate.

- 2.5.2 Risk:** That the resource needed to implement the IT systems needed for transferred services is greater than anticipated.

Likelihood (Medium): The resource needed has been assessed following advice from the suppliers of the IT systems affected and consultation with Suffolk Councils. The Council has an excellent track record of modernising its IT platform and this experience has been used to assess resource needs.

Impact (Low): If additional resource is needed the Council will have some flexibility over the timing of work on non-critical systems. Alternatively additional skilled IT agency resource would be used and this would directly impact on the transitional costs. In addition a contingency of £1.2m rising to £2.2m per annum is included in the one off IT costs.

Mitigation: This resource estimate for transition and ongoing operations is comparable with the experience of other recently established unitary councils. The transition team includes a dedicated ICT team with sufficient resources and skills to manage implementation to the new Council. To protect service continuity, it is expected that CSD will continue to run a number of IT systems on North Haven's behalf.

2.6 Change Management and Shadow planning

- 2.6.1 Risk:** That more or more costly resource is needed to facilitate the transition.

Likelihood (Low): The proposed estimate of the Transition Team resourcing and cost is based on experience and salary levels at other unitary councils. The Chief Executive would lead and the project would be run using the proven prince 2 methodology. Shadow corporate governance arrangements would be established early on to ensure effective decision making and engagement of councillors, key staff and stakeholders.

As this is a crucial element of the transition the estimated cost has been pitched at the maximum level anticipated. Given the project management arrangements proposed, the likelihood of occurrence is minimal.

Mitigation/Impact (Low): In the unlikely event that costs are higher than anticipated then these would need to be financed and would reduce the anticipated net savings over the transitional period.

2.7 Contingency

2.7.1 Risk: That contingency will not be sufficient.

Likelihood (Medium): The contingency is set at 3% of the net saving over the period of the workbook model. In addition a specific contingency of £1.2m rising to £2.2m pr annum is included in the one off IT costs.

Mitigation/Impact (Low): The net saving in the transition period would be reduced and this would need to be funded from use of reserves or borrowing.

2.8 Contract Novation

2.8.1 Risk: That novation costs will be higher than anticipated.

Likelihood (High): Although there are a significant number of existing contracts it is anticipated that the majority would be novated by the orders establishing the new unitaries. There is significant existing capacity to deal with ongoing contract renewals. Additional resource is provided for in the transition team and specialist consultancy provision could be used if required.

Impact (Low): Additional temporary resource could be accessed with minimal additional financial implications.

Mitigation: Contract novations could be phased, with temporary extensions, if capacity was an issue.

2.9 Localisation

2.9.1 Risk: That the budget is exceeded.

Likelihood (Low): The Council will set the level of locality budget and the established financial control environment should ensure that the likelihood of a significant variance is minimal.

Mitigation/Impact (Low): Cost considered deminimus.

2.10 Communications/branding

2.10.1 Risk: That the budget is exceeded

Likelihood (Low): North Haven will determine communication and branding activity.

Mitigation/Impact (Low): Cost considered de minimus. Significant base budgets exist. Communications and branding programme can be flexed to keep within budget.

2.11 Closedown

2.11.1 Risk: That the cost of closedown is higher than anticipated.

Likelihood (Low): The closedown cost has been assessed at the average experienced by the previous unitary bids.

Mitigation /Impact (Low): Any additional cost would need to be financed and would reduce the anticipated net savings over the transitional period.

2.12 Transformation Team

2.12.1 Risk: That more resource is needed.

Likelihood (Low): The comments made regarding the Transition Team, above, are also relevant here. The likelihood of occurrence is considered minimal since the same team would have successfully achieved the transition.

Mitigation/Impact (Low): In the unlikely event that costs are higher than anticipated then these would need to be financed and would reduce the anticipated net savings over the transitional period. A skills gap would need to be addressed promptly otherwise this would reduce the effectiveness of preparations for the shadow council.

2.13 Senior Staff

2.13.1 Risk: That the cost of the senior management team is higher than estimated.

Likelihood (Low): The estimated remuneration of the senior management team is based on the average rates at existing unitary councils. This cost is set by the Council and is regarded as certain.

The going market remuneration levels for comparable unitary councils will be used to ensure that staff of the appropriate calibre are attracted. Any initial gap in the management team would be covered through either secondment or consultancy as appropriate.

Recruitment costs are based on existing experience following the recent management restructure at Ipswich.

Mitigation/Impact (Low): Any delay in establishing the senior management team would impact on the shadow council's preparations. Any gap would need to be promptly filled by secondment or consultancy but this could incur additional cost, which would need to be financed and would reduce the anticipated net savings over the transitional period.

2.14 Combined Fire Authority

2.14.1 Risk: That more resource is needed to establish a combined fire authority.

Likelihood (Medium): The figures represent an objective estimate of the currently identified costs associated with the key functions necessary for the establishment and operation of a combined fire authority. It is uncertain whether this represents the totality of funding required to ensure financial sustainability as the current fire authority funding is in the lowest quartile of funding per head of population. Further refinement of the additional costs to create a sustainable combined fire authority will be needed during the implementation phase.

Mitigation/Impact (Low): There is some flexibility in the cost profile of setting up a **combined** fire authority particularly in the transition period. Any additional cost would need to be financed and would reduce the anticipated net savings over the transitional period.

2.15 Training

2.15.1 Risk: That the budget is exceeded.

Likelihood (Low): North Haven will determine training activity. This can be phased to keep within budget.

Mitigation/Impact (Low): Cost considered de minimus. Significant base budgets exist. Training will be flexed to keep within budget.

3 ONGOING EXPENDITURE

3.1 Pay Harmonisation

3.1.1 Risk: That pay harmonisation costs are greater than existing budgets.

Likelihood (Medium): All authorities within the North Haven area have harmonised pay except Ipswich, which is completing the process now. Ipswich has a budget provision for pay harmonisation in the base budget.

The Council can determine the level at which harmonisation occurs and will be determined by a balanced judgement on affordability and staff retention so it is unlikely there will be significant additional pay harmonisation costs.

Mitigation/Impact (Low): Additional costs will need to be financed and would reduce the anticipated net savings over the transitional period.

3.2 Accommodation

3.2.1 Risk: That the running costs of operating premises in Felixstowe is higher than expected

Likelihood (Low): The provision for running costs is double the anticipated cost of £50,000 per annum.

Impact (Low): The amounts are small compared to the overall cost envelope.

Mitigation: There is some scope for flexibility in the use of premises.

3.3 Localisation

3.3.1 Risk: That the estimate for community coordinators is exceeded

Likelihood (Low): Community Coordinators are an essential element of the Council's vision for joined up neighbourhood service delivery. Remuneration is based on going market rates to attract the right calibre of staff and the likelihood of a significant variation's considered low

The pump priming is a fixed amount and activity can be tailored to the resources available.

Mitigation/Impact (Low): Secondment and agency would be considered to fill any initial resource gap and it is unlikely that this would significantly exceed the budget.

3.3.2 Risk: That the estimate for Community Development Officers is exceeded.

Likelihood: Ipswich already employs 4 Community Development Officers and this proposal would extend the team to 10 staff. Remuneration is based on going market rates to attract the right calibre of staff and the likelihood of a significant variation's considered low

Mitigation/Impact: Secondment and agency would be considered to fill any initial resource gap and it is unlikely that this would significantly exceed the budget

3.4 Combined Fire Authority

3.4.1 Risk: That more resource is needed to run a combined fire authority.

Likelihood (Medium): The figures represent an objective estimate of the currently identified costs associated with the key functions necessary for the establishment and operation of a combined fire authority. It is uncertain whether this represents the totality of funding required to ensure financial sustainability as the current fire authority funding is in the lowest quartile of funding per head of population. Further refinement of the costs to create a sustainable combined fire authority will be needed during the implementation phase.

Mitigation/Impact (Low): There is some flexibility in the ongoing cost profile of a **combined** fire authority which can be addressed in set up. Any additional cost would need to be financed and would reduce the anticipated net savings over the transitional period.

4 GROSS REDUCTIONS

4.1 Support Staff

4.1.1 Risk: That the ongoing saving of support staff is lower than estimated.

Likelihood (Medium): The reduction in staff numbers has been identified by comparing the actual current staff in the North Haven area, provided by the Suffolk Authorities Human Resources Group, with the proposed organisational structure. There is concern about the accuracy of the full time equivalent staff data for Suffolk County Council and there is also a fair chance that the numbers may be different given the estimate basis and that the proposed reorganisation is 2 years away. The pay levels reflect current averages.

Impact (Medium): Any significant change in the numbers of staff reductions could have a significant financial impact. Any additional cost, which would need to be financed and would reduce the anticipated net savings over the transitional period.

Mitigation: The overall staff reduction is 3%, which seems a reasonable reduction given the potential impact of service integration and streamlining opportunities for support services. Significant resource is provided (the transition/transformation team) to achieve this saving.

4.2 Senior Staff

4.2.1 Risk: That the ongoing saving of the senior management team is lower than estimated.

Likelihood (Low): The reduction in senior staff from the rationalisation of authorities from 8 to 2 is based on a comparison of the actual current staff in the North Haven area within tiers 1 to 3 compared to the proposed organisational structure. The estimated remuneration of the senior management team is based on the average rates at existing unitary councils. This cost is set by the Council and is regarded as certain.

Impact (Low): Any gap filled by secondment or consultancy could incur additional cost, which would need to be financed and would reduce the anticipated net savings over the transitional period

Mitigation: The going market remuneration levels for comparable unitary councils have been used to ensure that staff of the appropriate calibre are attracted. Any initial gap in the management team would be covered through either secondment or consultancy as appropriate.

4.3 IT

- 4.3.1 Risk:** That the level of anticipated savings are lower than anticipated or the timing of savings is later than planned.

Likelihood (Low): This saving relates to the anticipated reduction of staff levels following system rationalisation. The reduction in ongoing software and hardware costs is expected to significantly outweigh the additional North Haven operating costs e.g. software licenses but a cautious approach has been taken and a neutral position is reflected in the workbook.

Impact (Low): Adverse variations in anticipated costs and savings would need to be financed and would reduce the anticipated net savings over the transitional period.

Mitigation: A cautious approach has been taken and significant specific contingency (£2.2m per annum) has been allowed within the financial evaluation to offset any potential impact.

4.4 Procurement

- 4.4.1 Risk:** That the procurement savings are not realised.

Likelihood (Low): The calculation is cautious (1% of the non salary spend) given the opportunities for transactional savings. Significant resource is provided (the transition/transformation team) to achieve this saving and it proposed to establish a strong central procurement team to drive these savings through.

Mitigation /Impact (Low): Adverse variations in anticipated costs and savings would need to be financed and would reduce the anticipated net savings over the transitional period.

4.5 Education

4.5.1 Risk: That the saving is not achieved.

Likelihood (Medium): The Council is committed to retaining at least the current level of saving. This saving relates to the anticipated 2.5% reduction of staff levels (15 out of 597) to reflect a reduction in the operational/support managers from a proposed flatter structure and integrating services.

Impact (Low): The anticipated saving is modest compared to the overall figures.

Mitigation: During Service Design we will focus on putting in place fit for purpose structures. Other savings in non-direct costs might be possible (the saving equates to 0.4% of expenditure).

4.6 Social Services

4.6.1 Risk: That the saving is not achieved.

Likelihood (Low): The Council is committed to retaining at least the current level of saving. This saving relates to the anticipated 0.8% reduction of staff levels (5 out of 620) to reflect a reduction in the operational/support managers from a proposed flatter structure and integrating services. This also anticipates the removal of the SCC coordinators of the current area sub structure.

Impact (Low): The anticipated saving is modest compared to the overall figures.

Mitigation: During Service Design we will focus on putting in place fit for purpose structures. The level of saving has been reduced to avoid any duplication with the SCC securing the future programme. This equates to a 0.4% reduction in expenditure. The business case identifies several potential savings opportunities which have not been factored into the workbook.

4.7 Other Services

4.7.1 Risk: That the saving is not achieved.

Likelihood (Low): All these savings relate to a reduction in staff levels using the method identified in the key assumptions. Overall there is an anticipated 3% reduction in total staff levels.

Highways, Roads and Transport Services – North Haven will build on the existing Highways Agreement structure. The savings anticipated from streamlining coordination, depot, area office and fleet management arrangements equate to a 4% cost reduction.

Cultural and Related Savings – There are significant opportunities to find savings in this discretionary service without affecting service delivery together with integrating and rationalising service delivery a 4% cost reduction should be easily achievable.

Environmental Savings – Staff savings from the rationalisation of trading standards with environmental health activity.

Revenues and Benefits Savings – The staff savings anticipated from the integration of these large volume transactional services should be easily achieved.

Impact (Medium): Significant impact if not achieved - see mitigation.

Mitigation: During the service design stage we will focus on delivering these integration efficiencies. The potential for non-staff savings have not been reflected in the workbook and in practice would be identified to supplement these savings.

4.8 Team Leader Integration

4.8.1 Risk: That the saving is not achieved.

Likelihood (Low): There will be over 350 team leaders transferring to North Haven. This saving anticipates a reduction in team leaders of 6% (20 staff) from the integration of services like housing and social services and the proposal for a flatter structure as currently operated by Ipswich. This represents a modest reduction given the scale involved. The new staff structure will be determined by North Haven and the provision of a transition team should ensure these savings are achieved.

Impact (Medium): Significant impact if not achieved - see mitigation.

Mitigation: During Service Design we will develop organisation structures that reflect these staff numbers. The transition team would need to find replacement savings if these could not be achieved.

4.9 Better Processing/Efficiency Savings

4.9.1 Risk: That the saving is not achieved.

Likelihood (Low): The majority of these savings represent North Haven's share of SCC's Securing the Future programme. This is an efficiency programme that is already in train and on target to deliver the anticipated savings. A list of specific projects supports this saving programme. The resources provided for transition and transformation teams provide a significant resource for delivery. In addition both Ipswich and SCC have a strong track record of achieving annual efficiency savings. The figures have been identified by SCC and applied to all options in the appropriate proportions.

The Securing the Future programme runs until 2011/12. A further phased £1.8m per annum has been included in later years to reflect North Havens ongoing commitment to best practice and efficiency. This equates to 0.6% of service expenditure. The Council's performance improvement partner's experience has identified that typical efficiencies achievable in services range from 9% to 14% of gross spend. This is a modest target and acknowledges the staff savings already identified.

Impact (Medium): This is a significant efficiency programme.

Mitigation: Reorganisation on this scale will provide opportunistic savings from process re-engineering and service integration. The transition and transformation teams will concentrate on delivering these efficiencies and will be well placed to find replacement savings if required.

4.10 Elections

4.10.1 Risk: That the saving is not achieved.

Likelihood (Low): This saving from moving to a 4 yearly election cycle is certain.

Impact (Low): The current cost of an election (£100,000) has been identified.

Mitigation: Amount not material.

4.11 Rationalise Property

4.11.1 Risk: That the saving is not achieved.

Likelihood (Medium): This saving represents a 10% reduction in property running costs due to asset rationalisation opportunities that are available following service integration and streamlining.

Impact (Low): Amount not material.

Mitigation: A number of potential opportunities have been identified and there should be significant opportunities to achieve this saving. The transition and transformation teams should ensure it is deliverable.

4.12 Waste Integration

4.12.1 Risk: That the saving is not achieved.

Likelihood (Low): There is Suffolk wide agreement to move to a single waste authority to achieve efficiencies. This process is already underway. The figures have been identified by SCC and applied to all options in the appropriate proportions. The North Haven figures have been further damped by 30% to reflect uncertainty over the achievement of early years savings.

Impact (Low): The amounts involved are not significant. Adverse variations in anticipated savings would need to be financed and would reduce the anticipated net savings over the transitional period.

Mitigation: The design of the new waste authority and the proposed PFI Contract will be managed to deliver the level of savings specified. The 30% damping offers some tolerance.

4.13 Insurance

4.13.1 Risk: That the saving is not achieved.

Likelihood (Low): The insurance saving represents the increased capacity of North Haven to self-insure. Ipswich has a sound track record in this area.

Impact (Low): Amounts not material. Adverse variations in anticipated savings would need to be financed and would reduce the anticipated net savings over the transitional period.

Mitigation: North Haven will design effective and fit for purpose insurance arrangements.

4.14 Capital Investment

4.14.1 Risk: That the investment required exceeds the budget.

Likelihood (Low): This investment relates to a Felixstowe customer service centre, web services, call centre and IT systems and migration. The cost estimates are based on reasonable knowledge. Ipswich is currently improving web services and introducing a call centre. The IT estimates contain significant contingency within the figures, as significant existing resource will be transferred to North Haven. Established financial controls will facilitate delivery of these savings.

Impact (Medium): Adverse variations in anticipated savings would need to be financed.

Mitigation: There are sufficient capital resources to accommodate variations in this amount assuming North Haven regards them as priority schemes.

5. SUMMARY TABLE

5.1 The following table gives an indicative quantification to the risks identified. The result suggests that a contingency of £900,000 is reasonable.

Risk element	Costs/ Savings £'000	Likelihood %	Impact %	Potential Variance £'000
One-Off Costs				
Redundancies	2,800	25	5	35
Early Retirement	2,100	25	5	26
Relocation	600	5	5	2
Recruitment	200	5	5	1
Accommodation	500	5	5	1
Changes to IT Systems	1,000	25	10	25
Transition Team	2,400	5	5	6
Contingency	900	25	5	11
Contract Novation	100	50	5	3
Localisation	1,000	5	5	3
Communications/ Branding	200	5	5	1
Closedown	600	5	5	2
Transformation Team	500	5	5	1
Senior Staff	100	5	5	0
Set up Fire Authority	300	25	5	4
Training	200	5	5	1
Total One-Off Costs	13,500			120
Ongoing Costs				
Pay Harmonisation	1,000	25	5	13
Accommodation	400	5	5	1
Localisation	1,200	5	5	3
Fire Authority	400	25	5	5
Total Ongoing Costs	3,000			22
Savings				
Support Staff/ Corporate Support	-6,500	25	10	163
Senior Staff	-6,800	5	5	17
IT	-1,800	5	5	5
Procurement	-3,000	5	5	8
Education	-2,100	25	5	26
Social Services	-700	5	5	2
Other Services	-4,500	5	10	23
Team Leader Integration	-3,500	5	10	18
Better Processing/Efficiency savings	-3,900	5	10	20
Elections	-300	5	5	1
Property rationalisation	-1,100	25	5	14
Waste Integration	-1,100	5	5	3
Insurance	-1,200	5	5	3
Total Savings	-36,500			299
Total	-20,000			440

KEY

Risk Matrix	Likelihood	Impact
Low	5%	5%
Medium	25%	10%
High	50%	20%