Appendix 6 (a)

Guide to Risk Management & Partnerships

INTRODUCTION

Derby City Council is increasingly delivering its services through partnerships with other public and private sector organisations. This growth in the various types of partnership working presents the authority with governance and accountability challenges.

One important aspect of governance is the management of risk. Partnership working brings with it a number of risks that need to be managed. This document is primarily intended to help those in departments who are involved in:

- Setting up partnership arrangements, particularly when the City Council is the lead authority
- Working directly with partner organisations (agreeing contracts, service level agreements, managing/monitoring performance or working together to deliver services)
- Serving on partnership boards or management teams

Decisions to enter into partnerships should be based on a sound understanding of the risks and challenges, as well as the anticipated benefits.

APPLICATION

This guide applies to the full range of partnerships in which the City Council is involved. The exact application will depend however on the partnership type and scale and therefore the risk to the authority. In addition, the level of risk management will be dictated by whether or not we are the lead authority. There will be occasions when we are not and therefore it will be appropriate to follow another partner’s process. In these circumstances, risks to DCC will still need to be clearly identified.

Partnerships can vary hugely in size and complexity, from a mutual coming together to solve a specific problem to a multi-agency partnership used to deliver a completely new set of services in a completely new way.

This guide provides users with a tool to determine the level of risk a partnership may produce and so ensure that the application of risk management is proportionate to the risk generated.

The City Council has produced other guidance on partnerships including:
DCC Partnership Toolkit

This risk management guide in no way attempts to replace this but is designed to be used alongside it to enhance the risk management aspects of partnership management.

THE RISK MANAGEMENT APPROACH

When working with partner organisations the risk management approach should include the following key elements:

- Assessing the scale of the Partnership
- Identifying the resource
- Implementing the Risk Management Process

Assessing the scale of the Partnership

As previously mentioned, partnerships vary in size and complexity. From a risk management perspective, it is not necessary to devote the same amount of resources and attention to every partnership. We have therefore developed a tool to determine the scale of your partnership and so determine the level of input required. The tool is available in Appendix 1. Once you have completed this process you should then be able to determine if the partnership is “High” or “Low” risk.

Clearly the higher the risk the more risk management activity is required.
If your partnership is identified as “Low” risk then you will need to follow the guidance in Appendix 2. If your partnership is identified as “High” then follow advice in Appendix 3.

Identify the Resource

Risk Management will not happen unless it is properly resourced. This includes the provision of people, time and in some cases finance to make it happen. Depending on the level of the partnership, some kind of plan for managing risk needs to be created. Such a plan would describe how risk will be addressed in the partnership and is a document that needs to capture the agreed framework around who will lead, who will be involved, responsibilities and accountabilities, in addition to setting out the frequency of risk review. The idea is to ensure that risk is considered as an integral part of the partnership management.

Resources for the management of risk should be agreed at the outset, based on the scale of the partnership and reaffirmed throughout.

Implementing the Process

By now you will have identified the scale and resource requirements of your partnership and therefore need to turn to the appropriate appendix to follow the guidance. For low risk partnerships this is a straightforward checklist of activities that should be undertaken as a minimum to ensure the success of the partnership. For high risk partnerships, this will involve more in depth risk identification, assessment, control and monitoring. Full details are contained in the relevant appendix.

PARTNERSHIP RISK LEVELS

Partnership risk can be viewed on two levels, “Strategic” and “Operational”.

Strategic

Risks arising at a Strategic level relate to:

- Failing to ensure an effective Strategic Fit
- Failing to identify and address the gaps and shortfalls in Relationships
- Failing to fully assess and plan for the Organisational Impact the changes will have; and
- Failing to robustly develop and test the Economic Case for the partnership.

Strategic risks should be identified as part of the overall analysis of the business need and in developing the business case. This will enable high-level threats to be assessed and researched with the aim of developing strategic management responses to secure a sound strategic framework for the partnership at the outset.

It is likely that Members, Chief Officers and senior staff will be involved in considering these kinds of risks.
The partnership should have an agreed set of objectives. Risks should be identified against these objectives.

Risks at the strategic level will then frame the context for more detailed risk management at the operational level.

Appendix 4 provides tables showing a number of examples of risks against the above four risk areas. Control measures have also been given. Please note that these tables outline the main risks to be considered but do not constitute an exhaustive list for every partnership arrangement. Additionally the suggested controls are for guidance only and there may be more appropriate approaches depending on the circumstances.

Operational

Risks at an Operational level are those that relate to factors affecting progress against phases or milestones of the partnership arrangement. Also included are risks relating to the technical problems, suppliers and contract management.

Operational risks must be monitored and reviewed throughout the life of the partnership for a number of reasons:

- To monitor and measure progress in risk management
- To provide visible target dates for managing risks
- To identify new risks and close others
- To establish new priorities.

Appendix 4 contains a number of examples of risks.

The lists are not exhaustive - they have been provided as a tool to prompt risk identification and they must not be used as ready prepared risk registers or a definitive list of risks.

CRITICAL SUCCESS FACTORS

For risks to be managed effectively within a partnership there are four key elements that need to be in place:

- Support for risk management from senior management of all partners
- A Partnership Risk Management Framework must be agreed at senior level by all partners
- An organisational culture that supports well thought through risk taking and innovation
- Risk management must be fully embedded in management processes

APPENDIX 1

ASSESSING THE SCALE OF YOUR PARTNERSHIP

A crucial first step in the way we manage risk in partnerships across Derby City Council is an initial assessment to decide what scale of partnership you are dealing with. This assessment process should be completed at the earliest possible stage of a partnership

The process uses five criteria relating to financial commitment, impact on DCC objectives, procurement complexity, organisational impact and legal requirement. The process is simple and enables us to identify a partnership as high or low risk and therefore decide on the level of risk management application required.

Look at the table overleaf and the additional guidance for each category on page 8. Under each impact evaluation heading find the statement that best matches your partnership. Each statement is assigned a score of 1 to 4 according to the column it sits in.

If during this process your partnership fits into any one red box, then it will be deemed as high risk and therefore you should refer to Appendix 3.

If none of the statements in red boxes apply to your partnership, calculate the total value of your partnership by adding together the scores of the statements you have selected for each partnership dimension.

5 – 9 Points
Low Risk
Go to
Appendix 2

10 – 20 Points
High Risk
Go to
Appendix 3

	score			
IMPACT EVALUATION	1	2	3	**4**
Estimated DCC Financial Commitment	Up to 100k	100k-500k	500k-1m	**1m +**
Contribution to corporate objectives	No contribution	Linked to other work that contributes to a corporate objective	Partial contribution to a corporate objective	**Significant contribution to 1 or more corporate objectives**
Organisational impact	None or very minimal	Some new business processes and possibly some re-training	Significant re-structure of processes and work areas	**Transfer of staff or outsourcing**
Contribution to delivery of external policy or legislation	No contribution	Contributes to other work that is delivering policy or legislation	Direct links to policy or legislation	**Fundamental to achievement of policy or legislation**
Procurement complexity	No contracts involved	Low risk contract	Medium risk contract	**High risk contract**

IMPACT EVALUATION	ADDITIONAL EXPLANATION
Estimated DCC Financial Commitment	What is the estimated DCC financial commitment for the partnership? This should include capital investment required, resource costs, staff costs, equipment costs etc.
Contribution to corporate objectives	Will this partnership make a significant contribution to the achievement of any of Derby City Council's key objectives
Organisational impact	What impact will your partnership have on the way the organisation works? (Change to business processes, staff redeployment etc.)
Contribution to delivery of external policy or legislation	Is this partnership required to meet the specific requirements laid out in a piece of legislation, mandatory central government policy directive or Audit Commission recommendation?
Procurement complexity	Does your partnership involve the purchase of any service or other goods that will require a procurement contract? If so, what level of risk is attached to the contract? (Refer to Corporate Procurement Unit)

APPENDIX 2

LOW RISK PARTNERSHIPS

If your partnership has been assessed as low risk then there is no need to go through a detailed risk management process. There is still however a need for robust management of the partnership and provided that you are able to answer yes to the questions in the checklist below the risks should be under control.

Question	Yes	No
Is there a clear business need for the partnership?		
Is a partnership approach the best way to achieve our objectives?		
Is there a written partnership agreement?		
Are there clear aims and objectives set out?		
Are there clearly defined roles and responsibilities set out?		
Are there clear lines of accountability set out?		
Is there a clear means of controlling finance?		
Has a means of identifying performance been agreed and defined?		
Has a clear exit strategy been agreed?		
Have you identified any strategic risks and agreed control measures? *		

* Consider the strategic risks and controls outlined in Appendix 4.

If you are unable to answer yes to any question then the project could be at risk. You therefore need to take action to ensure a positive answer.

APPENDIX 3

HIGH RISK PARTNERSHIPS

If you have assessed your partnership as high risk, then you should adhere to the guidance in this appendix.

Early Stage

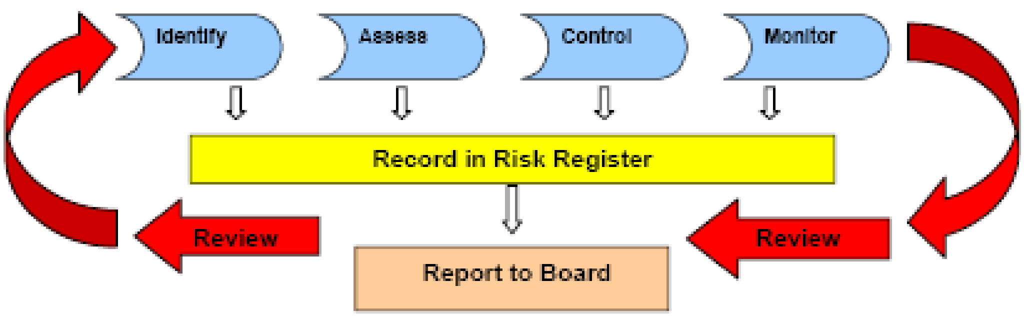
First of all you will need to consider whether or not you represent the lead authority in the partnership. If you do, then it will be necessary to gain the agreement of all partners to work to the DCC Framework. Thereafter the processes in this document should be followed.

If DCC is not the lead authority then it may be that you will be asked to use the framework advocated by whichever partner is the lead authority. Either way you will still need to understand risk management in order to ensure any risks to DCC are adequately controlled.

Risk Management will not happen unless it is properly resourced. This includes the provision of people, time and in some cases finance to make it happen. You should create a plan for managing risk. The plan will describe how risk will be addressed in the partnership. It will set out the agreed framework for who will lead, who will be involved, responsibilities and accountabilities, in addition to establishing the frequency of risk monitoring. The idea is to ensure that risk is considered as an integral part of the partnership management. Resources for the management of risk should be agreed at the outset.

Risk Management Cycle

You are now in a position to start the risk management cycle. This is a four-stage cycle involving identifying, assessing, controlling and monitoring the risks to the partnership.



Identification

The identification of risks should begin at the earliest stage of the partnership. It should assist in completing the business case and is crucial in determining the validity of a potential partnership arrangement. This stage will be concentrating on the Strategic risks to the partnership relating to Strategic Fit, Relationships, Organisational Impact and Economic Case.

All identified risks should be recorded in the partnership risk register. Try wherever possible to have one register for the partnership. Allowing each partner to operate their own register simply causes confusion and defeats the objective and ethos of partnership working.

After the initial identification of the strategic risks at partnership set up stage, it will be necessary to continue to identify the operational risks and now involve all stakeholders. This should include all partners, suppliers and in some cases the recipients of the services being delivered. To enable this; a recommended method is the holding of a workshop with all stakeholders represented to brainstorm the partnership risks.

The identification of risks should be objective driven and should clearly identify those potential events that could prevent the objectives being achieved. Try to ensure the risk description is complete; this helps when it comes to the assessment stage of the process.

A number of examples of strategic and operational risks are given in appendix 4. These are just starters and may be expanded upon as necessary to suit the individual circumstances.

Points to consider during the identification stage:

- Identify all stakeholders who will be able to contribute
- If necessary utilise the Council's Risk Management Team to help facilitate any brainstorming sessions.
- Make use of the risk categories outlined earlier and the examples given in Appendix 4
- Ensure both internal and external risks and opportunities are considered

Assess

Once the risks have been identified, you will need to assess the level of risk associated with each one. This enables you to prioritise risks and identify those that pose the greatest threat (or opportunity) to the Council and the partnership. Risks should be assessed in terms of:

Likelihood - how likely is the risk to occur?
Impact – what would the impact be if it did occur?

Both elements should be given a score between 1 and 5 using the definitions below and this assessment should take into account any control measures already in place.

These two scores can then be combined (likelihood x impact) to provide an overall risk score. This risk score can then be plotted on the risk matrix overleaf. The risk matrix will indicate the overall risk category (low, medium, high or very high) for each risk as well as how that risk should be managed.

Likelihood

The following table is used to decide on likelihood.

Score	Definition
1 - Rare	The event may occur only in exceptional circumstances
2 - Unlikely	The event is not expected to occur
3 - Possible	The event might occur at some time
4 - Likely	The event will probably occur in most circumstances
5 - Almost Certain	The event is expected to occur in most circumstances

Impact

The impact of a risk can be considered in various categories for example, financial, safety, service delivery, reputation, legal, political and environmental. Indeed the impact can be in one or many of these categories. In assessing impact it is important to understand what your risk appetite is i.e. the level of risk impact you are willing to accept. In addition, it is important to understand who the risk affects most. Does it affect the entire partnership or is it just a risk to one of the partners. This is something that needs to be considered at the control stage.

The table overleaf will assist in determining what level of impact a particular risk will present across some of these categories. They are examples of risk impacts, you are free to adapt them as you see fit for your partnership in order that you reach a consensus on the impact of each risk to the partnership and of course to DCC corporate objectives.

SCORE	DEFINITION
1 – Insignificant	• Little disruption to services • No injury. • Financial loss of less than 1% of budget • No effect on delivering partnership objective fully • No damage to DCC reputation • No or insignificant environmental damage
2 – Minor	• Some disruption to services • Minor injury • Financial loss between 1% - 6% of budget • Little effect on achieving partnership objective • Minimal damage to DCC reputation (minimal coverage in local press) • Minor damage to local environment
3 – Moderate	• Significant disruption to services. • Violence or threat or serious injury • Financial loss between 6% - 25% of budget • Partial failure to achieve partnership objective • Significant coverage in local press • Moderate damage to local environment
4 – Major	• Loss of services for more than 48 hours but less than 7 days • Extensive or multiple injuries • Financial loss between 25% - 50% of budget • Significant impact on achieving partnership objective and significantly affects DCC corporate objective • Coverage in national press • Major damage to local environment
5 - Extreme	• Loss of services for > 7 days • Fatality • Financial loss over 50% of budget • Non delivery of partnership objectives and DCC corporate Objective • Extensive coverage in national press and on TV • Significant damage to local or national environment • Requires resignation of Director, Chief Exec or Leader of the Council

By multiplying the impact rating by the likelihood rating this produces a risk rating score. The risks can then be plotted onto a simple Risk Matrix as shown below and the level of risk determined.

LIKELIHOOD	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		I	II	III	IV	V
		IMPACT				

Likelihood of Risk			Impact of Risk		
5	–	Almost Certain	V	-	Extreme
4	–	Likely	IV	-	Major
3	–	Possible	III	-	Moderate
2	–	Unlikely	II	-	Minor
1	–	Rarely	I	-	Insignificant

RISK CATEGORY		HOW THE RISK SHOULD BE MANAGED
(15-25)	High Risk	Immediate action required, Senior Management must be involved
(8-12)	Medium Risk	Senior Management attention needed and management responsibility specified
(1-6)	Low Risk	Manage by specific monitoring or response procedures

Control

There are a number of options available for dealing with risks:

Tolerate the risk
A conscious decision can be made to accept the consequences should a risk occur. Some amount of risk acceptance always occurs within partnerships since risks exist that will have to be accepted without any special effort to treat them. It is for the manager and/or board to determine the appropriate level of risk that can be accepted / tolerated

Transfer the risk
It may be appropriate to transfer ownership and responsibility for the risk to another party outside of the authority or partnership. However this may not be possible if for example there is a statutory duty on the authority.

Methods of transfer can include:
- Insurance, performance bonds, warranties or guarantees
- Renegotiation of a contract's conditions for the risk to be retained by the other party
- Sub-contracting risks to consultants or suppliers.

Control the risk
While continuing with the activity giving rise to the risk, actions are taken to constrain the risk to an acceptable level, by:

- PREVENTIVE CONTROLS - These controls are designed to limit the possibility of an undesirable outcome being realised.
  An example of preventive control could be separation of duty, whereby no one person has authority to act without the consent of another.
- CORRECTIVE CONTROLS - These controls are designed to correct undesirable outcomes which have been realised.
  An example of this would be design of contract terms to allow recovery of overpayment.
  Contingency planning is an important element of corrective control as it is the means by which the Council can plan for business continuity / recovery after events which it could not control.
- DIRECTIVE CONTROLS - These controls are designed to ensure that a particular outcome is achieved.
  Examples of this type of control would be to include a requirement that protective clothing is worn during the performance of dangerous duties, or that staff be trained with required skills before being allowed to work unsupervised.
- DETECTIVE CONTROLS - These controls are designed to identify occasions of undesirable outcomes having been realised. Their effect is, by definition, 'after the event' so they are only appropriate when it is possible to accept the loss or damage incurred.

Examples of detective controls include stock or asset checks which detect whether stocks or assets have been removed without authorisation

Terminate the risk
Where feasible do things differently and remove the risk. Put measures in place to stop the threat occurring or prevent it having an impact. However, some risks will only be treatable, or containable to acceptable levels, by terminating the activity.

It should be noted that the option of termination of activities may be severely limited in local government when compared to the private sector; a number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.

Monitor

Risk monitoring is a systematic process for tracking and evaluating how well the controls are doing. Risk owners are responsible for ensuring risks allocated to them are monitored and for reporting on the effectiveness of the risk response.

The Risk Management Plan or Framework for the partnership should identify clearly how the monitoring process should operate. For example it should identify the frequency of reporting by risk owners and the reporting process to the management board.

APPENDIX 4

STRATEGIC AND OPERATIONAL RISK TABLES

These risk tables are provided to act as a guide to prompt risk identification. They should not be used as ready prepared risk registers or a definitive list of risks. Every partnership will have bespoke risks that may not be identified here, nor will every risk listed here apply to every partnership.

STRATEGIC RISKS

Risks of failing to ensure a Strategic Fit

	Risk	Control
1	Poorly defined shared vision and objectives	Corporate objectives of all partners need to be linked to shared and agreed joint vision and objectives
2	Local political leadership changes and support for the partnership wanes (both at outset and/or in the future)	Engage members in the debate on partnership and obtain buy-in from all parties, not just leader/manager before proceeding.
3	Collaborative advantage for working together not clearly defined or optimised	Hold a key strategic workshop with partners to identify collaborative advantages of working together and processes needed to ensure a successful partnership

	Risk	Control
5	The project will not be attractive to potential partners whether they are in the public or private sectors	Develop a robust strategic and outline business case that defines the scope of the partnership. Ensure a soft marketing exercise has been carried out as part of the business case and views of the market have been factored into the partnership development.
6	Strategic dependence on one partner may reduce the authority's ability to seek improvements in efficiency and quality.	Ensure long partnership contracts are benchmarked at regular intervals and that appropriate incentives are provided for service improvement. Pay attention to choosing the right partner.
7	Partner does not meet service delivery targets in a satisfactory or timely way.	Encourage joint ownership of problems and solutions as this builds trust and cooperation. Avoid a blame culture. If service delivery is failing, it is the responsibility of all partners to do something about it. Where this proves impossible and service failures continue, action must be taken to remedy the situation through penalties or step-in procedures. Define a clear exit strategy.
8	No strategic approach to issues of risk, costs and benefits.	Define and agree a partnership risk strategy/plan and a strategic approach to dealing with costs and benefits of the partnership, specifically on sensitive areas such as pooled budgets and accountability that may result as part of the partnership arrangements.

Risk of failing to identify and address gaps and shortfalls in Relationships:

	Risk	Control
1	Lack of effective and consistent leadership for the partnership	Ensure key roles are allocated and the partnership champion role is allocated to someone with enough time and energy to lead on partnership development.
2	Authority does not have adequate management capacity to manage the procurement, negotiation and change management processes.	Partnership is not easy and relies heavily on the interpersonal and strategic management skills of executives responsible for developing and maintaining it. Buy in and continued interest and energy from the very top are absolutely necessary for success. Depth of involvement is also critical. New types of relationships will need to be formed at all levels within the partner organisations. Strong leadership throughout the organisations will be needed. Change management expertise will always be required, from all partners.
3	Lack of trust within the partnership.	Develop an effective governance structure. Hold joint workshops to facilitate trust building and mutual understanding of issues.
4	Not all key stakeholders are involved.	It is critical that buy-in from all key stakeholders is achieved. Missing out a key stakeholder could be detrimental to the long term partnership objectives. Ensure a thorough brainstorming session takes place early on to identify key stakeholders. Continually revisit/test the key stakeholder list to ensure everyone has been captured.

	Risk	Control
5	Partner fails to value staff and does not look after them well, providing poor terms and conditions and insufficient opportunity for personal development.	Where contracts are squeezed very tightly and inadequate flexibility provided for business process re-engineering and cross-skilling, partners may find their only opportunity to make any profit is by reducing the number of staff or renegotiating the terms and conditions of those staff. TUPE will protect staff terms and conditions at initial transfer and the Workforce Code will protect new joiners. Partners should be encouraged through the structure of the payment mechanisms within contracts to provide training and personal development opportunities for all staff.
7	Relationship with partner breaks down and subsequently one of the major partners withdraws.	Ensure mechanism for conflict resolution is agreed with all partners at negotiation stage. Create a joint strategic board for the partnership that meets regularly to discuss issues. Draw up a joint risk register and keep it under review throughout the contract. When problems are looming on the horizon, talk about them and work on a solution together before the risk matures and the impact is felt. Keep monitoring of PIs transparent and honest.
8	Inappropriate relationship and communication style adopted.	We need to understand clearly what form of relationship we will need to build and maintain in order to support the contractual structure and payment mechanism, which has been adopted.

	Risk	Control
9	No strategies for sustaining relationships including when the partnership is operating.	Have a partnership agreement that sets out partnership objectives and protocols. Define a formal and informal communication and consultation strategy. Define and agree a partnership structure with clear responsibilities post contract implementation.

Risks of failing to assess and plan for the Organisational impact the changes will have:

	Risk	Control
1	Lack of clarity about the status of the partnership and subsequent misunderstanding of process and commitments either internally in the organisation or externally with the different parties of the partnership.	Develop partnership agreement as soon as possible that details commitments of all parties. Define and agree partnership protocols.
2	Local authority structure and culture inappropriate for forming and maintaining strategic partnerships.	Ensure members buy-in at all stages of the procurement and throughout the lifetime of the agreement. Keep staff fully informed of plans for development of strategic partnerships.
3	Improvements do not meet Council's and/or public's expectations.	Deals, which gain visibility to the end-user, may generate unrealistic expectations for speed and scope of service improvements. Ensure data is being collected well before contract award for comparison, to align expectations about service improvements. Measure customer satisfaction and manage customer expectations. This implies a pro-active role for the authority before and during the lifetime of the partnership arrangement.
4	Partnership initiative is incompatible with other local authority contracts or initiatives.	Assess the financial and non-financial implications of the new arrangements on existing contracts, commitments and initiatives.

Risks of failing to robustly develop and test the Economic Case for the partnership:

	Risk	Control
1	Failure to commit resources to the business case for the fear that the investment in time and resources will be abortive as proposals may not represent value for money or be affordable.	Adopt well-constructed processes in formulating an outline business case (OBC). A thorough financial evaluation, including a robust affordability model, needs to be carried out.
2	Lack of clarity about when financial benefits are to be realised and Investment funds fail to come through from private sector partner.	Ensure a robust financial plan. Ensure guarantees are provided, and proof of access to finance is obtained early in the negotiations.
3	Contract and partnership development costs are too high.	Draw on good previous examples. Manage legal advisers and seek to keep the contracts simple and concise. Prepare an overarching partnership agreement and supplement this with straightforward service delivery contracts based on an output specification.
4	One or more partner/s fails to fulfil contractual requirements.	Ensure contracts are kept simple and it is clear from the beginning who is responsible for delivering what and when. Select the right partner. Ensure that there is a logical mechanism for review and possible termination for individual service bundles, so that bad performance in one area, if not resolved even after working through it together, need not wreck the whole deal.

	Risk	Control
5	Private sector partner faces financial difficulty.	Remember that this is a partnership and there should be early discussions if this situation arises to ensure all parties are aware of the situation and there is the opportunity to discuss necessary actions. Ultimately, ensure contract covers this eventuality explicitly and provisions are made to deal with the situation if it arises. This will be in the form of an appropriate exit strategy. Where a joint venture company (JVC) is being formed with the private sector organisation, ensure that the Council defines its and limits its liability for trading losses incurred by the JVC.
6	Public sector partner withdrawal.	At the commencement of a project all partners have commitment to its objectives. The risk will need to be continually monitored and alternative strategies developed in outline if the withdrawal of a potential partner occurs.
7	Inspection reveals poor value for money is being obtained through the partnership.	Ensure that appropriate benchmarking and market testing processes are in place and used regularly throughout the lifetime of the partnership contract. Setup partnership boards and ensure that non-executive members are appointed to that board to provide an objective governance function.

	Risk	Control
8	Reduction in competition throughout the lifetime of the deal will impair value for money.	Appropriate benchmarking and market testing are absolutely imperative where contracts exceed 5 years in length. Proving value for money is not always easy; the method for achieving this should be described in the contract. Look at value for money criteria by reference to a wide context consider issues such as economic regeneration, sustainable development and social inclusion. Partners need to be incentivised to provide innovation and service improvement over the lifetime of the contract. Contracting for outcomes, rather than outputs, may be one solution.
9	Failure to consider Pension costs in the business case stage. Could lead to the partnership not being justified when the "true" pension cost is incorporated into the model. The charge may involve either ongoing or upfront costs.	Pension costs should be considered at the earliest stage of consideration for the partnership. The partnership team should consult with the Pension Fund at the earliest opportunity. Appropriate budgetary allowance must be made for any actuarial work required to support the business case.

OPERATIONAL RISKS

TECHNICAL AND OPERATIONAL RISKS
Not being aware of levels of demand leads to inappropriate levels of service delivery
Inadequate baseline calculations leading to discrepancies when comparing to actual and/or future deliverables
Inability to measure savings and quality outcomes leading to poor partnership management
Not ensuring a common partnership delivery/timetable with stakeholders leading to problems in communication and expectations
No appropriate penalties/rewards established for partnership deliverables
Impact on existing contracts not considered sufficiently
Different starting points for the parties involved in the partnership causes operational difficulties
Different expectation levels and required outcomes for the parties involved in the partnership
Pressure from partners to deliver ‘quick wins’ could be at the expense of longer term gains
Failing to establish and then abide by service level agreements
Failing to meet continuous improvement targets
Failure to establish service ownership/management of information
Lack of co-ordination and structure to handle partnership based projects (in addition to own projects)
Inadequate management resources to implement strategy
Assets owned/managed by the partnership are damaged by fire, flood or by a third party (accident, vandalism etc)
Assets owned/managed by the partnership cause damage or physical injury to a third party
Failure to involve professional assistance and expertise e.g. legal, finance, procurement, risk at the right stage
Contract/partnership management role not sufficiently defined
Failure to apply an effective health and safety management and monitoring system in respect of partnership activity
Partnership service may be subject to two separate inspectorates that could lead to differing or conflicting standards or requirements
Inadequate accountability arrangements for training targets
Data sharing, access to data, data protection issues not properly evaluated

TECHNICAL AND OPERATIONAL RISKS continued.
Failure to future-proof technology procured / developed by the partnership
Failure to develop and maintain working interfaces with the systems of partners
Failure to establish effective security / integrity of partnership systems
Licensing considerations – software etc.

POLITICAL RISKS
Failure to deliver Central Government Policy or local identified priorities
Ceding / dilution of control with the involvement of more partners
Conflict with the policies / strategies of individual partner organisations
Different political structures may cause inconsistencies between partners
Political leadership changes leading to conflicts within the organization
Change in local authority functions
CPA Inspection or equivalent cause partners to focus on their own priorities.
Changes to Government Funding may affect delivery.
Lack of clarity over executive powers and the role of scrutiny
Lack of consistent Member attention / understanding across all partners.
Managing expectations of Members
Risk of reputational damage

STAKEHOLDER INTEREST RISKS
Failure to engage each partner authority in a mutually beneficial relationship
Failure to develop partnership focus on customer services
Partners fail to deliver on individual responsibilities
Over / under reliance on one partners involvement
Failure to collaborate on key technology decisions
Failure to identify / emulate / share / benchmark with good practice
Level / scope of delegated powers vary across partnership that leads to conflict
Significant differences in organisational cultures across partnership are underestimated
Inadequate integrated arrangements to respond to a major incident
The reputation and image of one of the partners is affected by actions of the other partners
Mismatch in understanding / conflict of risks between partners
Failure to define a detailed and on-going communication strategy
Failure to involve all key stakeholders
Lack of trust within the partnership

FINANCIAL RISKS
Failure to nominate a suitable “accountable body”, or partner resistance to undertaking this role
Failure to establish clear protocol for treatment of operating surpluses / losses arising from partnership activity
Failing to identify a legal entity for contracting / accounting purposes
Failure to establish clear lines of accountability
Failure to effectively manage pooled / aligned funds; clear demarcation as to which partner provides which funds, and what for.
Differences in partners’ VAT status
Failure to harmonise accounting / financial regulations between partner organizations
Failure to agree adequate audit arrangements (internal & external audit)
Responsibility for insurance not clearly defined in terms of assets, and third party / liability cover in respect of partnership activities.
Ownership of partnership assets unclear; likewise responsibility to maintain.
Failure to identify “lifetime costs” and to allocate responsibility for them – e.g. maintenance costs may prevail beyond the life of the partnership.
Clear policy for treatment of assets / liabilities in the event of the partnership winding up (voluntary or otherwise

ORGANISATIONAL MANAGEMENT/HUMAN RESOURCES RISK
Failure to clearly identify “the employer” within the partnership
The innovative nature of partnership activity is unacceptable or misunderstood within services
Failure to address the HR organisational implications, including the cost of pensions
Non-availability of skills internally to support partnership activity
Inability to ‘carry’ staff (and unions) with the changes
Unable to put in place new recruitment / reward / career structures
Inability to identify and rollout appropriate training programme in a timely manner
Lack of clarity, accuracy and completeness of employment records and salary details etc in relation to transferees.
Differing HR sections with own policies and procedures that leads to confusion around which policy or procedure to follow.
Operating two similar but not identical conditions of employment – impact on morale of staff that are undertaking similar work but are on different terms and conditions
Staff are unable to adapt to new roles, responsibilities and the culture of the partnership
Staff are seconded and it is subsequently deemed that there was in fact a transfer of undertaking
Lack of clarity over responsibility for staff performance, discipline etc
Divergent recruitment practise resulting in challenge to appointments and dismissals

PROCUREMENT RISKS
Partnership does not exist as a legal entity and cannot enter into contracts
There is no agreed criteria for selecting preferred suppliers
Inability to deliver a quick win to demonstrate benefits
Insufficient market appetite/competition
Lack of flexibility in partnership contracts
Difficulties in conducting procurement in accordance with the regulatory and policy frameworks of all partners

LEGAL RISKS
Legal constraints (e.g. Data Protection Act) prevent or delay joining-up and partnership working
Conflict over intellectual property rights in respect of partnership activity
Changes to the services required as a result of new laws or regulations or changes in existing laws or regulations
Failure of partner to comply with relevant laws and regulations (including in relation to telecommunications, health and safety, data protection and human rights) or the partner causing the Council to be in breach of any law or regulation
TUPE challenge to secondment arrangements between the partnership
Failure to ensure compliance with Data Protection Act
Failure to establish compliance with Freedom of Information Act
Failure to ensure compliance with Disability Discrimination Act
Failure to establish compliance with equality / diversity legislation