

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
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OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 23rd June 2015
Subject: Corporate Risk Monitoring Report April 2015

Summary	This report presents the changes to the Risk Register since the last monitoring report in November 2014 and gives details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.
Recommendation	To note the report.

1.0 Introduction and Background

- 1.1 The Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in November 2014.
- 1.2 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in **Appendix 2**.
- 1.3 The Risk Register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added. The risk reference numbers are not reallocated when risks are removed from the register, to enable the history to be maintained.

- 1.4 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. There are currently no 'Very High' risks on the Risk Register. A list of the 'High' risks is given in Appendix 1.
- 1.5 The full Risk Register, as agreed by Management Team, is placed on InSite, within the Risk Management section on the Corporate Documents tab.

2.0 Changes to the Register

- 2.1 Apart from updates on progress for various entries, the main changes since November 2014 are listed below.

2.2 To be removed:

1.12 – Co-op Bank Financial Standing

The transfer to the new bank contract with Barclay's has been completed and therefore the risk associated with the Co-op bank is no longer relevant.

2.6 – Joint Venture

The risk was that Norfolk County Council would withdraw from the project, placing Phase two in jeopardy. Norfolk County Council has agreed to continue with the Joint Venture and Phase two is now going ahead.

2.8 – Major Housing Development

The risk was related to the procurement of a partner or developer to undertake the work as required by the Council. This stage is now complete as the contract has been signed with Lovells. This risk can now be removed from the register, but two other risks have been identified related to major housing development. These are described below.

2.3 Added:

2.9 – Major Housing Development Planning Permissions

Score 12(High Risk)

There is some local opposition to the development. Contractual issues could arise with Lovells if the planning consent is taken to appeal and is overturned. Lynnsport 2 has been dropped from the proposals in response to local concerns and a consultation group has been set-up.

2.10 – 5-year Land Supply

Score 12 (High Risk)

In recent appeals, the Planning Inspectorate has suggested that the 5-year plan is not adequate and subsequently approved planning in areas not considered to be suitable by the Council. This view may be further reinforced by the loss of any other major proposals as development areas.

The Local Development Framework (LDF) has been submitted for inspection and will confirm if the land supply is adequate.

2.11 – Housing Market

Score 12 (High Risk)

Demand in the housing market may fall resulting in the Council being unable to sell all the properties built by the major Council run projects. Proposals are being drafted for a Local Authority Housing Company, which will take over any surplus stocks to rent out until the market picks up.

2.4 Risk Rating Amendments

1.7 – Community Relations

Given the work being carried out, it is suggested that the Likelihood of this risk could be reduced from 'Possible' to 'Unlikely'. This will reduce the overall risk score from 9 to 6, but will retain the 'Medium Risk' Rating.

2.7 – Capital receipts

The risk was originally entered when the Council was aiming to raise capital for the Waterfront development and it was uncertain whether land and asset sales would provide the required amount. The capital programme drove the pursuit of capital receipts.

However, this position has been reversed and the capital receipts now determine what projects can be undertaken. As a result the Likelihood can be reduced from 'Likely' to 'Possible' making the overall risk score 12 (High Risk).

5.14 – VAT – Trust arrangements

Legal and VAT specialists have been used to advise on the requirements to comply with tax regulations and final legal opinion has been obtained from a QC prior to the final documents being signed. As a result the risk rating has been reduced from 'Very High' to 'High'.

3.0 Conclusion

The Risk Register continues to be actively monitored by Senior Management on a regular basis.

Risks categorized as 'High Risk' (

- 1.4 – Emergency Response (External)
- 1.11 – Due Diligence
- 1.14 – Individual Electoral Registration
- 2.5 – Empty retail properties/ Town centre decline
- 2.7 – Capital receipts
- 2.9 – Major housing developments
- 2.10 – 5-year land supply
- 2.11 – Housing Market
- 3.1 – Loss of ICT server
- 3.2 – ICT failure of backup.
- 4.1 – Health and Safety
- 5.2 – Fraud and Corruption
- 5.4 – Financial Plan
- 5.11 – Business Rates Appeals
- 5.12 – Loss of major businesses
- 5.13 - Loss of King's Court
- 5.14 – VAT – Trust arrangements

**CORPORATE RISK MONITORING REPORT
APRIL 2015**

LIKELIHOOD	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange)	(16) (Red) 2.7,	(20) (Red)
	3 Possible		(6) (Green)	(9) (Green) 1.2, 1.6, 1.7, 1.13, 4.3.	(12) (Orange) 1.4, 1.11, 1.12, 1.14, 2.5, 2.8, 4.1, 5.2, 5.4, 5.11, 5.12, 5.13.	(15) (Red) 5.14
	2 Unlikely			(6) (Green) 2.6, 5.3.	(8) (Green) 1.1, 2.1, 4.2.	(10) (Orange) 3.1, 3.2.
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		IMPACT				

Risk Category	How the Risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

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

Score	Definition
1 – Insignificant	<ul style="list-style-type: none"> • Little disruption to services • No injury • Loss of <£25,000 • Unplanned change in service delivery due to budget overspend <£100,000 • No effect on delivering partnership objective fully • No damage to BCKLWN reputation • No or insignificant environmental damage
2 – Minor	<ul style="list-style-type: none"> • Some disruption to services • Minor injury • Loss of £25,000 - £175,000 • Unplanned change in service delivery due to budget overspend of £100,000 - £500,000 • Little effect on achieving partnership objective • Minimal damage to BCKLWN reputation (minimal coverage in local press) • Minor damage to local environment
3 - Moderate	<ul style="list-style-type: none"> • Significant disruption to services • Violence or threat of serious injury • Loss of £175,000 - £500,000 • Unplanned change in service delivery due to budget overspend of £500,000 - £1m • Partial failure to achieve partnership objective • Significant coverage in local press • Moderate damage to local environment

4 – Major	<ul style="list-style-type: none"> • Loss of services for more than 48 hours but less than 7 days • Extensive or multiple injuries • Loss of £500,000 - £1m • Unplanned change in service delivery due to budget overspend of £1m - £3m • Significant impact on achieving partnership objective and significantly affects BCKLWN corporate objective • Coverage in national press • Major damage to local environment
5 - Extreme	<ul style="list-style-type: none"> • Loss of service for >7 days • Fatality • Loss of >£1m • Unplanned change in service delivery due to budget overspend >£3m • Non delivery of partnership objectives and BCKLWN corporate objective • Extensive coverage in national press and TV • Significant damage to local or national environment • Requires resignation of Chief Executive, Executive Director or Leader of the Council