

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
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OPEN	

Committee: Audit Committee
Date: 28th November 2016
Subject: Corporate Risk Monitoring Report October 2016

Summary	This report presents the changes to the Risk Register since the last monitoring report in April 2016 and gives details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.
Recommendation	Members are requested to consider the contents of the risk register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives.

1.0 Introduction and Background

- 1.1 The Risk Management Policy and Risk Management Strategy were presented to the Audit and Risk Committee in February 2016 and approved by Cabinet on 1st March 2016.
- 1.2 The Terms of Reference for the Audit and Risk Committee include responsibility for monitoring the management of risk by Management Team. To this end, the Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in April 2016.
- 1.3 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**.
- 1.4 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.

- 1.5 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. Details of the 'Very High' risks are given in **Appendix 1** together with a list of the 'High' risks.
- 1.6 The full Risk Register, as agreed by Management Team, provided to members of the Audit Committee in hard copy for reference.

2.0 Changes to the Register

2.1 The Risk Management Policy states that to '*ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities*'. As such the format of the risk register has been re-ordered to reflect the Priorities as contained in the Corporate Business Plan. This makes the link between the Priorities and the management of associated risks clearer. The existing reference numbers have been retained (and are shown in brackets) for now so that the connection to the old style plan is maintained and new reference numbers allocated to reflect the revised layout.

2.2 Apart from updates on progress for various entries, the main changes since April 2016 are listed below.

2.3 Risks to be removed:

One risk has been identified to be removed from the register:

1.6 – Capital receipts

The risk was originally added to the register when the level of capital required for the regeneration programme determined the level of land sales. Since then, the approach has changed. The Capital and Property Investment Strategy is being adopted and forms part of the overall financial planning process.

2.4 New risks identified:

One new risk is proposed to be added to the register:

1.17 Channel Shift

This is a key project for the Council. Whilst work on implementing the customer facing aspect is progressing, the other element of achieving efficiency savings is partly dependent on One-Vu integration with back office systems. The risk is that these savings cannot be fully achieved if staff need to manually transfer data between One-Vu and the back office systems.

2.5 Risk Rating Amendments

One risk score has been considered for amendment:

2.5 Housing Market

In view of the current state of the housing market in London, and the potential for knock-on effects locally, the Likelihood has been increased

from 'Possible' to 'Likely'. This has increased the overall risk score from 6 to 8, but remains within the 'Medium' risk rating. Arrangements to create a housing company to manage private rented properties will be progressed.

3.0 Conclusion

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

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Risk name: Business Rates	Responsible Director: Assistant Director (s151 Officer)

Ref	Description	Mitigation	Progress
1.16	<p>The risk is that:</p> <p>The financial plan may be adversely affected as a result of substantial events that affect the Business Rates due to the Council. Such events may be appeals being agreed leading to substantial Rateable Value reductions; reliefs being granted; failure to grow the business rate tax base or closure of a large business; and uncertainty relating to the 100% retention of Business Rates in future and the revaluation due in 2017.</p>	<p>Reserves created for measurable risks and membership of the Norfolk Business Rates Pool. Continue to monitor potential areas of risk and work with LGA where possible. Continue working with major businesses to reduce the possibility of closure.</p>	<p>Power station appeal against the 2005 list has been withdrawn although the 2010 appeal remains outstanding.</p> <p>Reserves have been created to protect against closure of major businesses and the position of major businesses continues to be monitored and proactively managed.</p> <p>The Council has responded to consultation on 100% retention arrangements and s151 Officer has attended workshops. Mandatory training has been provided for Members sitting on IDB Boards. The VOA list for 30/9/16 is largely neutral.</p>

Risk Score:		
Impact	Extreme	5
Likelihood	Possible	3
Total score		15
Risk Category		Very High

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Risk name: 5-year Land Supply	Responsible Director: Environment and Planning
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Ref	Description	Mitigation	Progress
2.4	<p>The risk is that:</p> <p>The Planning Inspectorate does not agree that the Council has identified an adequate supply of land designated as housing development land for the next 5 years, and consequently this will lead to development approved in areas that the Council does not want developed.</p>	<p>Work on the LDF to ensure the Council can evidence that sufficient land is available. Also approve applications to boost the supply in the short-medium term.</p>	<p>The Council currently has a 5-year plan. A Public Enquiry in May dismissed the appeal and confirmed the 5-year land supply. However this is the subject of a judicial review and more appeals have also been lodged against planning decisions.</p>

Risk Score:		
Impact	Major	4
Likelihood	Almost certain	5
Total score		20
Risk Category		Very High

Risks categorized as 'High Risk' (Score 10-12)

- 1.1 – Fraud and Corruption
- 1.12 – Financial Plan
- 1.13 – VAT – Trust arrangements
- 1.14 – Land Charges
- 2.2 – Empty retail properties/ Town centre decline
- 2.3 – Major housing developments
- 2.6 – Major Planning Applications
- 3.1 – Emergency Response (External)
- 3.4 – Waste and Recycling Contract
- 3.5 – Health and Safety

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LIKELIHOOD	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red) 2.4.	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange) 1.14.	(16) (Red)	(20) (Red)
	3 Possible		(6) (Green) 2.5.	(9) (Green) 1.2, 1.3, 1.5, 1.9, 3.3, 4.1, 6.1.	(12) (Orange) 1.6, 1.10, 1.12, 1.13, 2.2, 2.3, 2.6, 3.1, 3.5.	(15) (Red) 1.16,.
	2 Unlikely			(6) (Green) 1.7, 1.11, 1.14, 3.2.	(8) (Green) 1.1, 1.4, 1.8, 1.15, 2.1.	(10) (Orange) 3.4.
	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. Responsibility to be allocated by Management Team to a named Service Manager.
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

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APPENDIX 2

Likelihood

Score	Definition
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event could, but 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	Impact on service	Personal safety	Financial loss	Legal and Regulatory	Corporate objective	Environmental impact	Reputation
1 Insignificant	Little	No injury	<£25,000 or 1% of budget	Minor civil litigation or regulatory criticism	No effect on delivery	None or insignificant	No damage
2 Minor	Some	Minor injury	>£25,000 or >2.5% of budget	Minor regulatory enforcement	Little effect on delivery	Minor damage	Minimal damage (minimal coverage in local press)
3 Moderate	Significant	Violence or threat of serious injury	>£175,000 or >5% of budget	Major civil litigation and/or public enquiry	Possible impact on delivery	Moderate damage	Significant coverage in local press
4 Major	Service not available for 2-7 days	Extensive or multiple injuries	>£500,000 or >10% of budget	Major civil litigation and/or national public enquiry.	Significant impact on delivery	Major damage	Coverage in national press
5 Extreme	Service not available for >7 days	Fatality	>£1m or >15% of budget	Section 151 or government intervention or criminal charges	Non delivery	Significant damage locally or nationally	Requires resignation of Chief Exec, Exec Director or Leader