

## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	3 June 2019		
TITLE:	Corporate Risk Monitoring Report April 2019		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Ged Greaves, Senior Policy and Performance Officer		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

### **REPORT SUMMARY/COVER PAGE**

PURPOSE OF REPORT/SUMMARY:
<p>This report presents the changes to the Corporate Risk Register since the last monitoring report in October 2018. It gives details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.</p>
KEY ISSUES:
<p>Following the review, the risk scores for 4 entries have been proposed to change. It is also proposed that 4 risks are removed from the register and 2 risks are refocused.</p>
OPTIONS CONSIDERED:
<p>Not applicable.</p>
RECOMMENDATIONS:
<p>Members are requested to consider the contents of the Corporate Risk Register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives.</p>
REASONS FOR RECOMMENDATIONS:
<p>In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.</p>

### **REPORT DETAIL**

#### **1. Introduction**

- 1.1 The Risk Management Policy and Risk Management Strategy covering this reporting period were presented to the Audit Committee in February 2016 and approved by Cabinet on 1st March 2016. An updated policy and strategy were approved by Council in April 2019 and the new framework will apply to the next six monthly update that will be reported to the Audit Committee in November 2019. That will enable briefings on the new policy and strategy to be provided for staff and councillors and, subject to timelines, for the register to be aligned with a new corporate business plan.

- 1.2 The Terms of Reference for the Audit Committee include responsibility for monitoring the management of risk. 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 November 2018.
- 1.3 The Corporate Risk Register is reviewed by executive directors and at Management Team on a 6-monthly basis. 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 Corporate 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.
- 1.5 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The broad definitions and risk matrix are attached for reference in Appendix 2.
- 1.6 The full Corporate Risk Register, as agreed by Management Team, has been provided to the Audit Committee in hard copy, for reference.

## **2. Changes to the Corporate Risk 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 is 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.
- 2.2 Apart from small changes made from a fresh review of the content and updates on progress for various entries, the main changes since November 2018 are listed below.
- 2.3 Risk rating amendments – increased score
  - 2.3.1 The risk rating scores for four entries on the register have been changed for this update.
  - 2.3.2 *Risk 1.24 – Financial ledger software replacement*

Delays in the original procurement have been further compounded by a longer than anticipated build and unexpected vacancy. The project also impacts upon the delivery of the new leisure services management model covered by Risk 1.25 – Provision of leisure services.

It is proposed to increase the Likelihood score from "Possible" to "Likely". This would change the risk from amber to red on the RAG rating and an action plan is therefore attached.

### 2.3.3 *Risk 1.4 – Due diligence*

Over the last few months a number of high profile projects have received negative publicity. A range of measures are being put in place to mitigate future risk and apply learning to prevent future errors. A member led group is being established to consider the KLIC lessons learnt report and an external inquiry has also been commissioned. Due diligence issues will therefore remain in the spotlight for some time ahead.

It is proposed to increase the Likelihood score from “Unlikely” to “Possible”. This would change the risk from green to amber on the RAG rating.

### 2.3.4 *Risk 2.2 – Empty retail properties/town centre decline*

National retail trends indicate the continued decline of town centres typically evidenced by declining footfall and empty units. National reports suggest an increasing likelihood of this risk which is further compounded by the dampening effect of Brexit uncertainties and major retail businesses rationalizing their operations, entering into administration or seeking a Company Voluntary Arrangement (CVAs).

Mitigation includes the submission of a comprehensive bid to the Future High Streets fund but there is a risk that an award may not be successful or sufficient to meet expectations and/or the challenges of a potential recession or continued patterns of consumer behaviour.

It is proposed to increase the Likelihood score from “Unlikely” to “Possible”. This would change the risk from green to amber on the RAG rating.

### 2.3.5 *Risk 3.3 – Council reputation*

Given recent negative headlines referred to earlier it is proposed increase the Likelihood score from “Possible to Likely”. This would change the risk from green to amber on the RAG rating.

## 2.4 Risks proposed to be removed from the register

2.4.1 Vulnerabilities relating to the following risks are considered to have been reduced to a level where they can be removed from the register:

- *Risk 1.13 - VAT – Trust arrangements* (new company to be operational by 1 July 2019 and related risks minimised)
- *Risk 1.22 - Revenues and Benefits software tender* (system implemented and operational)
- *Risk 1.26 – Fire compartmentalization* (improvement works completed)
- *Risk 4.2 THi 2 Application to the Heritage Lottery Fund* (bid was unsuccessful and ongoing work covered by Risk 4.1 - Improvements to heritage buildings).

## 2.5 Changes in focus of risks

### 2.5.1 *Risk 1.25 – Provision of leisure services*

Since the October 2018, plans for the new leisure delivery model have firmed up supported by a project team, establishing a council company and appointing directors

and the approval of heads of terms for the transition from Alive Leisure to the Council. Members have been engaged via Cabinet and Environment and Community Panel. A handover date of 1 July 2019 is agreed. Work on the new financial ledger is focused on arrangements for the new company Alive West Norfolk.

As the transition date draws closer it is proposed to revise the risk description to:

*Transfer does not progress according to plan leading to damage to service and the quality of the operation resulting in a decline in attendance and income.*

#### 2.5.2 Risk 3.7 - Homelessness Reduction Act 2017

Given progress in preparing for the new duties and responsibilities, it is proposed to revise the risk so that it reflects key demand and financial related issues:

*Increase in demand results in budget overspend for bed and breakfast accommodation.*

### **3. Conclusion**

- 3.1 The Corporate Risk Register continues to be actively monitored by Management Team on a periodic basis.

### **4 Corporate Priorities**

- 4.1 The Corporate Risk Register is aligned with the Corporate Priorities and displayed under the 6 'Priority' headings. Following the borough elections, a new corporate business plan will be developed and the risk register will be aligned with the new priorities.

### **5 Policy Implications**

- 5.1 None.

### **6 Financial Implications**

- 6.1 The Corporate Risk Register is a document designed to assist senior management to identify and manage any financial implications identified through normal operations.

### **7 Personnel Implications**

- 7.1 None.

### **8 Statutory Considerations**

- 8.1 Account and Audit Regulations 2015 - s3(c). The douncil must ensure that it has 'effective arrangements for the management of risk'.

### **9 Equality Opportunity Considerations**

- 9.1 None

## **10 Risk Management Implications**

- 10.1 The council has in place a Risk Management Policy and Strategy. The framework was updated in April 2019 and will be rolled out to inform the next 6 month update. This will be reported to the Audit Committee in November 2019.
- 10.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the Council's objectives. It is a tool used by the Chief Executive and the executive directors (Management Team) to help manage risk across the authority and is a key document within the governance controls applied within the council.

## **11 Recommendations**

11.1 Members are requested to:

- a) consider the contents of the risk register;
- b) confirm agreement with Management Team's assessment that:
  - i. Increases the risk scores for 1.24 – Financial ledger software replacement, 1.4 – Due diligence, 2.2 – Empty retail properties/town centre decline and 3.3 – Council reputation.
  - ii. Removes risks 1.13 VAT – Trust arrangements, 1.22 Revenues and Benefits software tender, 1.26 – Fire compartmentalization, Risk 4.2 THi 2 Application to the Heritage Lottery Fund.
  - iii. Reframes the risks for 1.25 – Provision of leisure services and 3.7 - Homelessness Reduction Act 2017.

## **12.0 Declarations of Interest / Dispensations Granted**

12.1 None.

### **Background Papers**

April 2019 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy and Strategy – approved in March 2016

CORPORATE RISK REGISTER MONITORING REPORT  
April 2019

<b>Risk name: Business Rates</b>	<b>Responsible Director: Finance Services (s151 Officer)</b>
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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.</p>	<p>Reserves created for measurable risks and membership of the Norfolk Business Rates Pool.</p> <p>Continue to monitor potential areas of risk and work with LGA where possible.</p> <p>Continue working with major businesses to reduce the possibility of closure.</p> <p>VOA has changed its appeal process - now check, challenge and appeal.</p>	<p>A contingent liability has been noted in the Statement of Accounts in respect of the possible backdating of business rates to the QE hospital following advice they have received regarding their possible charitable status - this is a situation raised across the country and we await further information.</p> <p>Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur. Reserves have been created to provide some funding protection from the impact on business rates income in the event of the closure of major businesses.</p> <p>The movement in the overall business rates position is monitored on a monthly basis. The Council has responded to consultation on 100% retention arrangements and the s151 Officer has attended workshops. The MHCLG has invited applications for 75% business rates retention for pilots for 2019/20 and the Norfolk submission was successful.</p> <p>NHS Foundation Trusts have initiated legal action and the Council has contributed to the LGA's response. Progress with the legal case is being monitored. Potential impact upon local economy arising from falling investment and spending.</p>

<b>Risk Score:</b>		
Impact	Extreme	5
Likelihood	Possible	3
Total score		15

CORPORATE RISK REGISTER MONITORING REPORT  
April 2019

<b>Risk name: Financial ledger software replacement</b>	<b>Responsible Director: Finance Services (s151 Officer)</b>
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Ref	Description	Mitigation	Progress
1.24	The risk is that: Failure of tender process to procure an appropriate software solution and/or the ability to effectively implement new software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines.	Adherence to agreed procurement procedures. Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project. Use of software provider support. Prioritisation of work programme.	Project team are focused on developing the software for application to the new leisure company. This work is prioritised above other projects.

<b>Risk Score:</b>		
Impact	Major	4
Likelihood	Likely	4
Total score		16

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

- 1.4 – Due diligence
- 1.10 - Fraud and Corruption
- 1.12 - Financial Plan
- 1.25 – Provision of leisure services
- 2.2 - Empty retail properties/town centre decline
- 2.3 – Major housing developments
- 2.4 - 5 Year Land Supply & housing delivery
- 2.5 - Housing Market
- 2.6 - Strategic Land and Property Acquisition
- 2.8 – Accelerated Construction Programme
- 3.1 - Emergency Response (External)
- 3.3 – Council reputation
- 3.5 - Health and Safety



CORPORATE RISK REGISTER MONITORING REPORT  
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**After March 2019 review**

<b>LIKELIHOOD</b>	5 Almost Certain	(Green)	(Orange)	(Red)	(Red)	(Red)
	4 Likely		(Green)	(Orange) 1.25, 2.4, 2.5, 3.3	(Red) 1.24	(Red)
	3 Possible		(Green) 3.6, 3.8	(Green) 1.2, 1.3, 1.9, 1.17, 1.19, 1.23, 2.7, 3.7, 4.1, 6.1	(Orange) 1.4, 1.10, 1.12, 2.2, 2.3, 2.6, 2.8, 3.1, 3.5	(Red) 1.16
	2 Unlikely			(Green) 1.7, 1.11, 1.21, 3.2	(Green) 1.1, 1.8, 1.15, 2.1, 3.4b	(Orange)
	1 Rare					(Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
<b>IMPACT</b>						

<b>Risk Category</b>	<b>How the Risk should be managed</b>
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.