

## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	12 November 2018		
TITLE:	Corporate Risk Monitoring Report October 2018		
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 May 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>It is proposed to remove 1 risk from the register and add 1 new risk. Following the review, the risk scores for 3 entries have been proposed to change.</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 were presented to the Audit Committee in February 2016 and approved by Cabinet on 1st March 2016.
- 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 May 2018.

- 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 broad definitions and risk matrix are attached for reference in Appendix 2.
- 1.4 The Corporate 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 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.
- 1.6 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 May 2018 are listed below.

### **2.3 Risk proposed to be removed:**

It is proposed to remove one risk from the register, from Priority 3.

Risk 3.4a – Waste and Recycling Contract

A potential fee dispute with Kier has been resolved.

### **2.4 Proposed new risks:**

One new risk has been added to the register:

2.8 – Accelerated Construction Programme

Management Team has agreed to with the inclusion of this risk on the register given the financial and service implications arising from the delivery of this externally funded programme. Negotiations are ongoing with Homes England regarding contracts and supporting performance framework. Proposed risk score: Impact – Major; Likelihood – Possible. This is "amber" on the RAG rating.

### **2.5 Risk rating amendments**

The risk rating scores for two entries on the register have been changed for this update:

## Increased Risk Score

### Risk 1.25 – Provision of leisure services

In August 2018, Cabinet considered future options. A special Cabinet meeting in October confirmed the future delivery model of leisure services. The review and transition process to the new arrangements temporarily elevate vulnerabilities. It is proposed to increase the Likelihood score from Possible to Likely. The risk would change from “green” to “amber” on the RAG rating.

## Decreased Risk Score

### Risk 1.13 – VAT Trust arrangements

As a result of ongoing mitigation, the risk assessment score has been maintained for several years. Consideration of the new leisure services delivery model signals a significant reduction to the vulnerabilities arising from the current VAT position. The Impact score is therefore proposed to be reduced from “Moderate” to “Minor” as the financial impact is unlikely to exceed 2.5% of the budget. The risk would change from “green” to “white” on the RAG rating.

### Risk 1.22 - Revenues and Benefits software tender

Following completion of the procurement process, the software implementation is progressing broadly to plan. The Likelihood score is therefore proposed to be reduced from “Possible” to “Unlikely”. The risk remains “green” on the RAG rating.

## **3. Conclusion**

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

## **4.0 Corporate Priorities**

- 4.1 The Corporate Risk Register is aligned with the Corporate Priorities and displayed under the 6 ‘Priority’ headings.

## **5.0 Policy Implications**

- 5.1 None

## **6.0 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.

## **7.0 Personnel Implications**

- 7.1 None

## **8.0 Statutory Considerations**

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

## **9.0 Equality Opportunity Considerations**

9.1 None

## **10.0 Risk Management Implications**

10.1 The Council has in place a Risk Management Policy (last adopted in March 2016) and an associated Risk Management Strategy.

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 within the Authority and is a key document within the governance controls applied within the Council.

## **11.0 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. Removes risk 3.4a – Waste and Recycling Contract
  - ii. Adds a new risk 2.8 – Accelerated Construction Programme
  - iii. Increases the risk score for 1.25 – Provision of leisure services
  - iv. Decreases the risk scores for 1.13 – VAT Trust arrangements and Risk 1.22 - Revenues and Benefits software tender

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

12.1 None

### **Background Papers**

October 2018 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy and Strategy – approved in March 2016

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<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 100% business rates retention for pilots for 2018/2019, but the Norfolk submission was unsuccessful. Further bid expected for 2019/20.</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. Impact assessment of local economy exposure to potential risks arising from Brexit being prepared.</p>

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

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

- 1.10 - Fraud and Corruption
- 1.12 - Financial Plan
- 1.24 - Financial Ledger software replacement
- 1.25 – Provision of leisure services
- 2.3 - Major housing developments
- 2.4 – 5 year land supply and housing delivery
- 2.5 - Housing Market
- 2.6 - Strategic Land and Property Acquisition
- 2.8 – Accelerated Construction Programme
- 3.1 - Emergency Response (External)
- 3.5 - Health and Safety
- 4.2 - THi 2 Application to the Heritage Lottery Fund

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**After October 2018 review**

<b>LIKELIHOOD</b>	5 Almost Certain	(Green)	(Orange)	(Red)	(Red)	(Red)
	4 Likely		(Green)	(Orange) 1.25, 2.4, 2.5	(Red)	(Red)
	3 Possible		(Green) 3.6, 3.8	(Green) 1.2, 1.3, 1.9, 1.17, 1.19, 1.23, 2.7, 3.3, 3.7, 4.1, 6.1	(Orange) 1.10, 1.12, 1.24, 2.3, 2.6, 2.8, 3.1, 3.5, 4.2	(Red) 1.16
	2 Unlikely		1.13	(Green) 1.7, 1.11, 1.21, 1.22, 3.2	(Green) 1.1, 1.4, 1.8, 1.15, 2.1, 2.2, 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.