

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	11 March 2020		
TITLE:	Corporate Risk Monitoring Report – November 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 on 3 June 2019. 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 2 entries have been reduced. It is also proposed that 1 risk is added to the register and 4 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 approved by Council in April 2019.
- 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 to the committee on 3 June 2019. This report is for the period up to end November 2019.

- 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.
- 1.7 Appendix 3 sets out the corporate risks in score order.
- 1.8 Attached at Appendix 4 is list of risks that have been removed from the register since May 2018.

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 June 2019 are listed below.
- 2.3 Risk rating amendments – increased score
 - 2.3.1 No risks scores have increased in this update.
- 2.4 Risk rating amendments – reduced score
 - 2.4.1 *Risk 1.15 – Pension Fund*

The focus of the risk is that the council is unable to meet its pension liabilities. The impact of stabilization payments smooths the council's contribution profile and together with the one off upfront payments this reduces the impact of the risk over the 3 year valuation period.

Management Team propose to revise the risk score "Major/Unlikely" to "Moderate/Unlikely". This risk would remain green on the risk matrix.
 - 2.4.2 *Risk 1.25 – Provision of leisure services*

The focus of the risk is the that transition to Alive West Norfolk does not progress according to plan leading to damage to service and quality of operation and a decline in attendance and income.

Given the mitigation activities, the transfer process has been relatively smooth. The new service delivery arrangements have been in place for several months and accordingly the likelihood of the risk materializing have diminished.

Management Team propose to revise the risk score from "Moderate/Likely" to "Moderate/Possible". This would move the risk from amber to green on the risk matrix.

2.5 Risk proposed to be added to the register

2.5.1 *Risk 2.9 – Major projects programme*

The suggested focus of this programme risk is: The failure to deliver the programme of major projects to its approved parameters impacts upon the council's finances and delivery of council services. A major project being any approved property project that can cause significant financial, legal, reputational or compliance issues or prevent the council from delivering a priority or key objective.

2.5.2 The risk has been developed with the Property Services Manager. The programme risk sits above the various project risks that form part of the due diligence process for each of the projects considered by the Officer Major Projects Board and Member Major Projects Board.

2.6 Risks proposed to be removed from the register

2.6.1 There are no proposals to remove risks from the register.

2.7 Changes in focus of risks

2.7.1 *Risk 1.17 – Channel shift*

The current risk refers to an early digital project and OneVu has been operational for some time with wide ranging integration achieved with various back office systems and service processes. It is proposed to revise the risk description from:

"The level of required savings will not be achieved if the level of integration of OneVu with the back office systems is not delivered or is delayed. This could impact on service reviews required to identify efficiency savings."

To:

Risk 1.17 – Digital access and integration

"Migration to digital services introduces barriers and excludes some service users from accessing council services. Service improvements constrained by lack of system integration."

2.7.2 *Risk 1.25 – Provision of leisure services*

The company has been operational since July 2019. It is proposed to revise the risk description from:

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

To:

“New service delivery model does not perform to expectations and business plan.”

2.7.3 *Risk 2.1 – Local employment*

The focus of this risk is that the ability to attract new investment could be adversely affected by potential barriers in the local economy such as availability of premises, levels of skills in the workforce and related low value work.

2.7.4 *Risk 3.4b – Waste and recycling contract*

As the waste contract procurement process moves from contract award to mobilisation, Management Team propose to reflect this in the vulnerabilities of this risk. In addition, the risk will also reflect the emerging county council contract for waste disposal and related contract management.

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 currently aligned with the former Corporate Business Plan. Following approval of the corporate business plan in January 2020, service planning is underway by Assistant Directors. A full review of the risk register will be undertaken in the light of agreed service plans.

5 Policy Implications

5.1 None.

6 Financial Implications

6.1 The Corporate Risk Register is 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 council 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.

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. Reduce the risk scores for risks 1.15 – Pension Fund and 1.25 – Provision of leisure services.
 - ii. Add risk 2.9 – Major projects programme
 - iii. Reframe the risks for 1.17- Channel shift, 1.25 – Provision of leisure services, 2.1 – Local employment and 3.4b – Waste and recycling contract.

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

CORPORATE RISK REGISTER MONITORING REPORT
November 2019

Risk name: Business Rates		Responsible Director: Finance Services (s151 Officer)	
Ref	Description	Mitigation	Progress
1.16	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.	<ol style="list-style-type: none"> 1. Reserves created for measurable risks and membership of the Norfolk Business Rates Pool. 2. Continue to monitor potential areas of risk and work with LGA where possible. 3. Continue working with major businesses to reduce the possibility of closure. 4. VOA has changed its appeal process - now check, challenge and appeal, which seems to have reduced the number of appeals coming through. although it is still early days with this new process so reserves have been maintained at existing levels. 	A contingent liability has been noted in the Statement of Accounts in respect of the possible backdating of business rates reductions to the QE hospital following advice they have received regarding their possible charitable status - NHS Foundation Trusts have taken legal action to decide the matter and the Council has contributed to the LGA's response. The case was heard at Court in November 2019. The judge reserved judgement which means that it could be mid 2020 before a judgement is made and there is the possibility of an appeal. This is a situation raised across the country. Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur. The Norfolk Business Rates Pool have taken the decision to continue for 2020/2021, although the pool has reserved to right to review should the NHS case go against councils. 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. The movement in the overall business rates position is monitored on a monthly basis. Potential for negative economic impact of a no deal Brexit reduced by Benn Act and related Govt assurances given in response to legal action. Ongoing uncertainties may hold back wider economic growth, retail spending, investment, etc.

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

CORPORATE RISK REGISTER MONITORING REPORT
November 2019

Risk name: Financial ledger software replacement	Responsible Director: Finance Services (s151 Officer)
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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.	<ol style="list-style-type: none"> 1. Adherence to agreed procurement procedures. 2. Allocation of appropriate resources to the project. 3. Knowledge, skills and experience of those working on the project. 4. Use of software provider support. 5. Prioritisation of work programme. 	Senior member of staff who is Prince 2 qualified has been appointed as Project Manager. Close collaborative working with external supplier and Embridge (third party engaged to implement the project). Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project. Implementation planned for 1 April 2020.

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16

CORPORATE RISK REGISTER MONITORING REPORT
April 2019

APPENDIX 1

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

Ref	Title	Score
1.4	Due diligence	12
1.10	Fraud and corruption	12
1.12	Financial plan	12
2.2	Empty retail properties / town centre decline	12
2.3	Major housing developments	12
2.4	5-year land supply and housing delivery	12
2.5	Housing market	12
2.6	Strategic land and property acquisition	12
2.8	Accelerated Construction Programme	12
3.1	Emergency response (External)	12
3.3	Council Reputation	12
3.5	Health and Safety	12

CORPORATE RISK REGISTER MONITORING REPORT
April 2019

After November 2019 review

LIKELIHOOD	5 Almost Certain	(Green)	(Orange)	(Red)	(Red)	(Red)
	4 Likely		(Green)	(Orange) 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, 1.25, 2.7, 2.9, 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, 1.15, 1.21, 3.2	(Green) 1.1, 1.8, 2.1, 3.4b	(Orange)
	1 Rare					(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.

Risks in score order

Title	Director	The risk is that:	Score
Financial ledger software replacement	Finance Services (s151 Officer)	Failure 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.	16
Business Rates	Finance Services (s151 Officer)	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.	15
Due diligence	Chief Executive and all Executive Directors	Increasing pressure on the Council to find alternative ways to deliver service objectives means that new, innovative projects are being considered, which may not generate savings as anticipated or have sufficient staff resources with the required skills to deliver.	12
Fraud and corruption	Finance Services (s151 Officer)	The Council, like any other organisation, is vulnerable to fraud and corruption. The Council suffers a loss and/or reputational damage.	12
Financial plan	Finance Services (s151 Officer)	Balancing income and expenditure for both Revenue and Capital as set out in the estimates will become more challenging. In addition to the current economic climate, within which there is significant pressure to reduce the level of public spending, there are known changes needed to funding streams from 2021/22 (due to happen in 2020/21 but delayed a further year by the government), with a move from relying on local taxation rather than funding from Central Government. The current Budget Plan assumes challenging levels of savings in revenue costs and increased reliance on investment in major capital projects to provide future revenue income. There is a possibility that assumptions will not be fully met.	12
Empty retail properties / town centre decline	Chief Executive and Commercial Services	Loss of town centre businesses leads to a continued downward spiral resulting in long-term depression of the towns.	12
Major housing developments	Commercial Services	Local opposition may result in planning permission not being obtained for the development, leading to contractual problems with the developer.	12
5-year land supply and housing delivery	Environment & Planning	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.	12
Housing market	Chief Executive	Demand in the housing market will fall resulting in the Council being unable to sell all the properties built.	12
Strategic land and property acquisition	Commercial Services	The Council has a finite amount of land/properties in its portfolio which will limit future opportunities for development/investment and associated financial return.	12
Accelerated Construction Programme	Chief Executive	Delivery breaches agreed contract terms with Homes England.	12
Emergency response (External)	Environment & Planning	The Borough is vulnerable to the effects of flooding and it is anticipated that the local area will be flooded at some stage.	12
Council Reputation	Chief Executive Environment & Planning Commercial Services	An avoidable incident occurs which could result in the council's reputation being adversely affected, resulting in loss of confidence from the public. Such incidents could relate to HMO's, food safety, leisure activities, asbestos, legionnaires disease	12
Health and Safety	Environment & Planning	Compliance with Health & Safety legislation relevant to the Council's activities is a mandatory requirement. Failure to comply with H&S requirements can lead to injury and ill health to employees and the public at large who might be affected by Council activities. Compliance failure can also lead to enforcement action by the Health and Safety Executive.	12
Cost Reduction Programme (staff morale & members' expectations).	Chief Executive	The process of cost reduction programme necessary to assist the Cabinet to meet the future budget shortfall could lead to a drop in staff morale and consequently an increase in sickness absence. Members may not fully realise the impact of the necessary budget cuts on the level of service delivery.	9
Reputation management	Central & Community Services	Poor media reporting of Council activity can adversely affect customer satisfaction and staff morale. The matter is particularly relevant in the light of the cost reduction programme and potential impact on services, where planned communications activities will be crucial. Reputation also affected by external factors over which the Council has little influence.	9
Capacity	Central & Community Services	As staffing levels are reduced to a minimum, capacity to cope with major projects, sickness absence and peak holiday periods is compromised resulting in insufficient staff levels to deal with operational matters.	9
Channel Shift	Central & Community Services	The level of required savings will not be achieved if the level of integration of OneVu with the back office systems is not delivered or is delayed. This could impact on service reviews required to identify efficiency savings.	9
Cyber security attack	Central & Community Services	Data and systems could be compromised by way of ransomware, virus and / or phishing attacks.	9
General Data Protection Regulations (GDPR)	Chief Executives	Failure of Council to respond to new regulations which come into effect in May 2018	9
Provision of leisure services	Commercial Services	Transfer does not progress according to plan leading to damage to service and quality of operation and a decline in attendance and income. <i>Reframe risk: New service delivery model does not perform to expectations and business plan.</i>	9
West Winch/North Runcton Strategic Growth Area	Commercial Services/Environment & Planning	Failure to raise sufficient funding to construct the road and related improvements or major delays with scheme design, application and implementation, scheme costs increase significantly following feasibility study. Consequences for housing delivery, new homes bonus, council tax, lost income for services such as leisure, car parking, town centre spend, resident dissatisfaction.	9
Major projects programme	Commercial Services	The failure to deliver the programme of major projects to its approved parameters impacts upon the council's finances and delivery of council services. A major project being any approved property project that can cause significant financial, legal, reputational or compliance issues or prevent the council from delivering a priority or key objective.	9
Homelessness Reduction Act 2017 (Preventing homelessness.)	Chief Executive	Increase in demand results in budget overspend for bed and breakfast accommodation.	9
Improvements to heritage buildings	Commercial Services	Funds will not be available to carry out the improvements to the heritage buildings needed to increase the attractiveness of the town	9
Conflicting aims (with Partners)	Chief Executive	The aims of our partners do not fully match the Council's aims resulting in a failure to optimise the use of collective resources.	9
Business continuity (Internal) Including loss of staff and loss of King's Court	Environment & Planning	The Council is unable to meet its obligations as a Category 1 responder under the Civil Contingencies Act 2004 which requires that the Council has effective, organisation wide plans based on risk assessment. In addition the Council appears to be ineffective in times of emergency.	8
ICT failure of backup	Central & Community Services	Failure of backups could lead to loss of data.	8
Procurement of new Waste and Recycling Contract	Commercial Services	The procurement process could fail to identify a suitable contractor and/or the potential savings that can be achieved through a joint procurement process with partners could fail to be realised	8
Loss of ICT	Central & Community Services	The IT system consists of multiple servers. There is potential for the loss of one or more servers e.g. power, fire, mechanical failure.	6
VAT	Finance Services (s151 Officer)	The Housing Stock Transfer had a potentially significant impact from April 2007 on the Council's ability to reclaim VAT on purchases and could result in a big increase in expenditure (possibly £200k).	6
Pension Fund	Finance Services (s151 Officer)	The Council is unable to meet all its liabilities in relation to the Norfolk Pension Fund.	6
Pay Policy	Central & Community Services	Current Council pay arrangements could be disrupted by changes in the Government's public sector pay policy, having an impact on recruitment and retention of employees and financial implications for the Council.	6
Local employment	Commercial Services	The ability to attract new investment could be adversely affected by potential barriers in the local economy such as availability of premises and levels of skills in the workforce.	8
Community Relations	Central & Community Services	Community relations come under pressure, which could result in increased racial tensions within neighbourhoods which can manifest itself in various ways.	6
Modern Slavery	Central & Community Services	An emerging national issue has local impacts within the Borough given its demographic and economic profile.	6
New regulations regarding HMOs	Chief Executives	Failure to prepare for the implementation of the new regulations leading to service failure and criticisms of the Council by tenants, landlords, etc	6

New

Risks removed since May 2018

Ref	Title	Director	The risk is that:	Current risk score			Mitigation	Progress at April 2019	Risk removed
				Impact	Likelihood	Score			
1.13	VAT - Trust arrangements	Finance Services (s151 Officer)	If subject to an audit, HMRC may not agree that the model used to establish the new leisure arrangements is valid in respect of claiming VAT exemptions.	Minor	Unlikely	6	Use of legal and VAT specialists to advise on the requirements to comply with tax regulations.	The latest VAT health check has been completed with only minor issues raised. The results, together with an action plan, have been presented to both Alive Leisure and Alive Management Boards. A health check was undertaken in August which has been reported to the Board. There were no major findings identified during the check. VAT arrangements considered during the review of leisure delivery options. <i>Removed following transition to new council owned company.</i>	Jun-19
1.22	Revenues and Benefits software tender	Finance Services (s151 Officer)	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 and impact on Council reputation	Moderate	Unlikely	6	Adherence to agreed procurement procedures. Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project. Other digitalisation projects put on hold pending identification of new supplier - this may have an impact on the ability to achieve predicted savings. Implementation of new system may have an impact on processing times.	Contract awarded in January 2018 to Civica. Risks initially reduced as Civica is an existing supplier. Implementation plan for 2018 completed and system now live. Revenue savings anticipated through back office integration and development of e-forms. <i>Removed as project implemented.</i>	Jun-19
1.26	Fire compartmentalisation	Commercial Services	Elements of King's Court are declared unsafe for habitation based on a fire safety assessment by either the Crown fire officer or BCKLWN's fire officer.	Moderate	Unlikely	6	Fire safety assessment undertaken. Property Services undertaking necessary compartmentalisation works in response to assessment.	Ongoing communication with fire officers and with DWP. The first phase of the fire compartmentalisation works were completed on the 14th September 2018. This included the areas of the recent refurbishment. During these works, other areas were identified and these have now been surveyed and we are waiting the reports and quotations. There is approximately another 2 ½ weeks of works to be completed and we are hoping that these will be complete by the end of October 2018. March 2019 - all works within King's Court are complete, with the exception of a handful of ceiling tiles on the 1st floor which need to be replaced. These were planned to be replaced w/c 4th March, but the contractor was unable to attend site that day. The final works will be completed as soon as possible. April 2019 - works completed. <i>Removed following completion of works.</i>	Jun-19
4.2	THi 2 Application to the Heritage Lottery Fund	Commercial Services	Important parts of King's Lynn continue to be in a dilapidated state giving a very poor image of the town	Major	Possible	12	The proposals have been discussed with the HLF who have indicated support. The Council's first THi scheme in St Margarets ward has been seen as successful by the HLF.	The application to the HLF will be submitted in December 2018 for a Stage 1 decision in Spring 2019. <i>Removed as the bid was unsuccessful and ongoing work is included in risk 4.1.</i>	Jun-19
3.4a	Waste and Recycling Contract	Commercial Services	The Council will not have the required vehicles or manpower to supply waste collection services if Kier, who currently have the contract to provide the service, terminate the contract at short notice.	Extreme	Unlikely	10	Ongoing discussions with Kier to agree a solution to the current dispute over fees.	Regarded as being unlikely that Kier will risk the reputational damage caused to them by walking away from the contract without leaving BCKLWN any facilities to continue collections. <i>Removed as solution agreed with Kier.</i>	Oct-18
1.20	King's Court	Commercial Services	Relocation of partner organisations into King's Court risks disruption to and potential loss of impact on services currently delivered from the site. There is also the risk of loss of income/higher implementation costs associated with moving external teams into the building.	Moderate	Unlikely	6	Appropriate agreements to be in place with regards to the cost of any works associated with the development of the King's Court site to accommodate staff employed by other partners. Clear project management plans, involving all relevant Officers involved. Health and Safety considerations identified and managed. ICT closely involved in project to ensure risk to disruption as new systems are accommodated within the building are minimised. Arrangements to ensure the site remains secure when occupied by contractors undertaking building work. Business continuity implications to be identified and addressed.	An Officer working group is in place which meets weekly, involving key staff from across relevant Council services. A 'comfort agreement' has been signed with DWP to cover the capital costs of the work. <i>Removed as partner organisations successfully located.</i>	May-18