

## AUDIT AND RISK COMMITTEE REPORT

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
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<b>OPEN</b>	

**Committee:** Audit & Risk Committee  
**Date:** 11<sup>th</sup> July 2016  
**Subject:** Corporate Risk Monitoring Report April 2016

<b>Summary</b>	This report presents the changes to the Risk Register since the last monitoring report in October 2015 and gives details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.
<b>Recommendation</b>	To note the report.

### 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 1<sup>st</sup> 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 October 2015.
- 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, is placed on InSite, within the Risk Management section on the Corporate Documents tab.

## **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 October 2015 are listed below.

### **2.3 Risks to be removed:**

Four risks have been removed from the register, all under Priority 1:

#### 'Loss of Staff' and 'Loss of King's Court'

Both these risks were concerned with Business Continuity issues. They have now been incorporated into '1.1 - Business Continuity (Internal) Including loss of staff and loss of King's Court' as a generic risk.

#### 'Business Rates Appeals' and 'Loss of Major Businesses'

These were specific risks relating to potential reductions in Business Rates and potentially several new risks could be added along the same lines, all with the same consequences – reduction in revenue. Therefore a new over-arching risk for 'Business Rates' has replaced these specific entries.

### **2.4 New risks identified:**

Four new risks have been added to the register:

#### 1.16 – 'Business rates'

As noted above, there are several potential individual entries that could be made to the register in relation to Business Rates risks. This over-arching risk will replace the existing two previous entries and cover future risks arising.

### 3.4 – 'Waste and Recycling'

The issues with the Kier Contract raise significant concerns about the ongoing viability of the contract.

### 4.1 'Improvements to Heritage Buildings'

The new Corporate Business Plan includes a priority relating to the improvement of the heritage buildings. In order to deliver this priority the Council needs to ensure that there are sufficient funds available if required as part of any grants received.

### 6.1 'Conflicting aims (with Partners)'

Another new priority is to work with our partners. The risk is that the aims of our partners do not complement those of the Council and that use of valuable resources is not maximized.

## **2.5 Risk Rating Amendments**

Two risk scores have been amended:

### 1.7 – Loss of Server

The connection of the back-up site at Fakenham to the internet means that staff will be able to use Citrix to access data from home if necessary. This has reduced the Impact from Extreme to Moderate, reducing the overall risk score from High to Medium.

### 1.8 – ICT failure of back-up

Significant investment in back-up processes has resulted in a more resilient system. As a result the Impact has been reduced from Extreme to Major, reducing the overall risk score from High to Medium

## **3.0 Conclusion**

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

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<b>Risk name: 5-year Land Supply</b>	<b>Responsible Director: Environment and Planning</b>

<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
(Old ref. 2.10) New ref. 2.4	The risk is that: 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.	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.	The Council currently has a 5-year plan, but this may change as a result of an appeal being heard this month, and then another appeal in the autumn.

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

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<b>Risk name: Business Rates</b>	<b>Responsible Director: Assistant Director (s151 Officer)</b>

<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
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>

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

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

(2.7) 1.6 – Capital receipts

(5.2) 1.1 – Fraud and Corruption

(5.4) 1.12 – Financial Plan

(5.14) 1.13 – VAT – Trust arrangements

(5.15) 1.14 – Land Charges

(2.5) 2.2 – Empty retail properties/ Town centre decline

(2.9) 2.3 – Major housing developments

(2.12) 2.6 – Major Planning Applications

(1.4) 3.1 – Emergency Response (External)

3.4 – Waste and Recycling Contract

(4.1) 3.5 – Health and Safety

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<b>LIKELIHOOD</b>	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
		<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.

## 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