

**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE
MEETING ON 24 JULY 2019**

Status: For Discussion
Title: Corporate Risk and Opportunity Management: Quarter 4, 2018/19
S. Riley, Head of Finance and Corporate Services
Originator: and Section 151 Officer
Where from: Executive
Where to next: Subject to discussion

1 Purpose of report

- 1.1 To receive and consider the Council's Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2018/19 year.

2 Recommendations

- 2.1 That the Committee receives and notes the contents of the Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2018/19 year.

3 Summary of Reasons for the Recommendations

- 3.1 The Committee is provided with the Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2018/19 year (attached at Appendix A to this report).

- 3.2 The Corporate Risk and Opportunity Register (attached at Appendix A to this report) sets out the Council's Corporate Risks and Opportunities. Corporate Risks and Opportunities are defined as issues that may have a significant impact on the delivery of the Council's vision and priorities. They are identified, monitored and managed via the Council's Risk and Opportunity Strategy Board which meets on a quarterly basis. The Board last met on 1 April 2019.

- 3.3 The Board amends the Register to reflect progress on actions which have been identified to:

- (i) reduce the likelihood of risks occurring, the impact the risk would have if it were to occur, or both.
- (ii) monitor opportunities.

(iii) add and/ or remove risks and opportunities.

3.4 At the end of Quarter 4 of the 2018/19 year there were 17 Risks and 4 Opportunities on the Corporate Risk and Opportunity Register. Full details of the Risks and Opportunities, including scores and mitigating actions, are attached at Appendix A.

3.5 The Council's Risk and Opportunity Management Framework uses a matrix which scores both impact and likelihood out of 4.

3.6 The Council's Risk and Opportunity Management Framework categorises Risks and Opportunities in the following way:

Score	Risk Category	Opportunity Category
9 or above	Red	Green
5-8	Amber	Amber
1-4	Green	Red

Table 1 Risk and Opportunity Scores and Categories

4 Summary

4.1 A summary of the status of the Council's 21 Corporate Risks and Opportunities at the end of Quarter 4 can be seen at Figure 1 below:

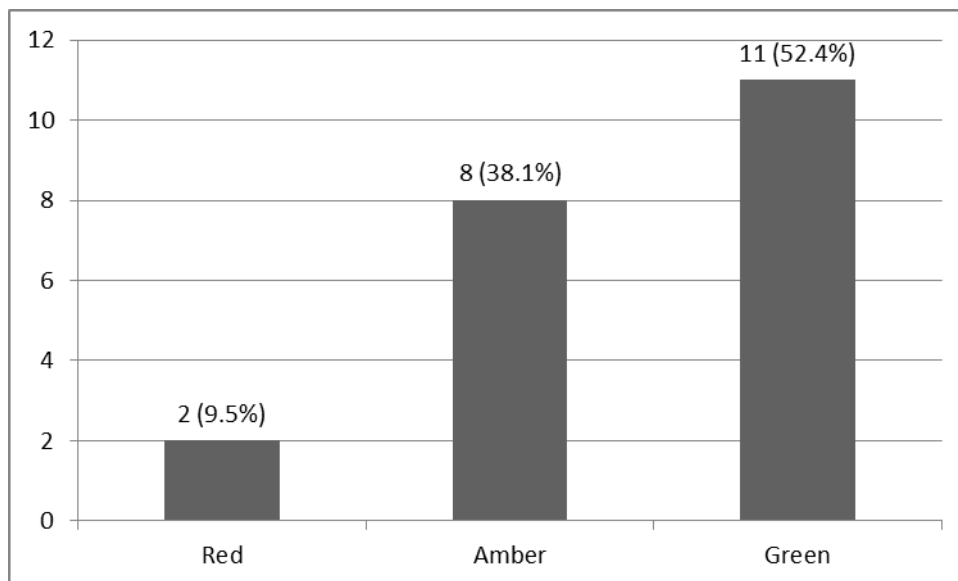


Figure 1 Summary of Risk and Opportunity Statuses

4.2 Red Risks and Opportunities

Of the 21 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 2 (9.5%) were assessed as Red status. The Red Risks are shown below at paragraphs 4.2.1 and 4.2.2:

4.2.1 CR 33 Costs of planning appeals, and legal challenges, exceed budget

This Risk has a residual impact of 3 (Significant), a residual likelihood of 4 (Very Likely) and a residual score of 12.

Mitigation

CR 33.01 Monitoring of budget throughout the year. Ensure that all planning decisions taken by Members and Officers are robust and based on sound planning grounds to minimise the risk of a successful appeal/ challenge. During Quarter 2, training took place with Members of the Planning Committee on the need to take quality decisions on planning applications and effectively implement government policy. Additional Member training is scheduled to take place in 2019/20. At the end of Quarter 4 the Council had exceeded its budget for legal fees related to Planning.

4.2.2 CR 36 Uncertainty following the United Kingdom's imminent departure from the European Union

This Risk has a residual impact of 4 (Major), a residual likelihood of 3 (Likely) and a residual score of 12.

Mitigation

Continue to monitor information provided by the Local Government Association. Maintain robust business continuity arrangements, including with partners and suppliers. Continue to work with the Leicestershire Resilience Partnership to coordinate plans and responses to operational or civil eventualities. The Council is represented on County-wide groups which are planning and preparing for potential implications. Two workshops were held in January 2019 to consider the implications for the Council and Members were advised via a Briefing Note in March 2019. Regular updates are made to the LRF and staffing arrangements have been made to cover the EU exit 'no-deal' period. Local businesses have been made aware that support is available.

4.3 Amber Risks and Opportunities

Of the 21 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 8 (38.1%) were assessed as Amber status (residual score of between 5 and 8). Amber status suggests that the controls and mitigations do not fully manage a risk and further action could be taken to influence a Risk or Opportunity.

The 8 Amber Risks and Opportunities are shown below at paragraphs 4.3.1 to 4.3.8.

4.3.1 CR 07 Risk of the Council not helping to encourage conditions for new business growth results in the District not benefitting from the LLEP funding

This Risk has a residual impact of 2 (Moderate), a residual likelihood of 3 (Likely) and a residual score of 6.

Mitigation

The Council is represented on the LLEP Board through a nominated District Leader representation. The Joint Chief Executive attends the Place Board which reports directly into the LLEP. Four bids were submitted into the Business Rates Pooling Fund in 2018 and from those four bids, two were approved. The two bids which were approved are for the Town Centres Master plan Project and the Grow-on Space Project. The Council was successful in securing pilot status for 2019/20 which will retain increased funds within Leicestershire. Input into redesign of business rates pool allocation methodology and evaluation.

4.3.2 CR 08 Risk of challengeable planning decisions being taken relating to planning applications for residential development / Risk of planning appeals being upheld relating to residential planning applications

This Risk has a residual impact of 3 (Significant), a residual likelihood of 2 (Unlikely) and a residual score of 6.

Mitigation

Ensure an up-to-date, sound local plan is adopted. The Examination hearings were successful and the Inspector complimented the Plan. Some modifications were required and these were published for a six-week public consultation week commencing 14 January 2019. The representations received were sent to the Inspector for review and the Council is awaiting the final report. In addition to progressing the Local Plan, and to ensure that this risk is adequately managed ahead of the Local Plan being adopted, during Quarter 2 the Council achieved a five-year Housing Land Supply. This will be further reinforced once the Local Plan is adopted. Residential planning applications are processed efficiently in order to maintain the five-year Housing Land Supply. Additional training was provided for all Members, during Quarter 2 of the 2018/19 year, on the making of robust Planning decisions. N.B. the mitigation set out above will not have its maximum impact until the adoption of the Local Plan.

4.3.3 CR 10 Local Plan: lack of a sound Local Plan may lead to sporadic development and the inability to defend appeals

This Risk has a residual impact of 3 (Significant), a residual likelihood of 2 (Unlikely) and a residual score of 6.

Mitigation

Ensure an up-to-date, sound local plan is adopted. The Examination hearings were successful and the Inspector complimented the Plan. Some modifications were required and these were published for a six-week public consultation week commencing 14 January 2019. The representations received were sent to the Inspector for review and the Council is awaiting the final report. In addition to progressing the Local Plan, and to ensure that this risk is adequately managed ahead of the Local Plan being adopted, during Quarter 2 the Council achieved a five-year Housing Land Supply. This will be further reinforced once the Local Plan is adopted. Residential planning applications are processed efficiently in order to maintain the five-year Housing Land Supply. Additional training was provided for all Members, during Quarter 2 of the 2018/19 year, on the making of robust Planning decisions. N.B. the mitigation set out above will not have its maximum impact until the adoption of the Local Plan.

4.3.4 CR 15 Reduction in public sector funding by all partners leads to service gaps and reduced public sector offer to residents

This Risk has a residual impact of 2 (Moderate), a residual likelihood of 3 (Likely) and a residual score of 6.

Mitigation

In February 2016 the Council adopted a four-year Medium Term Financial Strategy (MTFS) which provided visibility and provision for savings proposals included in Leicestershire County Council's MTFS. The Council actively engages with partners in shaping future public service provision and being aware of any further potential reductions (revenue and capital) in funding from all partners. However, the significant changes in Fair Funding and business rate changes due in 2020 is leading to a lack of clarity over funding available to partners to support outcomes in the District. The Council partially mitigates this through representation on working groups and the maintenance of contingency and provision budgets to manage the impact of any change in the short term.

4.3.5 CR 20 Business Continuity: loss of building(s) / service(s) through unforeseen events

This Risk has a residual impact of 4 (Major), a residual likelihood of 2 (Unlikely) and a residual score of 8.

Mitigation

The Business Continuity plans and their dependencies have been updated. A multi-agency disaster recovery test in the Symington Building took place on 25 July 2017 and an action plan was developed which will cover the issues raised. During Quarter 3 of the 2018/19 year, an exercise took place to test the Council's updated Business Continuity Plans. Business Continuity plans were updated during the 2018/19 year and are stored off-site on the Resilience Direct website.

4.3.6 CR 27 Risk of reduction in receipts from New Homes Bonus and increased uncertainty of timely housing delivery as a result of housing development not coming forward

This Risk has a residual impact of 3 (Significant), a residual likelihood of 2 (Unlikely) and a residual score of 6.

Mitigation

Ensure that the Local Plan has a robust delivery, monitoring and review chapter that is linked to the housing trajectory supporting the Plan's Spatial Strategy. The developers have an integral role in ensuring the deliverability of The Plan, both through its preparation and subsequent implementation. The Council is awaiting the Inspector's report on the draft Local Plan. During Quarter 2 a dedicated Strategic Growth Team was established within Development Management to oversee and promote the delivery of Strategic Development. An internal accountability framework has been established within which the team leader will report on progress to senior managers and the Planning Portfolio Holder. The 2019 allocation was within £12,000 (0.48%) of the project housing delivery.

4.3.7 CR 29 Loss of ability to provide a comprehensive service due to cyber security attacks

This Risk has a residual impact of 3 (Significant), a residual likelihood of 2 (Unlikely) and a residual score of 6.

Mitigation

The last ITHC took place in November 2018 including penetration testing. During Quarter 2, a new Firewall system was procured and implemented. A review of the Council's Active Directory was undertaken during Quarter 3 of the 2018/19 year. During Quarter 4, an interdepartmental working group was set up to appraise compliance with Cyber Essentials and ISO, to seek accreditation where relevant.

4.3.8 COR OP 05 To work with the other Leicestershire Authorities to explore different structures for delivering Council services for the benefit of residents

This Risk has a residual impact of 4 (Major), a residual likelihood of 2 (Unlikely) and a residual score of 8.

Action

The Leader of the Council has committed to working collaboratively for the potential benefit to the residents of Harborough District. Some preparatory work has been completed to identify the scope of the project. A scope has been agreed between a number of Leicestershire Authorities on further collaboration and work in continuing to commission external support.

4.4 **New Risks and Opportunities**

- 4.4.1 No new Corporate Risks or Opportunities were added to the Corporate Risk and Opportunity Register during Quarter 4 of the 2018/19 year.

4.5 **Risks and Opportunities Removed**

- 4.5.1 One Corporate Risk was removed from the Corporate Risk and Opportunity Register during Quarter 4 of the 2018/19 year. The removed risk is shown below:

CR 31: Non-delivery of the Grow-on Space project results in reputational damage, abortive costs to the District Council, potential loss of business rates and economic opportunities to the District

Reason for removal

The project is on target to be completed in October 2019 and all funding is secured. For these reasons the project is no longer considered to be a Corporate Risk.

4.6 **Managing Operational Risks & Project Risks**

- 4.6.1 In addition to the Corporate Risks and Opportunities attached at Appendix A, the Council monitors and manages Operational Risks and Opportunities identified through the Corporate Delivery Plan and Team Plans.
- 4.6.2 Project Risks and Opportunities that are identified through corporate projects are monitored by an Officer-led Programme Board.
- 4.6.3 Operational Risks and Opportunities are updated on a quarterly basis alongside quarterly performance updates. Project Risks are updated on either a monthly or quarterly basis as part of their associated highlight reports.
- 4.6.4 Operational Risks are managed via an internal Performance Improvement Board on an exception basis i.e. Red Risks (those with a residual score of 9 or more) and those with a negative direction of travel.
- 4.6.5 Corporate Risks, Operational Risks and Project Risks are all included in the Risk and Opportunity Register which is held on the Council's Performance Management database.

5 Impact on Communities

- 5.1 None arising directly from this report.

6 Legal Issues

- 6.1 None arising directly from this report.

7 Resource Issues

7.1 None arising directly from this report.

8 Equality Implications

8.1 None arising directly from this report.

9 Risk Management Implications

9.1 The Council's Corporate Risks and Opportunities are set out at Appendix A.

10 Consultation

10.1 At its meeting on 1 July 2019, the Executive considered the Council's Corporate Risks and Opportunities at the end of Quarter 4 of the 2018/19 year.

11 Options Considered

11.1 Monitoring of the Council's Corporate Risks and Opportunities is prescribed by the Council's Risk and Opportunity Management Framework. For this reason, the alternative (to not produce this report) was not considered.

12 Background Papers

12.1 Risk and Opportunity Management Framework (approved for use by the Executive on 15 January 2018).

Previous report(s): *not applicable*

Information Issued Under Sensitive Issue Procedure: *Y / N*

Ward Members Notified: *not applicable*

Appendices:

- A. Corporate Risk and Opportunity Register
- B. Risk and Opportunity Score Movement over the last five Quarters
- C. Risk and Opportunity Residual Scoring Distribution