

## REPORT 3

### HARBOROUGH DISTRICT COUNCIL

### REPORT TO THE CABINET MEETING OF 30 NOVEMBER 2020

**PUBLIC REPORT:** Yes

**EXEMPT REPORT:** No

<b>Report Title</b>	Corporate Risk and Opportunity Management: Quarter 2, 2020/21
<b>KEY DECISION</b>	No
<b>Report Author</b>	V. Wenham, Chief Officer Governance and Monitoring Officer
<b>Purpose of Report</b>	To provide the Cabinet with information on the Council's Corporate Risks and Opportunities at the end of Quarter 2 of the 2020/21 year.
<b>Reason for Decision</b>	Monitoring of the Council's Corporate Risks and Opportunities is prescribed by the Council's Risk and Opportunity Management Framework.
<b>Portfolio (holder)</b>	Councillor Dann, Corporate
<b>Corporate Priorities</b>	Your Council
<b>Financial Implications</b>	None arising directly from this report.
<b>Risk Management Implications</b>	This report sets out the Council's Corporate Risks and Opportunities at Appendix A.
<b>Environmental Implications</b>	None arising directly from this report.
<b>Legal Implications</b>	None arising directly from this report.
<b>Equality Implications</b>	None arising directly from this report.
<b>Data Protection Implications</b>	None arising directly from this report.
<b>Consultation</b>	At its meeting on 15 December 2020, the Audit and Standards Committee will consider the Council's Risk and Opportunity Register at the end of Quarter 2 of the 2020/21 year.
<b>Options</b>	The Council's Risk and Opportunity Management Framework provides that the Council's Risks and Opportunities will be reported on a regular basis. Therefore, the alternative (to not produce this report) was not considered.
<b>Background Papers</b>	Risk and Opportunity Management Framework (approved for use by the Cabinet on 10 February 2020).
<b>Recommendation</b>	<b>That the items contained within the Council's Corporate Risk and Opportunity Register (attached at Appendix A to this report) be noted.</b>

## 1. Introduction

1.1 The Cabinet is provided with the Corporate Risk and Opportunity Register at the end of Quarter 2 of the 2020/21 year (attached at Appendix A to this report).

## 2. Key Facts

2.1 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 5 October 2020.

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

(i) reduce the likelihood of a risk 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.

2.3 At the end of Quarter 2 of the 2020/21 year there were 30 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.

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

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

<b>Score</b>	<b>Risk Category</b>	<b>Opportunity Category</b>
<i>9 or above</i>	<i>Red</i>	<i>Green</i>
<i>5-8</i>	<i>Amber</i>	<i>Amber</i>
<i>1-4</i>	<i>Green</i>	<i>Red</i>

Table 1 Risk and Opportunity Scores and Categories

### 3 Summary

3.1 A summary of the status of the Council's 30 Corporate Risks and 4 Corporate Opportunities at the end of Quarter 2 can be seen at Figure 1 below:

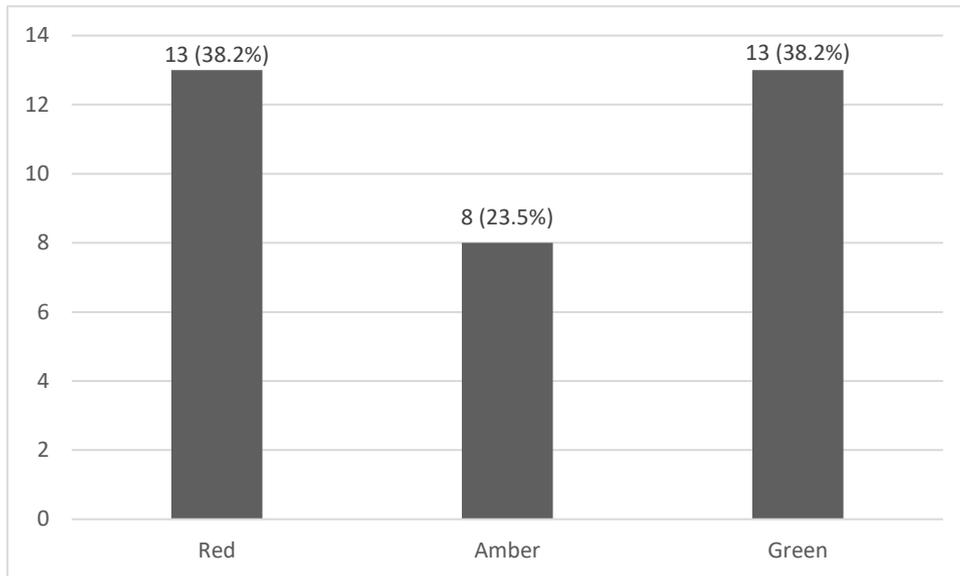


Figure 1 Summary of Risk and Opportunity Statuses

### 3.2 Red Risks and Opportunities

Of the 34 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 13 (38.2%) were assessed as Red status. The Red Status Risks are shown below at paragraphs 3.2.1 to 3.2.13.

#### 3.2.1 CR 25 The Council does not have sufficient funding to deliver its current services in the medium term

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

#### Mitigation

The Cabinet is working through the budget for the 2020/21 year. Levels of reserves are sufficient to manage any unplanned change effectively. The budget (including income and expenditure) is monitored on a quarterly basis and corrective action taken as required. Preparation for the 2021/22 and budget and medium-term financial planning started earlier than in previous years (Spring /Summer 2020). During Quarter 2, a Corporate project to address Budgetary shortfalls (known as BC25) commenced.

**3.2.2 CR 27 Risk of reduction of failing to deliver housing in a timely way could lead to reduction in receipts of new homes bonus.**

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

Mitigation

The up-to-date adopted District-wide Local Plan contains robust delivery, monitoring and review mechanisms linked to the housing trajectory. Evaluation of the Government's indicative proposals on New Home Bonus is underway and is being factored into the Medium-term financial plan and future budgets. The construction industry has been significantly impacted by the Covid-19 crisis. There were no new dwelling completions in the District, during Quarter 1 of the 2020/21 year.

**3.2.3 CR 32 The Council does not meet its budgeted-for Planning fee income targets, particularly in regard to major applications which could have a negative impact on the Council's financial position.**

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

Mitigation

CR 32.01 The proactive growth team works closely with applications for allocated sites in the Local Plan to ensure that applications are submitted in a timely fashion to enable delivery to take place in accordance with the Local Plan housing trajectory and also to ensure that planning application fee income levels are maintained. The Corporate Management Team monitors planning fee income on a regular basis particularly in regard to fees for major applications and this information is fed into an overview of the Council's financial status. At the end of Quarter 2 of the 2020/21-year, planning income was off target. This is due to a series of complex technical matters that have taken longer to resolve than anticipated resulting in Reserved Matters planning application submissions being delayed. Also, in light of the Covid-19 crisis, predicting planning fee income was difficult. However, the situation and associated income continues to be monitored. Officers are reviewing the model used for monitoring planning fee income to ensure it remains optimum following the adoption of the Local Plan. For this reason, the residual risk score has increased.

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

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

Mitigation

Monitoring of the budget takes place 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. Further member training took place during the 2019/20 year. At the end of Quarter 1 of the 2020/21 year legal costs related to planning matters were within budget. Further training for elected members will take place as required during the 2020/21 year. At the end of Quarter 2, the legal budget had not been spent. However, an ongoing judicial review is due to be determined after Quarter 2. This may result in legal costs which exceed the legal budget allocated to planning matters.

### **3.2.5 CR 36 Uncertainty following the United Kingdom's imminent departure from the European Union**

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

#### 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 Forum (LRF) 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. Local businesses have been made aware that support is available. The Council will continue to work with the LRF and participate in the agreed reporting process to identify any local emerging issues. During Quarter 2 of the 2019/20 year, the Council held a service workshop and undertook an assurance assessment in line with the MHCLG checklist. During Quarter 3, all previous no-deal arrangements were stood down nationally.

### **3.2.6 CR 37 Increase in homeless presentations results in an increased demand in Council support for relief**

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

#### Mitigation

During Quarter 4 of the 2019/20 year, the Council completed purchase of three flats and they began to be used to accommodate homeless households. In total, the Council now has four flats which can be used to accommodate the homeless. The Council is proactively working with the Citizens Advice Bureau, and social landlords, to encourage vulnerable households to effectively budget for the future in order to avoid homelessness. The Council is in the process of seeking additional funding from central government to specifically help us target homelessness.

**3.2.7 CV 02 Unforeseen, unfunded financial burdens as a result of responding to the ongoing situation weaken the Council's financial stability**

This Risk has a residual impact of 4 (Major), a residual likelihood of 4 (Very Likely) and a residual score of 16.

Mitigation

Upfront forecasting and monitoring of the costs likely to be needed; Recording and itemising the extra expenditure so as to make a claim for Belwin Funding; Short-term use of financial reserves to fund the costs (but note the significant adverse impact on longer-term financial sustainability of the Council).

**3.2.8 CV 03 Loss of income, as economic activity reduces, weakens the Council's cashflow and financial sustainability**

This Risk has a residual impact of 4 (Major), a residual likelihood of 4 (Very Likely) and a residual score of 16.

Mitigation

Rigorous and more frequent monitoring of key income streams but no mitigation actions available to the Council; Short-term use of financial reserves to balance the budget (note the significant adverse impact on longer-term financial sustainability of the Council). At the end of Quarter 2, the Council received reduced income from car parking and business rates receipts due to the impact of the Covid-19 crisis.

**3.2.9 CV 04 The focus on high-priority, short-term needs prevents the medium-term financial planning and decision-making needed to balance the Council's finances in the medium term**

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

Mitigation

Whilst the Section 151 Officer and Corporate Management Team will promote and plan for an early Medium-Term Financial Strategy process, this is dependent on Central Government letting councils know its intentions of the changes to the Local Government Finance Regime planned to be implemented from 2020/21. During Quarter 2, a Corporate project to address Budgetary shortfalls (known as BC25) commenced.

**3.2.10 CV 07 Increased fatalities leads to increased demand on burial infrastructure including existing cemetery provision and storage of cadavers.**

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

### Mitigation

During Quarter 4 of the 2019/20 year: Investigated the capacity of crematoria to process the deceased which would reduce demand on 'burial' spaces (multiple ashes interments may be required in existing grave spaces in the event of District/National emergency situation). During Quarter 1 of the 2020/21 year, Foxton cemetery was extended. Management of this risk is undertaken by the Council's Mortality Cell.

#### **3.2.11 CV 08 Additional homeworking requirements leads to increased demand on the Council's ICT infrastructure which subsequently becomes unstable**

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

### Mitigation

Utilising available cloud resources will limit the need to rely on the Council infrastructure for a portion of the workforce, freeing up resources for those who need them. The national demand on externally-hosted products continues to be a concern, as well as the stability of Officers' home-based internet connections.

#### **3.2.12 CV 09 The ongoing situation leads to multiple, concurrent Emergency Planning situations which the Council does not have the capacity to deal with**

This Risk has a residual impact of 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

### Mitigation

Working in partnership with the LRF; Availability of mutual aid as necessary through the Resilience Partnership; Separation of roles between Corporate Management Team to deal with any concurrent issues. A concurrent response structure has been devised and roles allocated to different individuals to increase the resilience to respond to concurrent incidents.

#### **3.2.13 COR OP 01: Business growth leading to Business Rates retention**

This Opportunity has a residual impact of 3 (Significant), a residual likelihood of 1 (Very Unlikely) and a residual score of 3.

### Action

The Local Plan has identified employment sites and made provision for key sector demand, for example logistics. The Economic Development Team has good relationships with existing industries such as those engaged within the construction/ property sector, LLEP and others to identify inward investment

and growth opportunities. Provision of business support and skills agenda to encourage businesses to grow. The construction of the Council-owned Grow-on Centre was completed in Quarter 3. The Invest in Harborough website provides core information and demonstrates why the District is in a good location, for any businesses looking to establish themselves in the area. A pilot project for the Leicestershire Business Rates Retention Pool has been approved. Three bids have been made to the Leicestershire Business Rates Pool which are aimed at promoting economic growth.

### **3.3 Amber Risks and Opportunities**

Of the 34 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 8 (23.5%) 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 or opportunity and that further action could be taken to influence it.

The 8 Amber Risks and Opportunities are shown below at paragraphs 3.3.1 to 3.3.8.

#### **3.3.1 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. Two bids were successful in the 2018/19 year, these were: the Town Centres Masterplan Project and the Grow-on Space Project, both of which have been progressed. The Council was successful in gaining funding for two projects from the Leicestershire Business Rates pooling fund for 2019/20, and whilst progress has been delayed on these due to the Covid-19 pandemic, work is back on track and the LLEP is comfortable and assured by the progress being made.

#### **3.3.2 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

The Council actively engages with partners in shaping future public service provision and to maintain awareness 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 2021 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. The outcome of the Comprehensive Spending Review is expected in November 2020.

**3.3.3 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

Disaster recovery facilities are now in place for the hosting of key ICT systems in the event of a disaster recovery incident. Testing has been completed on bringing business applications, such as TLC (Land Charges) and elections, online. The Elections system has been tested by the service area. Next stage: service areas to test using the recovered systems. Other activities include testing individual business continuity plans with service areas and review priority services and accommodation, if necessary. All of the Business Continuity plans were updated during Quarter 1 of the 2020/21 year. A Business Continuity exercise on ICT Disaster Recovery is scheduled to take place in Quarter 3 of the 2020/21 year.

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

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

Mitigation

The Council's ICT infrastructure is secured to national standards. We have annual ITC health check testing. The Council now has ongoing security and benchmarking performed by Microsoft that provides additional recommendations and assurance.

**3.3.5 CR 39 Risk of leisure contractor defaulting leads to an inability to deliver leisure services**

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

Mitigation

Regular engagement with contractor. The Council has agreed a financial Covid-19 Support Package with the contractor to ensure that all services continue to be provided. Oversight of the contract appears regularly on Council Committee agendas to ensure it continues to be discussed regularly.

Sport England has provided specialist advice, and support, to the Council to help with the ongoing Coronavirus situation.

### **3.3.6 CV 11 Illness, self-isolation, and other factors lead to loss of capacity to operate services and recruit staff**

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

#### Mitigation

Redeployment of staff resources across the Council where needed, continuous support from managers, prioritisation of working within the teams, identify skills and gaps and seek to fill by training. Recruitment is not seen as a problem yet, although because of notice periods, it may be three months before someone is due to start. Interviews can be conducted remotely. Several service areas are experiencing increased demand on their resources. These include: environmental health, licensing, housing/homelessness and anti-social behaviour. The ongoing national Covid-19 crisis makes the recruiting of specialist officers more difficult. The Leicestershire authorities are investigating the potential to share resources between themselves.

### **3.3.7 COR OP 04: Income maximisation/ Cost Reduction**

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

#### Action

Regular monitoring takes place alongside a monthly review by the relevant Portfolio Holder. Regular re-profiling of income targets takes place and is informed by current and future activity levels. Regular monitoring by the Corporate Management Team and quarterly reporting to the Cabinet monitors income trends and action plans. The Environmental Services team has recently taken on Grounds Maintenance services via FCC with Rutland County Council. The costs of running the Council's Building Control service have reduced significantly since the Council became a member of the Leicestershire Building Control Partnership. The cost to the Council of the Lifeline Control Centre has been reduced by increasing income through marketing and increasing customer numbers, and by reducing costs through efficiencies; this will continue during the 2020/21 year. The Council undertakes an annual review of budgets, including fees and charges, which highlights opportunities for income generation and cost reduction. During Quarter 2 of the 2020/21 year, a corporate project to address budgetary shortfalls commenced (known as BC25).

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

This Opportunity 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 is continuing in this area. During Quarter 2, the Council continued to work collaboratively with the Leicestershire authorities. The government white paper on devolution and unitary authorities is awaited (this may be delayed until the next financial year).

**3.4 New Risks and Opportunities**

3.4.1 Several new Corporate Risks were added to the Corporate Risk and Opportunity register during Quarter 1 of the 2020/21 year. These risks were added to the Corporate Risk and Opportunity register in light of the Covid-19 pandemic. These risks are given the prefix 'CV' to differentiate them from the other Corporate Risks (details of the new Risks can be viewed at Appendix A).

3.4.2 Two new Corporate Risks were added to the Corporate Risk and Opportunity register during Quarter 2 of the 2020/21 year. These two Corporate Risks are:

**CR 38 Risk of Environmental Services contractor defaulting leads to an inability to fulfil the statutory obligation to collect waste**

and

**CR 39 Risk of leisure contractor defaulting leads to an inability to deliver leisure services**

3.4.3 No new Corporate Opportunities were added to the Corporate Risk and Opportunity register during Quarter 2 of the 2020/21 year.

**3.5 Risks and Opportunities Removed**

3.5.1 During Quarter 2 of the 2020/21 year, six Corporate Risks were removed from the Corporate Risk and Opportunity Register. Details of these are set out at paragraphs 3.5.2 to 3.5.4.

3.5.2 **CR 35 Possible vulnerability with the provision of Revenues and Benefits software due to the financial position of the provider and the exit from the existing contracts by other government bodies.**

### Reason for Removal

This risk has been removed as the supplier's position has stabilised. The position will continue to be monitored and if and when any concerns arise these will be reported.

- 3.5.3 **CV 05 Vulnerable residents and businesses are not provided with hardship payments and Business Rates reliefs as a result of Financial/Revenues and Benefits and/or ICT systems and processes not being available or sufficient.**

### Reason for Removal

This Risk did not become manifest. Residents and businesses were supplied with their requirements, as planned.

- 3.5.4 **CV 16 Public unrest leads to security risks for Council-owned assets: Grow-On Centre**

and

**CV 17 Public unrest leads to security risks for Council-owned assets: Harborough Market**

and

**CV 18 Public unrest leads to security risks for Council-owned assets: Harborough Innovation Centre**

### Reason for Removal

Risks to the security of Council-owned assets have been combined into a single risk (**CV 15 Civil unrest leads to security risks for Council-owned assets**). No threats to Council-owned assets, as a result of the Covid-19 crisis, were manifest in Quarters 1 and 2 of the 2020/21 year.

## 3.6 **Managing Operational Risks & Project Risks**

- 3.6.1 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.
- 3.6.2 Project Risks and Opportunities that are identified through corporate projects are monitored by an Officer-led Programme Board.
- 3.6.3 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.

- 3.6.4 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.
- 3.6.5 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.
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## **Appendices**

- Appendix A Corporate Risk and Opportunity Register
- Appendix B Risk and Opportunity Movement
- Appendix C Risk and Opportunity Residual Scoring Distribution
- Appendix D Risk and Opportunity Scoring Criteria