

WELLAND INTERNAL AUDIT CONSORTIUM

Harborough District Council

EVALUATING KEY RISKS



When considering a significant decision to invest Capital in a building (either purchase or significant redevelopment), the risks and rewards of the possible actions should be carefully reviewed.

This report already includes the detailed financial implications of Capital investment in the Council Headquarters building (see Section 7 of Headquarters report). The following table (Table 1) looks more generally at the likely risks and rewards of this Capital investment, and scores the impact and likelihood in terms of the Council's Risk Management Model, where any score of 12 or above exceeds the Council's risk appetite. The impact and likelihood descriptions are on the pages following Table 1. Note that reward impacts are scored by applying some of the opposite of the listed impacts for risk.

For the **risks**, a **high score is negative**, because it = high risk

For the **rewards**, a **high score is positive**, because it = high rewards

Table 1 HQ Capital investment risks & rewards

Risk	Consequences	Impact	Likelihood	score	Comments/Mitigation
Rent levels assumed for income are too high	Reduction in forecast income leaves greater burden on Council tax payers to meet loan repayment costs for HQ redevelopment.	Critical	Significant	12	Rent levels in the financial modelling have been assessed and externally quality assured through the use of the District Valuer. The rent level applied in the model; the "Central Case", uses this valuation as the rent income level.
Rent levels are not achieved as a result of failure to let retail/office units.	Strain on General Revenue Fund budget and eventual impact on Council Tax	Marginal	Moderate	8	Rent income factored at 87.5% in the Central Case in the financial model over the term of the business case to allow for periods of vacancy. Modelling at 50% income as a sensitivity test shows a positive return in investment.
Cost savings on running costs are too high	Strain on General Revenue Fund budget and eventual impact on Council Tax	Marginal	Low	6	Very conservative assumptions made, anticipating heating/cooling costs in future to be significant; no reduction in actual costs anticipated, just sharing with partners. Conservative assumptions made on utility prices etc.
Construction activity impacts upon continuity of	Temporary short-term loss of service provision to public in key service	Marginal	High	10	Full risk assessment workshop of business continuity plan and

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ICT service delivery to Council	area				disaster recovery methods held. Construction approach will seek to eliminate the majority of construction risk, and substantially mitigate others.
Rewards	Consequences	Impact	Likelihood	score	Comments
Town centre office base retained	Economic stimulus to Market Harborough through: Tourism (library/museum improvements) Retention of large Council work force in town with associated consumer spending power	Critical	Very High	12+	Public consultation has supported this approach, both from the business community and the general public.
Opportunity for improved coordination of public service delivery with LCC and other potential tenants	Co-location of Council with LCC services at HQ site will offer public more joined up "under one-roof" approach	Marginal	High	10+	LCC are signed up, and similar approach in Melton has demonstrate potential rewards to customers. Other partners, eg. Probation, already expressed interest.
Removal of maintenance backlog (especially windows)	HQ costs less to run in the future	Moderate	Moderate	6	Medium term maintenance costs will fall; building remains a heritage asset and has incumbent liabilities (Grade 2* listing, age) which means maintenance costs will always be higher than purpose built accommodation.
Better physical access to facilities in building	Improved accessibility to public services, notably museum, equality of access improves	High	High	10	Designs developed with equalities improvements in mind.

The risks and rewards of not making the investment in the HQ site are largely the inverse of the above and therefore have not been repeated.

Impact and likelihood definitions are as follows:

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Basis for Impact score	As per Harborough DC RM strategy below
Basis for Likelihood score	As per Harborough DC RM strategy below

IMPACT DEFINITIONS:

Catastrophic <i>Examples:</i> <ul style="list-style-type: none"> • Death • Medium term loss of service capability • Adverse national publicity • More than 50 people involved • Litigation almost certain and difficult to defend • Financial loss in excess of £1m • Breaches of law punishable by imprisonment 	Critical <i>Examples:</i> <ul style="list-style-type: none"> • Extensive, permanent injuries, long term sick • Short term loss of service capability • Adverse local publicity • Up to 50 people involved • Litigation to be expected • Financial loss between £250,000 and £1m • Breaches of the law punishable by fines only
Marginal <i>Examples:</i> <ul style="list-style-type: none"> • Medical treatment required – long term injury • Short term disruption to service capability • Needs careful public relations • No more than 10 people involved • High potential for complaint, litigation possible • Financial loss between £50,000 and £250,000 • Breaches of regulations/standards 	Negligible <i>Examples:</i> <ul style="list-style-type: none"> • No injuries beyond first aid level • No significant disruption to service capability • Unlikely to cause any adverse publicity • No more than 3 people involved • Unlikely to cause complaint/litigation • Financial loss below £50,000 • Breaches of local procedures/standards

LIKELIHOOD DEFINITIONS AND SCORING MATRIX:

LIKELIHOOD				
Very High Is expected to occur in most circumstances	6	12	18	24
High Will probably occur in most circumstances	5	10	15	20
Significant Might occur in most circumstances	4	8	12	16
Low Could occur in most circumstances	3	6	9	12
Very Low May occur only in exceptional circumstances	2	4	6	8
Almost Impossible Is never likely to occur	1	2	3	4
	Negligible	Marginal	Critical	Catastrophic

Scores in the red shaded area exceed risk appetite

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APPENDIX E



IMPACT