

**REPORT TO THE AUDIT & STANDARDS COMMITTEE
MEETING ON: 21 JULY 2021**

Status: For Discussion
Title: Corporate Risk and Opportunity Management: Quarter 4, 2020/21
Originator: L. Elliott, Deputy Chief Executive
Where from: N/A
Where to next: N/A

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 2020/21 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 2020/21 year.**

3 Summary of Reasons for the Recommendations

- 3.1 The Council's Risk and Opportunity Management Framework provides that the Council's Risks and Opportunities will be reported on a regular basis.

4 Impact on Communities

- 4.1 None arising directly from this report.

5 Key Facts

- 5.1 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 8 April 2021.
- 5.2 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.

5.3 At the end of Quarter 4 of the 2020/21 year there were 31 Risks and 7 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.

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

5.5 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

6 Summary

6.1 A summary of the status of the Council’s 38 Corporate Risks and Opportunities at the end of Quarter 4 can be seen at Figure 1 below:

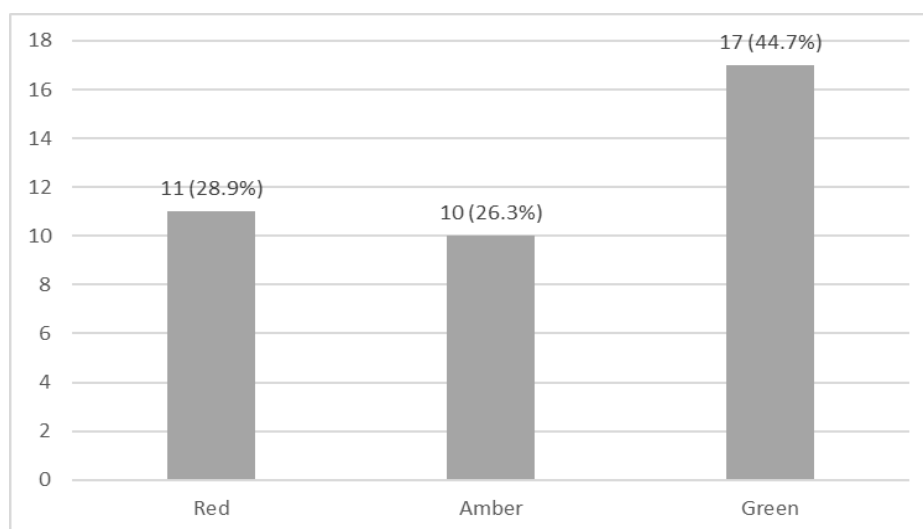


Figure 1 Summary of Risk and Opportunity Statuses

6.2 Red Risks and Opportunities

Of the 38 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 11 (28.9%) were assessed as Red status. The Red Status Risks are shown below at paragraphs 3.2.1 to 3.2.11.

6.2.1 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 budget (including income and expenditure) is monitored on a quarterly basis and corrective action taken as required. The Quarter 4 forecast outturn is indicating a £116k underspend for 2020/21. The Council has now approved an MTF5 that has a positive reserves position throughout the MTF5 period although reserves will be significantly impacted. The Council has now commenced a fundamental budget review process, Budget Challenge 2025, and the first tranche of service transformation proposals have been included in the 2021/22 budget. Subsequently, service transformation proposals will start to be brought into the budget during the next year. The Council has also increased Council Tax for the first time for many years, increased car-parking charges and green bin fee charges. It is considered the Council holds sufficient reserves to manage any unplanned change effectively in the short-term.

6.2.2 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. Dwelling completions began to recover in Quarter 2, 3 and 4, however these are not yet back up to pre-pandemic levels. The delivery of complex strategic sites is taking longer than anticipated which impacts on the number of units delivered.

6.2.3 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

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 4 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. Strategic Planners and Officers in Development Management are proactively monitoring the delivery of the housing trajectory in the Local Plan to establish the extent to which there is a likelihood of major planning applications coming forward.

6.2.4 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 2021/22 year. At the end of Quarter 3, the legal budget had not been spent. However, an ongoing judicial review is due to be determined after Quarter 4. This may result in legal costs exceeding the legal budget allocated to planning matters.

6.2.5 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.

6.2.6 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 to avoid homelessness. The Council was successful in obtaining additional funding to specifically help it target homelessness.

6.2.7 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 3 (Significant), a residual likelihood of 3 (Likely) and a residual score of 9.

Mitigation

The Council is actively monitoring the ongoing impact of the Covid-19 pandemic on both its 'business as usual' and Covid response services; this is reported to Cabinet at the same time as routine budget monitoring. The Council is currently forecasting a need to use its own reserves to meet some unsupported costs of Covid, these can be met in the short-term, but this is likely to have an adverse impact on the longer-term financial sustainability of the Council. In setting the Budget and MTFs the Council has set aside a specific ear-marked reserve in respect of Covid and has been prudent in setting its Council Tax base and its estimates for Council Tax and Business Rates income.

6.2.8 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 there are limited 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 4, the Council received reduced income from car parking and business rates receipts due to the impact of the Covid-19 crisis. The government will compensate the Council for some elements of income loss, but it will not be 100%. The Council does continue to lobby government for further Covid-related financial support. Income from the HIC and the Grow-On Centre was significantly impacted due the impact of Covid-19 on businesses. The budgetary issues have been addressed through the BC25 process.

6.2.9 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

The Council has now approved an MTFs through to 2024/25 that includes respective financial impacts from Covid-related losses (Council Tax, Business Rates, general service incomes). The Council has agreed to use some of the one-off grants that it will receive in 2021/22 to meet some of the expected losses to be incurred by some services. The Council will continue to use reserves to balance its budget but at this time the use of reserves is required as BC25 continues.

6.2.10 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.

6.2.11 **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.

6.3 **Amber Risks and Opportunities**

Of the 38 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 10 (26.3%) 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 10 Amber Risks and Opportunities are shown below at paragraphs 3.3.1 to 3.3.10.

6.3.1 **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 expected significant changes in future funding due to formulae adjustment and business rates, now expected to be implemented in 2022 (potentially 2023), 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. The government issued a one-year financial settlement for 2021/22 and the expectation is that a Comprehensive Spending Review will be undertaken during the 2021/22 year. As part of the MTFs the risk associated with reduced government funding was accommodated within the budget.

6.3.2 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 1 of the 2021/22 year.

6.3.3 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. During Quarter 4 the potential for a global security issue occurred. The Council's swift implementation of its Emergency Patching Procedure meant that it was unaffected by the incident.

6.3.4 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. During Quarter 4 of the 2020/21 year the Council received some additional funding from central government to help support leisure recovery.

6.3.5 CR 40 The service transformation propositions agreed by Council as a consequence of the Budget Challenge 2025 programme is not delivered resulting in underachievement of the required savings

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

Mitigation

The BC25 programme is being closely controlled and monitored and includes a number of key attributes that aim to ensure that propositions are deliverable, realistic and achieve the expected savings/investment; including:

- Independent project management.
- Comparison data to similar councils.
- Positive ownership of proposals as reviews developed by service managers.
- Political sponsorship of service/delivery changes proposals.
- Strategic 'critical' leadership review of service/delivery proposals.

Subsequent service transformation is then embedded into the Councils Change Programme, which then has further strategic officer and political oversight. Implementation is led by service managers based on the Council project management methodology; including the development of detailed business cases (& associated plans).

6.3.6 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 2 (Unlikely) and a residual score of 6.

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. Though the risk from high demand on burial capacity has been to some extent mitigated by the national vaccination programme and maintenance of social distancing, with current lockdown provisions being relaxed over the coming months, this risk should remain at a moderate level until the health emergency is officially no longer in evidence.

6.3.7 CV 12 Illness, self-isolation, and other factors lead to reduced capacity to operate the Council's Lifeline Service which endangers customers

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

Mitigation

Operational measures to reduce staff exposure to infection; potential to cancel leave, use overtime etc. During Quarter 2, the lifeline service was relocated, and a digitalised telephony system was implemented and is operational. These factors, as well as the fact that the team can now work from home, have increased the resilience of the service. In addition to the above, the Lifeline staff undertake regular lateral-flow testing.

6.3.7 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 the 2020/21 year, 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).

6.3.8 COR OP 07 To ensure that Harborough District Council benefits from the ERDF Welcome Back funding to support the reopening of local town centres and tourism following the Covid-19 pandemic

This Opportunity has a residual impact of 2 (Moderate), a residual likelihood of 4 (Very Likely) and a residual score of 8.

Action

To develop and deliver a programme of activities to support the reopening of local town centres and tourism and respond to the medium-term impact of Covid-19. The initial deadline is to submit proposals to Government by 30 May 2021. Once approved, the delivery of these plans can run through until the end of March 2022.

6.3.9 COR OP 08 To maximise the likelihood that Harborough District Council can benefit from Government Levelling Up Funding to support town centre regeneration, investment in local cultural facilities or upgrading local transport Infrastructure

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

Action

Work with neighbouring councils, (particularly Oadby & Wigston, Blaby and Melton), and local MPs, to identify potential joint, compelling projects, which would meet the challenging objectives of the Levelling Up Fund. It is recognised that this is likely to be a very difficult case to make, given that Harborough District is classed as a Category 3, (the lowest), area, and will also have submit bids in partnership with neighbouring councils to reflect the needs of parliamentary constituencies. The aim is plan towards Round 2, in order to allow time to identify realistic joint projects and learn from the experiences of Round 1.

6.4 New Risks and Opportunities

6.4.1 One new Corporate Risk (CR 40 The service transformation propositions agreed by Council as a consequence of the Budget Challenge 2025 programme is not delivered resulting in underachievement of the required savings) was added to the Corporate Risk and Opportunity register during Quarter 4 of the 2020/21 year.

6.4.2 Four new Corporate Opportunities were added to the Corporate Risk and Opportunity Register during Quarter 4 of the 2020/21 year. The Corporate Opportunities that were added to the Corporate Risk and Opportunity Register are listed below:

- COR OP 06 To support communities during recovery from the Covid-19 pandemic via the County-coordinated Contain Funding.
- COR OP 07 To ensure that Harborough District Council benefits from the ERDF Welcome Back funding to support the reopening of local town centres and tourism following the Covid-19 pandemic.
- COR OP 08 To maximise the likelihood that Harborough District Council can benefit from Government Levelling Up Funding to support town centre regeneration, investment in local cultural facilities or upgrading local transport Infrastructure.
- COR OP 09 The service transformation propositions agreed by Council as a consequence of the Budget Challenge 2025 programme deliver the required savings.

6.5 Risks and Opportunities Removed

6.5.1 During Quarter 4 of the 2020/21 year, no Corporate Risks were removed from the Corporate Risk and Opportunity Register.

6.5.2 During Quarter 4 of the 2020/21 year, no Corporate Opportunities were removed from the Corporate Risk and Opportunity Register.

6.6 Managing Operational Risks & Project Risks

6.6.1 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.

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

- 6.6.3 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.
- 6.6.4 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.
- 6.6.5 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