

**PAPER NO. 7**

**REPORT TO THE EXECUTIVE MEETING OF 9 MAY 2016**

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**Meeting:** Executive

**Date:** 9 May 2016

**Subject:** Corporate Risk and Opportunity Register, Quarter 4 2015/16

**Report of:** S. Riley, Head of Finance and Corporate Services and Section 151 Officer

**Portfolio Holder:** Cllr. Liquorish – Business Planning and Performance

**Status:** For information and comment

**Relevant Wards:** All

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1 Purpose of the Report

1.1 To provide the Executive with information on the Council's Corporate Risks and Opportunities at the end of Quarter 4 of the 2015/16 year.

2 Recommendations:

2.1 **That the items contained within the Council's Corporate Risk and Opportunity Register (attached at Appendix A), be noted.**

3 Summary of Reasons for the Recommendations

3.1 Monitoring of the Council's Corporate Risks and Opportunities is prescribed by the Council's Risk and Opportunity Management Framework.

4 Key Facts

4.1 The Executive is provided with the Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2015/16 year (set out at Appendix A to this report).

4.2 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.

4.3 The Corporate Risk and Opportunity Register was last considered at the Officer Risk and Opportunity Strategy Board on Monday 11 April 2016. At this meeting a number of amendments to the Register were made to reflect progress on actions which had 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.

4.4 At the end of Quarter 4 of the 2015/16 year there were 18 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.

4.5 The movement of the residual score of the Council's Risks and Opportunities throughout the 2015/16 year is shown at Appendix B.

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

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

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

Table 1 Risk and Opportunity Score and Categories

## 5 Points for discussion

5.1 A summary of the status of the Council's 22 Corporate Risks and Opportunities can be seen in Figure 1 below:

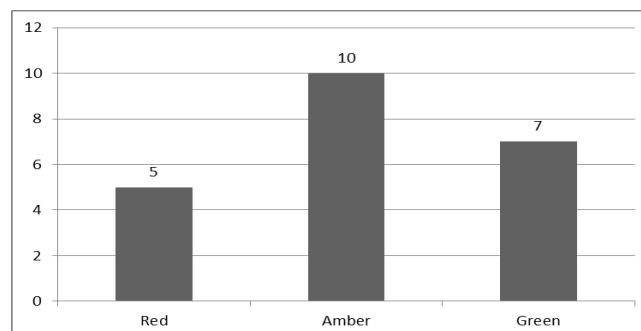


Figure 1 Summary of Risk and Opportunity Statuses

## 5.2 Red Risks and Opportunities

Of the 22 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 5 Risks have been assessed as Red status (residual score of 9 or above). This means that the Risks are at a high level and require close attention, even after actions have been identified to minimise their impact and the chance that they will occur. The red Risks are set out at paragraphs 5.2.1 to 5.2.5 below.

### 5.2.1 CR 05 Non-delivery of Council Efficiency Plan results in reduction in Central Government funding

The residual score of this Risk is 9, meaning that the Risk remains of significant importance to the Council.

The Council's financial risks are managed through its Medium-term Financial Strategy. Despite this, there remains the potential for volatility and uncertainty around Council funding.

### 5.2.2 CR 11 Constitution is limited in its delegations and flexibility and leads to delayed decision making

The residual score of this Risk is 9, meaning that the Risk remains of significant importance to the Council.

The residual score of this Risk increased from 6 to 9 between Quarters 3 and 4 of the 2015/16 year as the review of the Council's Constitution was delayed to allow additional work to be undertaken.

### 5.2.3 CR 24 Changes to national position on New Homes Bonus may affect the Council's financial stability

The residual score of this Risk is 9, meaning that the Risk remains of significant importance to the Council.

The Government has issued a consultation paper, which the Council has responded to, on future allocation of New Homes Bonus. Alongside a national reduction in funding that is factored into the medium-term financial strategy there is an emerging risk that councils without an adopted Local Plan would not receive yearly allocation. Until the Local Plan is adopted and the implementation date of the change in New Homes Bonus is agreed there is a risk of further significant reductions in this funding source.

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

The residual score of this Risk is 9, meaning that the Risk remains of significant importance to the Council.

A robust Medium-term Financial Strategy (MTFS) and appropriate plans in place to implement the required changes to the Council's operation were approved by Council on 22 February 2016. This indicates that the Council can deliver a sustainable budget within the MTFS period. Therefore the residual score of this Risk reduced from 16 to 9 between Quarters 3 and 4 of the 2015/16 year.

#### **5.2.5 CR 28 Clawback of ERDF funds relating to previous capital investment**

The residual score of this Risk is 12, meaning that the Risk remains of significant importance to the Council.

The overachievement of financial and operational performance of the Harborough Innovation Centre linked to the original funding agreement leads to the need for repayment to DCLG. The impact has been assessed and partially mitigated through reviews and input into Article 55 (funding gap) calculations and advice from technical advisors.

### **5.3 Amber Risks and Opportunities**

Of the 22 Risks and Opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 10 have been assessed as Amber Risks with a residual score of between 5 and 8. Amber status suggests that more could be done to influence a risk/ opportunity.

The 10 Amber Risks and Opportunities are shown below (paragraphs 5.3.1 to 5.3.10):

#### **5.3.1 Risk CR 04: Impact on Council's resources of welfare reform is not yet known**

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

Universal Credit is now live in part of the Council's area (Market Harborough Job Centre Plus area). An agreement is in place between HDC and DWP and is being monitored on a monthly basis. Impact on HDC resources during the 2015/16 was minimal. Information regarding the government's plans for implementation of UC has been received and we have been advised that staff will not be TUPED to DWP. The District Council will have to manage the reduction at the appropriate time. It is anticipated that this work will be completed by the end of the 2019/20 year.

#### **5.3.2 Risk 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.

The Council needs to ensure that an up-to-date, sound Local Plan is adopted, in accordance with established work programmes and budgets that meet the Objectively Assessed Housing needs of the District. It also has to ensure the Local Plan is adopted in accordance with the timescales set out in the up-to-date Harborough Local Development Scheme, March 2015. In addition to progressing the Local Plan, and to ensure that this risk is adequately managed ahead of the Local Plan being adopted, the Council is making every effort to achieve a five-year land supply (including the 20% buffer) at the earliest possible date through positively granting planning permissions to support the delivery of housing whenever possible and appropriate.

**5.3.3 Risk CR 09: Reduced outcomes delivered from external partnerships and contracts through inadequate monitoring and accountability frameworks (leading to loss of service, financial and/or reputational damage)**

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

The Council's major contracts include its Environmental and Leisure Services contracts.

The Council controls the risks associated with major contracts via various mechanisms including, for example:

- Monthly operational meetings with service providers
- Monitoring of Key Performance Indicators
- Monitoring of contractor scorecards
- Health and safety assessments

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

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

The Council must ensure a 'sound', up-to-date and NPPF-compliant Local Plan is prepared and adopted in accordance with established work programmes and budgets. It needs to ensure that development is managed and delivered in areas and locations across the District that meet the Spatial Strategy of the Local Plan and ensure that sustainable development objectives are met. During the 2015/16 year, additional resources were allocated to the project to aid the process.

**5.3.5 Risk 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.

The County Council approved a four-year Medium Term Financial Strategy (MTFS). There is visibility of the savings proposals with the majority of savings (recycling, early years) already built into the Council's MTFS; impact of Summer Budget and Comprehensive Spending Review on LCC budget shared through Section 151 Officer discussions; risks of further reductions mitigated through both councils having published MTFSs and through ongoing working groups and appraisal of new options.

**5.3.6 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 6.

Testing of business recovery plans, undertaken during Quarter 3 of the 2015/16 year, showed that there was still the need for further development and integration of business continuity plans within service areas. For this reason, the residual score of the Risk increased to 8 at the end of Quarter 4 of the 2015/16 year (the risk score was 6 at the end of Quarter 3 of the 2015/16 year).

**5.3.7 Opportunity COR OP 01: Business growth leading to Business Rates retention**

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

In order to encourage this opportunity, a feasibility study was developed for grow-on space to retain businesses in the locality. In July 2015, the Council submitted an expression of interest to the LLEP's Place Board. The Place Board approved the expression of interest to proceed to the next stage. A submission to the ESIF funding programme was made with LCC and progressed to the final submission stage at the end of March 2016. The bid has been withdrawn due to a strategic partner withdrawing from the project. Potential alternative funding for the project is currently being assessed and a growth bid has been submitted to the LLEP. There are ongoing discussions with operators at Magna Park to encourage retention of occupation at the Magna Park site.

**5.3.8 Opportunity COR OP 02: Acquisition of Assets to Generate Income Opportunities**

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

The Council aims to maximise the financial return from the Council's buildings through: active marketing of lettable space within the Council's building; Whole-life costing and business cases will be developed as part of any asset proposal; inclusion within the Capital Programme provision for development

and speculative land assembly. The Council is exploring the use of property funds for 'surplus' cash investments.

### 5.3.9 **Opportunity COP OP 03: Combined Authority**

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

A report was considered by the Executive on 30 November 2015 and Council on 14th December 2015. The decision by the Council agreed to being part of the combined authority proposal that would be submitted to the government in January 2016. The future scoring of this opportunity will depend on the outcome of this bidding process. A proposal has been submitted to DCLG and work on the preparation of a draft Constitution is ongoing. A devolution deal bid is currently being developed which should bring opportunities for the Council for a variety of services. It is intended that the initial devolution bid will be submitted in the summer of 2016.

### 5.3.10 **Opportunity COR OP 04: Trading**

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

Business and Marketing plans for each trading unit are being developed alongside the development of a revised overhead and recharge models.

## 5.4 **New Risks and Opportunities**

5.4.1 Three new Corporate Risks were added to the Corporate Risk and Opportunity Register during Quarter 4 of the 2015/16 year. No new Corporate Opportunities were added to the Corporate Risk and Opportunity Register during Quarter 4 of the 2015/16 year.

The new risks are:

- **CR 26 Local Plan:** Risk of intervention by the Secretary of State if the Local Plan has not been produced by 'early 2017', as referred to in a Ministerial Statement by Brandon Lewis in July 2015. (NB there is no definition of what is meant by 'produced', no exact date given and no further guidance as to how the intervention will be done).
- **CR 27 Local Plan:** 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.
- **CR 28 Clawback** of ERDF funds relating to previous capital investment.

## 5.5 Risks and Opportunities Removed

5.5.1 No Risks or Opportunities were removed from the Corporate Risk and Opportunity at the end of Quarter 4 of the 2015/16 year.

## 5.6 Managing Operational Risks & Project Risks

5.6.1 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.

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

5.6.3 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.

5.6.4 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.

5.6.5 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.

## 6 Legal Issues

6.1 None arising directly from this report.

6.2 Effective risk management minimises the risk of legal issues and litigation occurring in the course of Council business.

## 7 Resource Issues

7.1 None arising directly from this report.

7.2 Effective risk management allows the Council to better manage its resources.

## 8 Equality Analysis Implications/Outcomes

8.1 None arising directly from this report.



9 Risk Management Implications

9.1 This report sets out the Council's Corporate Risks and Opportunities at Appendix A.

10 Consultation

10.1 The Scrutiny Commission will consider the Corporate Risks and Opportunities at the end of Quarter 4 of the 2015/16 year, at its meeting on 2 June 2016.

11 Options

11.1 The Council's Risk and Opportunity Management Framework provides that the Council's risks and opportunities will be reported on a quarterly basis. Therefore the alternative, to not produce this report, was not considered.

12 Background Papers

12.1 Risk and Opportunity Management Framework (adopted by Council on 11 January 2016).

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**Previous report(s):** Executive 7 September 2015: Risk and Opportunity Management, Quarter 1, 2015/16  
Executive 30 November 2015: Risk and Opportunity Management, Quarter 2, 2015/16  
Executive 8 February 2016: Risk and Opportunity Management, Quarter 3, 2015/16

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

**Ward Members Notified: N**

**Appendices:**

- A. Corporate Risk and Opportunity Register**
- B. Risk and Opportunity, Residual Score Movement during the 2015/16 year**
- C. Risk and Opportunity Scoring Criteria**