

**PAPER NO. 4**

**REPORT TO THE EXECUTIVE MEETING OF 8 FEBRUARY 2016**

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**Meeting:** Executive

**Date:** 8 February 2016

**Subject:** Corporate Risk and Opportunity Register, Quarter 3 2015/16

**Report of:** Beverley Jolly, Corporate Director – Resources

**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 3 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 3 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 by the Officer Risk and Opportunity Strategy Board on Friday 8 January 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 the third quarter of the 2015/16 year there were 19 risks and 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 Council’s Risk and Opportunity Management Framework uses a matrix which scores both impact and likelihood out of 4.
- 4.6 The Council’s Risk and Opportunity Management Framework categorises risks and opportunities in the following way:

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

Table 1 Risk and Opportunity Score and Categories

## **5 Points for discussion**

- 5.1 A summary of the status of the Council’s 19 Corporate Risks and Opportunities can be seen in Figure 1 below:

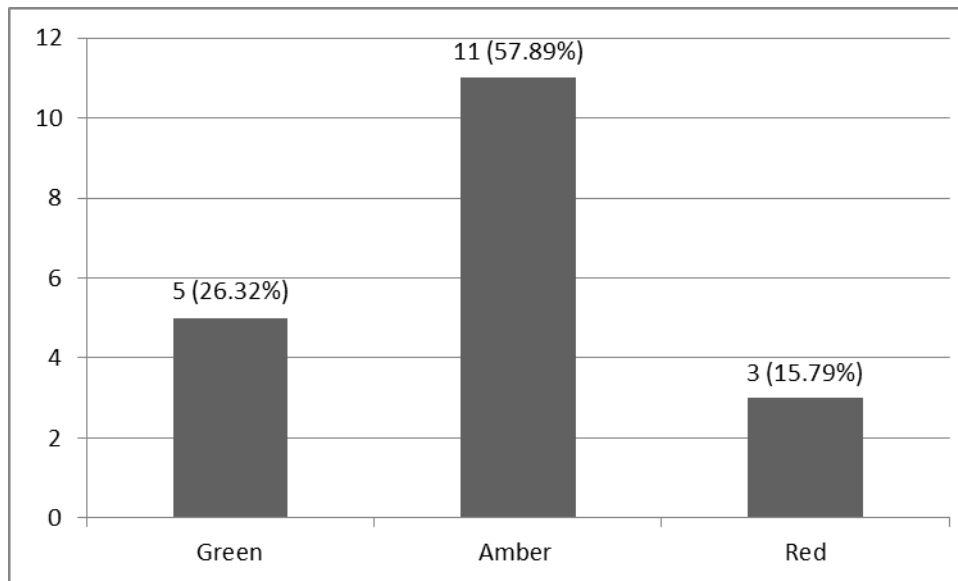


Figure 1 Summary of Risk and Opportunity Statuses

## 5.2 Red Risks/ Opportunities

Of the 19 risks/ opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), three 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 in paragraphs 5.2.1 to 5.2.3 below.

### 5.2.1 CR 05 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 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 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.

### **5.2.3 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 16, meaning that the risk remains of significant importance to the Council.

A robust Medium-term Financial Strategy and appropriate plans in place to implement the required changes to the Council's operation will be approved by Council on 22 February 2016. This indicates that the Council can deliver a sustainable budget within the MTFS period.

## **5.3 Amber Risks/ Opportunities**

Of the 19 risks/ opportunities on the Corporate Risk and Opportunity Register (attached at Appendix A to this report), 11 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 11 Amber risks/ opportunities are shown below (paragraphs 5.3.1 to 5.3.11):

### **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 Harborough District Council and the Department of Work and Pensions and is being monitored on a monthly basis. Impact on the Council's resources for the first three quarters was minimal: during the first three quarters there was only one claimant of Universal credit in Harborough District. Information regarding the government's plans for transfer of staff to deal with Universal Credit is awaited. It is anticipated that this work, to transfer staff, 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.

Mitigation in place:

- Ensure 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.
- 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: Poor management and monitoring of major contracts (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.

Mitigation: ensure a 'sound', up-to-date and NPPF-compliant Local Plan is prepared and adopted by the Council in accordance with established work programmes and budgets. 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.

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

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

The Monitoring Officer has a duty to review the Constitution on a regular basis to ensure it is up to date with legislative changes and fits the needs of the authority. Transformation 2 recommended a review of the Constitution as a result of LGA Peer Challenge. Planning call-in and delegation to Officers: a programme of work has been approved and is ongoing. Members decided to carry forward the review to the 2015/16 year. A final report with proposed amendments was due to be considered by Council in December 2015. Members deferred this matter and an update is due to be provided at the next meeting of the Constitutional Review Committee (16 February 2016).

### **5.3.6 Risk CR 15: Impact of Leicestershire County Council Budget Reductions on Council Services**

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. Withdrawal of dry recyclates from 2018/19 is being considered as part of the Environmental Services Project. Further budget reductions are being identified by the County Council and where possible Council Officers are working in partnership to consider the implications.

### **5.3.7 Business Continuity: loss of building(s)/ service(s) through unforeseen events**

This risk has a residual impact of 3 (significant), 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 limited understanding of business continuity plans within service areas. For this reason, the residual score of the risk increased to 6 (the risk score was 4 at the end of Quarter 2 of the 2015/16 year).

### **5.3.8 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 for funding to the Place Board. The Place Board approved the expression of interest to proceed to the next stage. In addition, an ESIF bid for European funding was submitted in October 2015.

#### **5.3.9 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.

#### **5.3.10 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 on this opportunity was considered by the Executive on 30 November 2015. Following decision by the Executive a report will be considered by Council. Subject to a Council decision, a bid to form a combined authority could be submitted to the government. The future scoring of this opportunity will depend on the outcome of this bidding process.

#### **5.3.11 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 plans for each trading unit are being developed; overhead and recharge models are also being developed.

### **5.4 New Risks and Opportunities**

5.4.1 Two new Corporate Risks were added to the Corporate Risk and Opportunity Register during the third quarter of the 2015/16 year. No new Corporate Opportunities were added to the Corporate Risk and Opportunity Register during the third quarter of the 2015/16 year.

The new risks are:

- **CR 24 Changes to national position on New Homes Bonus may affect the Council's stability**
- **CR 25 The Council does not have sufficient funding to cover its current services in the medium-term**

## 5.5 Risks and Opportunities Removed

5.5.1 The following risk was removed from the Corporate Risk and Opportunity at the end of the third quarter of the 2015/16 year:

### **CR 21 Leisure Contract: Business Continuity**

#### Reason for removal

It was confirmed that Serco would retain the Leisure contract.

## 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 and background information on the scoring criteria at Appendix B.

10 Consultation

10.1 The Resource and Performance Scrutiny Panel will consider the Corporate Risks and Opportunities at the end of Quarter 3 of the 2015/16 year, at its meeting on 25 February 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 15 September 2014).

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**Previous report(s):** Executive 7 September 2015: Risk and Opportunity Management, Quarter 1

Executive 30 November 2015: Risk and Opportunity Management, Quarter 2

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

**Ward Members Notified: N**

**Appendices:**

**A. Corporate Risk and Opportunity Register**

**B. Risk and Opportunity Scoring Criteria**