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To The Chairman and Members of the
Governance & Audit Committee

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Date 08 February 2019

AGENDA SUPPLEMENT

Dear Sir/Madam

GOVERNANCE & AUDIT COMMITTEE - FRIDAY 15 FEBRUARY 2019

I refer to the agenda for the above-mentioned meeting and enclose the following items:

| Item No | Report Title | Page Nos |
|---------|---|-----------|
| 8. | Quarter 3 2018-19 Risk Report Report of Maxine O'Mahony, Executive Director for Strategy & Governance. | 217 - 229 |
| 18. | Exclusion of Press and Public To consider the following resolution: "That under Section 100(4)(A) of the Local Government Act 1972, the press and the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Schedule 12A to the Act". | |
| 19. | Quarter 3 2018-19 Risk Report - Appendix 2 | 230 - 231 |

Yours faithfully

Julie Britton

Democratic Services Officer

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BRECKLAND DISTRICT COUNCIL

Report of: Maxine O’Mahony - Executive Director of Strategy and Governance
To: Governance and Audit Committee – Friday 15th February 2019
Author: Ross Bangs – Corporate Improvement and Performance Manager
Subject: Quarter 3 18/19 Strategic Risk Report
Purpose: To inform the Committee on the current status of the Councils’ strategic risks

Recommendation(s):

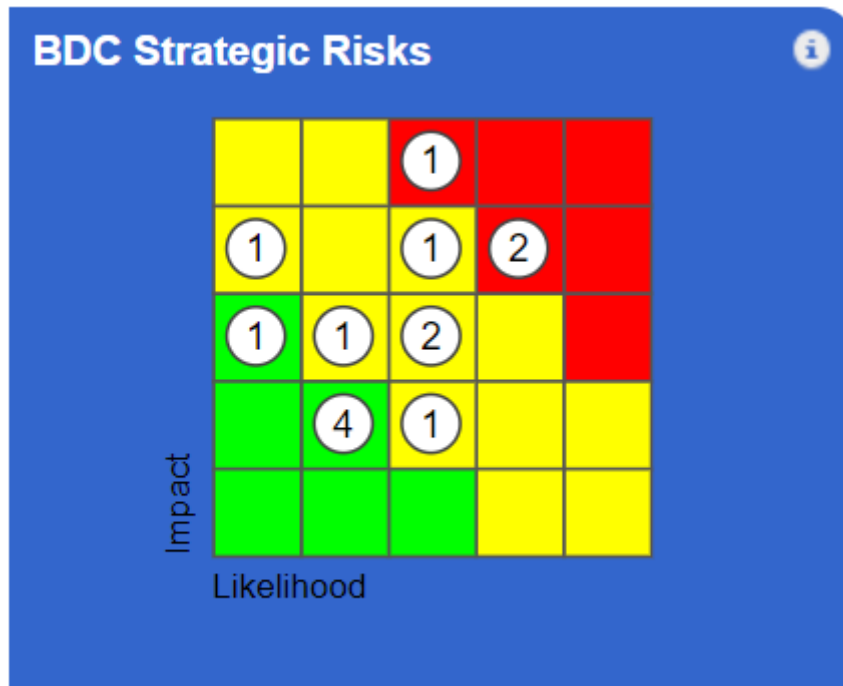
- 1) That the contents of the report are noted.

1.0 BACKGROUND

- 1.1 The report presents the status of the Council’s 14 identified strategic risks as of the end of quarter 3 18/19.
- 1.2 Strategic risks are captured on the Corporate Dashboard which is available to the Executive Management Team (EMT) and reviewed by EMT quarterly. In addition, risks are reviewed monthly at the internal Performance, Risk & Audit Board chaired by the Executive Director of Strategy and Governance.
- 1.4. Strategic risks have been reviewed and updated with responsible members of the Executive Management Team. The strategic risk register includes 14 strategic risks (see Appendix A). These cover the over-arching risks that may affect the strategic direction of the council, rather than risks linked to business continuity or those that affect discreet service areas.
- 1.5 In their nature, strategic risks have been identified as having the potential to cause organisation wide impact and will often cover a number of key services and departments.
- 1.6 The Council’s risk scoring mechanism is based on a 5x5 matrix and is comparable with best practice in other similar organisations. The risk matrix provides a comprehensive assessment and understanding of risk likelihood and impact. The matrix results in a numerical score which combines the impact of the risk occurring with the likelihood of it happening.
- 1.7 Risks fall into High, Medium or Low categories depending on their rating

| | |
|--------|--|
| High | |
| Medium | |
| Low | |

- 1.8 Risks are tracked below in a heat map to represent the number of strategic risks currently reported at each score



1.9 There are 14 risks included within the Q3. Risk Report, one less than at the end of Q2.

The risks are made up of the following.

| Level of identified Risk | Quarter 3 18/19 | Quarter 2 18/19 |
|--------------------------|-----------------|-----------------|
| High | 3 | 3 |
| Medium | 6 | 8 |
| Low | 5 | 4 |

The above table shows that the number of risks considered high has remained static for the last quarter whereas there has been a reduction of two within the medium rating. Of these the risk relating to staff recruitment and retention has been reduced to a low rating and the risk relating to the occupancy of Riverside has been removed as per the minutes of the last meeting. The number of risks considered low has therefore increased to 5.

Of the 14 risks, the 3 considered as high include the risk of a critical ICT breach, the continued impact following the introduction of the Homelessness Reduction Act and the risk to the Council of not maximising from its asset portfolio.

The risk of a breach to ICT security remains high as the impact to the organisation would be considered as critical, therefore having the potential to cause a long-term and wide reaching inability for the Council to maintain critical business activity. With this said, the ICT team continues to take multiple steps to mitigate against an attack which include current firewalls to restrict external access and the instillation of up to date antiviruses and malware software.

The Impact of the Homelessness Reduction Act continues to present as a high risk to the Council. With this said and following on from the Quarter 2 report, new officers have been recruited and trained and although demand remains high, a reduction of this risk is expected in Quarter 4.

The Council's ability to maximise income from its asset portfolio remains high due in-part to current market conditions. In addition notice has been given on one of the Council's larger commercial assets and is due to become void at the end of March; work is underway to secure a new tenant and this property is being actively marketed. In regards to the vacant unit in Kings Lynn, the team are in advanced negotiations with a potential tenant and it is hoped that contracts can be exchanged in March.

- 1.10 There are 6 risks which fall into the medium category. Staff recruitment and retention has been reviewed and is now shown as a medium risk and on target. This follows the successful launch of the talent management programme to engage and retain existing colleagues which has been supported by new and innovative approaches towards advertising staff vacancies which has seen an increase in potential colleagues applying to work at the Council.

The risk relating to the implementation of the General Data Protection Regulation continues to be above target and a new target date is proposed for the 31st May, this follows audit recommendations and involves new terms being drafted to include new contractual obligations to our suppliers and how they handle and process Council data.

The risk relating to how the Council's contracts are procured and managed remains static within the medium rating. The team continue to undergo and develop thorough supplier appraisals and are measuring the effectiveness through to contract award. In addition the team are keeping a watching brief on how implications surrounding Brexit may impact the Council's contracted supplier supply chains.

- 1.11 As per the last minutes, risks relating to the under occupancy of Riverside and delivery of the Local Plan have been removed.

2.0 **OPTIONS**

- 2.1 Note the contents of the report and the recommendation and do nothing

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 Not applicable

4.0 **EXPECTED BENEFITS**

- 4.1 That the Committee is made aware of the Council's strategic risks and understands that they are being managed and mitigated effectively.

5.0 **IMPLICATIONS**

- 5.1 **Carbon Footprint / Environmental Issues**

- 5.1.1 It is the opinion of the author that there are no carbon footprint or environmental implications.
- 5.2 **Constitution & Legal**
- 5.2.1 It is the opinion of the author that there are no direct constitutional or legal implications.
- 5.3 **Contracts**
- 5.3.1 It is the opinion of the author that there are no direct contract implications.
- 5.4 **Corporate Priorities**
- 5.4.1 The report contains information on strategic risks relevant to the delivery of the Council's corporate priorities.
- 5.5 **Crime and Disorder**
- 5.5.1 It is the opinion of the author that there are no direct crime and disorder implications.
- 5.6 **Equality and Diversity / Human Rights**
- 5.6.1 It is the opinion of the author that there are no direct equality or human rights implications.
- 5.7 **Financial**
- 5.7.1 The report contains information on strategic risks relevant to the Council's budgets and financial management.
- 5.8 **Health & Wellbeing**
- 5.8.1 It is the opinion of the author that there are no health or wellbeing implications.
- 5.9 **Reputation**
- 5.9.1 Risks which come to fruition have some reputational consequence. It is the purpose of the risk management strategy to manage potential outcomes by means of control measures.
- 5.10 **Risk Management**
- 5.10.1 The report provides detail on the Council's strategic risks.
- 5.11 **Safeguarding**
- 5.11.1 It is the opinion of the author that there are no direct safeguarding implications as a result of this report
- 5.12 **Staffing**
- 5.12.1 The report contains information on strategic risks relevant to the delivery of the Council's corporate priorities.

5.13 **Stakeholders / Consultation / Timescales**

5.13.1 It is the opinion of the author that there are no direct implications arising from this report.

5.14 **Transformation Programme**

5.14.1 It is the opinion of the author that there are no direct implications arising from this report.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 Not applicable.

7.0 **ACRONYMS**

7.1 ICT - Information Communication Technology

7.2 EMT - Executive Management Team

Background papers: - [See The Committee Report Guide](#)

Lead Contact Officer

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Key Decision: No

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix A Breckland District Council Strategic Risk Register Q3 2018-19
Appendix B Breckland District Council Strategic Risk Register Q3 2018-19 (Below the line - Exempt)

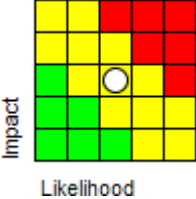
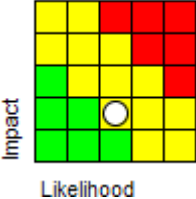
BDC Strategic Risk Report inc Targets



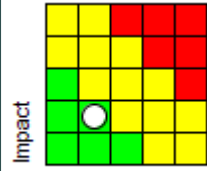

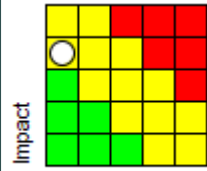

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|---|---|----------------|--|--------|------------|------------------|--|---------------|-------------------|----------------------|---------------------|
| 222 Impact of Homelessness Reduction Act | The implementation of the new act places additional burdens on BDC which may mean a reduced ability within the service to adhere to the act due to an unpredictable increase of persons approaching the housing options service. Capacity may be impacted by increased volumes of homeless applications, increased time needed to manage each case in order to fulfil the requirements of the new legislation and risk that the expansion of the duty could lead to a serious shortfall in available temporary housing options to accommodate homeless individuals and families | 12 | <p>A 4x4 grid with Impact on the vertical axis and Likelihood on the horizontal axis. The grid is color-coded: top row (Impact 4) is yellow, yellow, red, red; second row (Impact 3) is yellow, yellow, red, red; third row (Impact 2) is green, green, yellow, yellow; bottom row (Impact 1) is green, green, yellow, yellow. A white circle is in the cell at Impact 4 and Likelihood 4.</p> | 4 | 4 | — | <p>The impact of the Homelessness Reduction Act continues to result in increased levels of demand into the Housing Service.</p> <p>Additional officers funded from the Government's new burdens fund have now been recruited and trained which has brought a level of resilience to the service. In addition the team are in the process of commissioning a new service, funded by and in partnership with Norfolk Council with a particular focus on the prevention of homelessness and rough sleeping.</p> <p>The risk score remains static but is expected to reduce in Q4 following the implementation of the above.</p> | 3 | 2 | 31-May-2019 | |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|---|---|----------------|--------------------|--------|------------|------------------|--|---------------|-------------------|----------------------|---------------------|
| <p>2019</p> <p>Failure to maximise income from investment asset portfolio</p> | <p>This risk covers the councils failure to maximise income from the investment asset portfolio (commercial property)</p> | 16 | | 4 | 4 | — | <p>The score has been reviewed but remains 'as is' because of a number of significant lettings and lease terminations that are currently in the process of being undertaken – this includes one of the Council's larger investment assets that is due to be void in March 2019 and work has started to re-let this property.</p> <p>All current void units continue to be actively marketed and interest is good and properties continue to churn in the portfolio.</p> <p>We are also currently working through the disposal of a number of smaller assets (which do not perform) which would contribute to reduced revenue income, despite creating capital receipts.</p> <p>To replace any reduced revenue income we are continuing to search for investment opportunities and in January we are due to complete the purchase of a an investment property</p> | 3 | 2 | 31-Oct-2019 | |

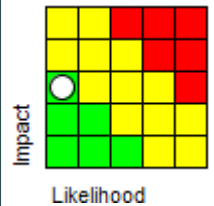

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|--|---|----------------|--------------------|--------|------------|------------------|--|---------------|-------------------|----------------------|---------------------|
| Critical breach of ICT security | Attacks are happening with increasing frequency at present. Ransom and theft specialists are targeting banking details and personal information, as with all other government systems and private companies | 25 | | 5 | 3 | | This risk has been reviewed but remains static. Breckland Council ICT takes multiple steps to protect its internal IT systems from Cyber-attack, these include firewalls to restrict external access, up to date antivirus and malware software, end user education, system patching on servers and desktop devices to ensure risks from vulnerabilities is minimised. | 4 | 2 | 30-Jun-2019 | |
| Staff recruitment and retention at all levels within the organisation | Staff recruitment and retention issues could undermine the effectiveness of the organisations though loss of experience and knowledge | 15 | | 3 | 2 | | The Council's staff turnover has improved significantly indicating that retention has also improved. Our talent management programme and new ways of advertising vacancies has improved recruitment rates. The team is confident that the impact would be manageable if our retention dramatically dropped but this is considered unlikely and we are not forecasting any reasons for a sudden drop in retention to occur. | 3 | 2 | 31-May-2019 | |
| General Data Protection Regulation Implementation | With the implementation of the General Data Protection Regulation, which replaces the Data Protection Action of 1998, there is a risk that the council will not manage its data appropriately and in line with the new regulations. | 16 | | 3 | 3 | | This risk remains just above the desired minimum target. Privacy Notices and Information Asset Registers are now complete and the Project Plan is being followed. 'Reasonable Assurance' has been received through Audit. Additional Terms and Conditions for contractual obligations are being forwarded to suppliers. Revised target date set in line with audit recommendation completion dates, at this point this risk should be reduced to desired score | 3 | 2 | 01-Jan-2019 | 31-May-2019 |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|--|---|----------------|---|--------|------------|------------------|---|---------------|-------------------|----------------------|---------------------|
| Contracts Monitoring 25 | This risk covers the councils monitoring of contracts with external partners to ensure arrangements are financially secure and performing | 16 |  | 3 | 3 | — | <p>The status for this risk remains the same, there have been no incidents to note with existing contracted suppliers or service providers which the team continues to monitor closely.</p> <p>In addition the service continues to maintain a watching brief in relation to Brexit developments and what impact this may have on our contracted supplier supply chains.</p> <p>The team also ensure that all strategic contracts procured undergo thorough supplier appraisal before the award of contract, which can be refreshed on an annual basis where necessary.</p> <p>The likelihood of this happening on one of our major strategic contracts remains unchanged given recent financial issues in the sector for companies such as Carillion and Capita. The potential impact also remains the same.</p> | 2 | 3 | 31-Mar-2019 | |
| Medium Term Financial Plan Not Delivered | The council's medium term financial strategy has identified a budget gap, the transformation programme will need to make this level of saving for the organisation over | 12 |  | 2 | 3 | — | <p>The medium term financial plan and balanced budget is reliant on the delivery of the moving forward transformation programme and the delivery of income streams such as planning and commercial property.</p> | 2 | 2 | 31-Mar-2019 | |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|--|--|----------------|---------------------------------|--------|------------|------------------|--|---------------|-------------------|----------------------|---------------------|
| 226 | that period to balance the budget. | | | | | | <p>The moving forward programme has been flexed and the new budget now includes the agreed phase 2 projects to achieve the best outcome and focus resources to the most appropriate areas for returns. The programme is well on track to deliver the new budget outcomes over the medium term, which is managed through the finance board.</p> <p>Many income streams could be affected by economic conditions and therefore the risk likelihood remains at a '3' currently whilst there is so much economic uncertainty within the UK.</p> <p>Reliance on RSG and New Homes Bonus has been removed from the budget which means the Council is well placed to deal with any income shortfalls in future as we will have options for reserve use.</p> | | | | |
| Failure to deliver the council's Corporate Priorities | Would lead to missed targets and failure to deliver objectives and may result in the Council suffering reputational damage and a failure to deliver priorities to residents. | 6 | <p>Impact</p> <p>Likelihood</p> | 2 | 2 | — | Risk remains unchanged as the Corporate improvement and performance team continue to monitor and work with staff towards achieving the corporate priorities. The performance risk and audit board continues to be held monthly to address any areas of poor performance should they arise. It also monitors good | 2 | 2 | 30-Apr-2019 | |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|---|--|----------------|--|--------|------------|---|--|---------------|-------------------|----------------------|---------------------|
| | | | | | | | performance, so that learning can be transferred across the organisation where possible, it is worth noting that this risk will be re-assessed when the new corporate priorities are established and agreed in the new corporate plan. | | | | |
| Failure to maximise trading opportunities 227 | Failure to maximise trading opportunities could result in lack of commercial exploitation of assets or income from trading arms | 9 |  | 2 | 2 |  | <p>The commercial activities that the Council undertakes (excluding commercial Property) are relatively limited (BTS and EHT&C) and these are now established services, so the likelihood of this risk has been reduced.</p> <p>The Commercial Property service is very well established and has temporary resources engaged currently to work on specific projects.</p> | 2 | 2 | 31-Mar-2019 | |
| Failure to deliver Local Plan and its Delivery Plan | Failure to deliver Local Plan and its Delivery Plan - reputational and financial risk due to possible Secretary of State intervention. | 8 |  | 4 | 1 |  | <p>The Local Plan continues to remain under examination, following the close of the oral hearings in September 2018. The next step in the process is to undertake consultation on the proposed Main Modifications requested by the Inspector. These were considered and agreed by full Council on 6th December 2018. The consultation is due to commence during February 2019.</p> <p>In light of the current stage of progress it remains appropriate for the impact and likelihood scores to remain unchanged for this update.</p> | 4 | 1 | 30-Apr-2019 | |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|---|---|----------------|--------------------|--------|------------|------------------|---|---------------|-------------------|----------------------|---------------------|
| Impact of County Council Budget Reductions | Impact of County Council Budget Reductions - this will potentially impact on our ability to deliver Services. This will potentially impact on resident wellbeing. | 9 | | 2 | 2 | ↓ | <p>The NCC budget consultation for the 19-20 does not consult on any new changes which would have an immediate effect on the District Council and therefore the likelihood of this risk has been reduced.</p> <p>There is a risk that Council Tax increases for 19-20 could impact on customer payments, however NCC and NPCC take their relative shares of any bad debts or delayed income, so Breckland only takes their share of any impact (around 5% of the total council tax).</p> | 2 | 2 | 31-May-2019 | |
| 228 Business rate retention scheme | Business rate retention and fair funding review changes from 2020-2021 reduce the level of funding to the council | 16 | | 2 | 2 | ↓ | <p>The timing of the Business Rates retention scheme has been delayed to 2020 and will be a 75% retention scheme, providing more time for MHCLG to devise a fit for purpose scheme. This timing also fits with the implementation of the fair funding review, which will provide a new 'needs' formula for councils. The Council has been successful in becoming a pilot for the 75% scheme for 2019-20, so we will be able to gain some learning from this.</p> <p>The draft settlement announced in December 2018 launched consultations on the Fair Funding Review and Business Rates Reform which the Council will respond to. However these consultations still do not give a clear picture of what the outcome for the council may be for funding levels in 2020.</p> | 2 | 2 | 31-Dec-2018 | |

| Title | Description | Original Score | Current Risk Score | Impact | Likelihood | Trend (last qtr) | Latest Note | Target Impact | Target Likelihood | Original Target Date | Revised target date |
|--|--|----------------|---|--------|------------|---|---|---------------|-------------------|----------------------|---------------------|
| Failure to effectively implement corporate business continuity plan | Failure to effectively implement the corporate business continuity plan, thereby exposing the authority to the risk of service outage following a major incident | 4 |  | 3 | 1 |  | The Emergency planning officer is continuing to support managers with their refresh of their business continuity plans. A large number are now complete and the emergency planning officer will continue to work with the services and managers to ensure these are effective in real life scenarios. This activity is monitored by the Emergency Planning group. | 3 | 1 | 31-Mar-2019 | |

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