

Meeting:	BNG Board
Date:	10 th July 2009
Contact:	Ian Mackintosh
Board Action:	Approval
Sensitivity/FOI:	Public

Agenda Item and Subject: Item 7 – Strategic Risk Review

Summary Report:

This report updates the Board on the results of the latest review of the strategic risk register.

Recommendations:

BNG Board is recommended to review and approve the key risks and mitigating actions as identified in the report and risk register.

Implications:

Financial: Failure to manage the identified risks will have a negative impact on the financial performance of BNG
 Equality: Equality issues have been considered in determining the key risks
 Sustainability: Sustainability issues have been considered in determining the key risks

Consultation: BNG Management Team, Project Appraisal Panel, Programme Management Group

Risk: See attached risk register

Strategic:
 Financial:
 Development:
 Operational:
 Reputational:

Report to: BNG Board 10th July 2009

Subject: Strategic Risk Review

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1. INTRODUCTION

This report updates the Board on the results of the latest review of the strategic risk register

2. RISK UPDATE

The strategic risk register was last reported to the Board in November 2008, taking on board growth in addition to renewal, and 21 strategic risks were identified:

- 12 red
- 9 amber

BNG Management Team have reviewed and updated the risks and mitigating action included in the register which now identifies 19 risks:

- 15 red
- 3 amber
- 1 green

The detailed risk register describes the risk and explains what is currently happening to alleviate the possible impact of the risk i.e. the current controls. This is then used to determine the likelihood of the risk occurring and the potential impact it could have. The product of the likelihood and impact gives the risk priority.

Additional actions to be undertaken to reduce the likelihood and impact of the risks are identified which, when carried out, should lead to the target risk priority.

Major Risks.

The four major risks, as reported previously, are still on the register. In addition a further three risks have been classified as major.

The seven major, high impact, potential risks are:

Ref	Risk Description	Current Controls	Likelihood and Impact	Additional Actions to be Undertaken
4	Significant economic downturn in north-east and/or local sub-region	Examined in target market section of reviews of strategic intervention areas. Research is carried out into economic sector. BNG and NGI work closely with 1NG the emerging CDC.	Increased from moderate to almost certain. Extreme impact.	Continue to monitor economic conditions. Deliver the Market Recovery Action Plan. Redirection of resources as appropriate. Both LAs to implement 10 point plans
3	Inability to	Continue to work on	Almost	Procurement to encourage

	<p>deliver the required mix of houses on sites.</p> <p>3.1 Possible quality standards drop as developers strive to make affordable homes - products might become less sustainable.</p> <p>3.2 Failure to deliver optimum housing mix leading to lack of take up from target markets i.e. not the right type of houses on offer to attract buyers.</p> <p>3.3 Potential change in demand for housing</p>	<p>development and roll out of Practical Affordable Housing Solutions. Evaluate current options for low cost housing with Developers and Partners. Design reviews introduced at appraisal stage. Value in Design research complete.</p>	<p>certain. High Impact.</p>	<p>innovative affordability models by developers; joint BNG, NCC and GC meetings with HCA. Development of BNG intervention programme to consider design quality/affordable mix/ gap funding possibilities. Value in Design research to be rolled out as appropriate. Strategic Housing Market Assessments to be undertaken to give an understanding of local markets.</p>
32	<p>Impact of mortgage availability etc. on scheme viability due to the money markets causing a reduction in the demand for houses to buy. Access to finance for potential purchasers reduced i.e. the impact of the 'Credit Crunch'. Developers have become unwilling to progress schemes.</p>	<p>Monitor the impact on the housing market. Develop Practical Affordable Housing Solutions. Work with Local Authorities and developers to understand the implications of the credit crunch.</p>	<p>Almost certain. Extreme impact.</p>	<p>Continue to monitor as part of HMI. Promote use of Home Ownership Options e.g. shared equity models, rent to purchase etc. Enter into longer term partnering arrangements with developers .Help to develop choice of product tailored to financial circumstances. Seek improved marketing of developments. Work with the HCA to develop affordability models. Monitor and reaffirm the impact as part of the reviews of the strategic intervention area reviews. Develop Practical Affordable Housing Solutions on 5 test sites.</p>
9	<p>Insufficient internal resources leading to reduced capacity to deliver projects - may be exacerbated by introducing growth alongside renewal.</p>	<p>Partnership Agreement developed outlining expectations of all partners. Partnership Improvement Team developed. Resources Task Group set up to monitor and manage growth alongside renewal.</p>	<p>Increased from likely to almost certain. Extreme impact.</p>	<p>Capacity review across the partnership is out to tender. Implement recommendations when received.</p>
44	<p>Failure to deliver key projects and the effect this may have on the</p>	<p>BNG has developed robust financial and performance monitoring systems, helping to ensure effective</p>	<p>Increased from moderate to likely.</p>	<p>Further enhance programme and project management procedures. Implement gateway reviews. Develop</p>

	programme as a whole. The renewal programme now has fewer, larger projects therefore more potential risks to delivery.	delivery. In addition, the recent introduction of gateway reviews for projects towards the end of each year, and periodically for schemes with identified delivery risks, should ensure progress in the context of difficult market circumstances	Extreme impact.	improved milestone monitoring procedures. Longstop dates introduced for key projects.
52	Future structural changes in local authorities and partners may cause delays in project implementation	Impact of organisational change within partner local authorities and delivery partners discussed in Executive Team.	Almost certain. Impact increased from medium to extreme	Partners to consider impact on programme when determining structural changes. AM to liaise with LA partners re any proposed changes. Need to complete the Transformation Programme in NCC and monitor the outcomes.
43	Failure to secure Private Sector investment due to lack of interest with regard to new sites and slowing down of ongoing developments in relation to the impact of the credit crunch.	Test market and private sector willingness to develop sites in line with BNG objectives (with or without gap funding) through the procurement process. Continue to develop URV in Scotswood and JV Partnership in Gateshead. Deliver the Growth Point Programme of Development	Increased from likely to almost certain. Extreme impact.	Early involvement of Private Sector in determination of optimum schemes. Consider de-risking of sites in relation to ground conditions etc. Consider potential changes to the housing mix on sites, e.g. bringing forward affordable housing, to encourage development in the short term ensuring no long term impact on the mix. Work with developers to implement Practical Affordable Housing Solutions on 5 sites.

The risks added to the 'major risk' category in the last quarter are:

- Risk 4: Significant economic downturn in north-east and/or local sub-region. This has been added due to the impact of the 'credit crunch' on both the local economy and programme ;
- Risk 9: Insufficient internal resources leading to reduced capacity to deliver projects - may be exacerbated by introducing growth alongside renewal. This has been added due to the ongoing reduction in revenue resources coupled with the addition of managing the growth programme alongside renewal, and
- Risk 52: Future structural changes in local authorities and partners may cause delays in project implementation. This has been added due to the potential impact of the Transformation Programme in Newcastle City Council.

The additional changes are to:

- Risk 44 - Failure to deliver key projects and the effect this may have on the programme as a whole. The likelihood has increased to 'likely' given the nature of the programme for 2009-11. Key project risks are highlighted in the Financial Update report on this agenda.
- Risk 43 - Failure to secure Private Sector investment. The likelihood has changed

to almost certain given the slow down in the economy and housing market in particular.

Changes to the assessment of likelihood and impact are highlighted in blue in the table.

Additional changes to the risk register are:

- Risk 2 - Change of central government policy on housing market renewal and growth. Increased from moderate to likely to happen given the Cabinet reshuffle and the impact of the housing market.
- Risk 57 - Failure to integrate growth and renewal leading to programme delivery problems. Increased from moderate to likely to happen due to possible revenue implications.
- Risk 38 - Failure to address perceptions of the HMR areas undermines take-up of new housing and participation in refurbishment schemes by owner-occupiers. Increased from moderate to likely to happen due to the impact of the credit crunch.
- Risk 20 - Ineffective community involvement leading to failure to maintain community buy in to programme. Increased from moderate with a medium impact to likely with a high impact. This is due to the possible impact of changes in the way that it is proposed to involve communities in governance structures.
- Risk 15 - Level of local and national political support could undermine long term nature of programme. This could be exacerbated during the build up to the forthcoming general election. Increased from moderate to likely to happen due to the possibility of a general election in the near future.
- Risk 28 - BNG governance arrangements not 'fit for purpose'. This may be exacerbated by the inclusion of growth as well as renewal to the BNG governance framework. The impact has reduced to medium and is unlikely to happen due to the review of Board and governance structures recently completed.
- Risk 56 – Buy to invest market undermines new build schemes. This has been removed from the register as it has not had a particular impact on the BNG programme to date.
- Risk 43 – Failure to develop the most appropriate mechanisms for generating future returns from HMR investments has been amalgamated with Risk 43.

Every risk that is included in the attached risk register is regularly reviewed by BNG Management Team and the Programme Management Group.

In all cases additional actions have been identified that, when delivered, should help to mitigate the impact of the risks. These are shown above in the table for the major risks and in the risk register for all risks.

Wherever possible targets for improving the likelihood and impact of the risks have been identified and feature in the register. These will form a key element of the management and monitoring of the risks.

3. **PROJECT RISKS**

All projects, as part of the project appraisal process, identify and assess potential risks to delivery.

Given the nature of the BNG programme with fewer, larger, projects there is a major

potential risk to the delivery of the overall programme for the year.

To mitigate the impact of this key projects 'at risk' are monitored and closely managed and these are identified as:

- Riverside Dene - Private sector element of scheme does not progress due to market conditions resulting in no/little change in tenure mix.
- Scotswood Expo - Failure to appoint Private Sector Partner delaying entire scheme considerably. Potential CPO delays.
- Pottery Bank - failure to agree a satisfactory solution to the problems on the estate to deliver transformational change.
- Enslin Street etc. - failure to agree a satisfactory solution to the problems on the estate to deliver transformational change.
- North West Quarter Clearance - resolution to opposition to demolitions not reached.

4. **NEXT STEPS**

All identified risks will continue to be managed and actions identified to reduce their impact will be carried out.

The full risk register will be reviewed in January 2010 and subsequently brought back to the Board for approval.

5. **RECOMMENDATIONS**

BNG Board is recommended to review and approve the key risks and mitigating actions as identified in the report and risk register.