

Meeting:	BNG Board
Date:	21 st November 2008
Contact:	Ian Mackintosh
Board Action:	Review
Sensitivity:	Public

Subject: Item 8 – Strategic Risk Review

Link to BNG Vision and Objectives:

This report identifies the key strategic risks to the delivery of the BNG vision and objectives.

Recommendation:

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

Executive Summary:

As part of the Risk Management Process determined by Bridging Newcastle Gateshead a regular review of strategic risks is required. This was initially carried out by Marsh in September 2005 and led to the creation of a strategic risk register. This has been regularly updated and reported to the BNG Board since then. This report updates the Board on the results of the latest review of the strategic risk register.

BNG Management Team and Programme Management Group, including the Director of the Tyne and Wear Housing Partnership, have updated the strategic risk register and reviewed the mitigating actions. In addition the impact of taking on board growth in addition to renewal has been taken into account in the register.

The risk register previously identified 23 key strategic risks:

- 15 identified as red
- 7 identified as amber
- 1 identified as green

The reviewed register now identifies 21 strategic risks:

- 12 red
- 9 amber

Major Risks

Four major risks, as previously identified, remain on the risk register as follows:

Risk log: 3

'Inability to deliver the appropriate housing mix on sites'

Current Controls in place:

- Continue to work on development and roll out of Home Ownership Financing Options;
- Evaluate current options for low cost housing with Developers and Partners;
- Design reviews introduced at appraisal stage.

Actions required to reduce risk:

- Procurement to encourage shared equity models by developers;
- Joint BNG, NCC and GC meetings with Housing Corporation about priorities for future NAHP;
- Affordability Task Group to examine issues;
- Development of BNG intervention programme to consider design quality/affordable mix/ gap funding possibilities;
- Value in Design research to be completed and rolled out as appropriate;
- Strategic Housing Market Assessments to be undertaken to give an understanding of local markets;
- Complete and roll out Housing Options Phase 2 research.

This risk has increased from likely to almost certain to happen and remains a potentially high impact due to the effect of the credit crunch.

Risk log: 32

'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 is reduced i.e. the impact of the 'Credit Crunch' Developers could become unwilling to progress schemes.'

Current Controls in place:

- Monitor the impact on the housing market;
- Review Home Ownership Financing Options;
- Work with Local Authorities and developers to understand the implications of the credit crunch.

Actions required to reduce risk:

- Continue to monitor as part of Housing Market Intelligence model;
- 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;
- Develop the Affordability Task Group;
- Promote the showhomes at the Cambrian Estate;
- Work with developers and lenders at Cruddas park;
- Work with the Housing Corporation to develop affordability models;
- Monitor and reaffirm the impact as part of the reviews of the strategic intervention area reviews.

- Pilot equity stakes in James Street

This risk has changed from likely to happen to almost certain and the impact has increased from high to extreme due to the effect of the credit crunch and the difficulties faced by developers in selling properties.

Risk log: 44

'Failure to deliver key projects and the effect this may have on the programme as a whole. The renewal programme now has fewer, larger, projects therefore more potential risks to delivery'

Current Controls in place:

- The Audit Commission view is that 'BNG has developed robust financial and performance monitoring systems, helping to ensure effective 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.'

Actions required to reduce risk:

- Further enhance programme and project management procedures;
- Implement gateway reviews;
- Develop improved milestone monitoring procedures.

The likelihood of this risk has increased from moderate to likely due to the changing nature of the programme i.e. fewer, larger projects with more potential risks to delivery.

Risk log: 43

'Failure to optimise Private Sector investment due to lack of interest in new sites and slowing down of ongoing developments in relation to the impact of the credit crunch'

Current Controls in place:

- Test market and private sector willingness to develop sites in line with BNG objectives (with or without gap funding);
- Continue to develop URV in Scotswood, and
- JV Partnership in Gateshead.

Actions required to reduce risk:

- Carry out market testing to determine possible private sector interest in development opportunities;
- Early involvement of Private Sector in determination of optimum schemes;
- Consider de-risking of sites in relation to ground conditions etc;
- Deliver the Growth Point Programme of Development;
- 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.

The likelihood of this risk has increased from moderate to likely to happen due to the impact of the credit crunch and the potential slowing down of developments.

These major risks are continually monitored by Programme Management Group to ensure that the impact on programme delivery is minimised.

New Strategic Risks

One new risk has been added to the register in relation to delivery of the growth agenda:

Risk log: 57

' Failure to integrate growth and renewal leading to programme delivery problems'

Current Controls in place:

- Utilisation of existing partnership structures;
- Creation of Resources Task Group to oversee integration.

Actions required to reduce risk:

- A review of resources and structures to be commissioned by the newly created Renewal and Growth Resources Task Group

This risk is currently classified as an amber risk with a moderate likelihood but a high impact. The target is to change this to a green risk with an unlikely likelihood and a medium impact.

Additional Changes

Further amendments have been made to the risk register as follows:

Risk Log 17: 'Changing demand patterns for housing' has been amalgamated with Risk Log 3 'Inability to deliver the appropriate housing mix on sites' as it is felt that the issue could be covered in one risk.

Risk Log 12: 'Failure to maximise the availability and alignment of funding strategies for other strands of regeneration' has reduced from likely to happen to a moderate likelihood due to the actions taken to reduce the risk. This was reflected in the view of the Audit Commission who noted that 'BNG is assessed as performing strongly in its approach to strategic and operational alignment.'

Risk Log 6: 'Inappropriate transitional housing arrangements during project implementation' has been removed from the register as it is no longer felt to be a risk.

Risk Log 16: 'Consistency and effectiveness of local area governance arrangements causing negative impact on the programme' has been removed from the register as it is no longer felt to be a risk.

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

Freedom of Information:	Public
Report Status:	Open
Risk:	See risk register