

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 26 September 2023

BY: Chief Executive

SUBJECT: Development Risk Register

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Development Risk Register is developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Development Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Development Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the Development risks can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks for Development and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Development LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
 - Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Development Risk Register includes 3 High, 3 Medium and 6 Low risks. As per the Council’s Risk Strategy, only the one High risk is being reported to the Committee.

3.4 Please also note that within Development there are three Project Risk Registers covering the Cockenzie Site, Blindwells and the Innovation Hub. Each of these have one summary of the overall risk within the Development Risk Register.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the Development LRWG that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel - There are no immediate implications.

6.3 Other - Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Development Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

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DATE	14 September 2023	

Development Risk Register 2023-24

Date reviewed: 14th September 2023

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
D1	Service Objectives Financial	<p>Failure of Parking Management Project</p> <p>Parking demand in many of East Lothian's town centres can be high, especially at peak periods. Growth in car ownership and a lack of spaces for short stay parking makes it difficult for people to access amenities and local businesses. Improving the availability of short stay parking in the town centre increases turn-over making it easier to access the town centre and local services. Opposition raised from the business community stating parking charges will deter shoppers.</p> <p>Income from parking charges can help support the setting of a balanced council budget and maintaining provision of services. This would be alongside delivering the investment required to introduce and maintain parking management arrangements and to achieve safer streets, parking space turnover and wider investment in active travel and sustainable transport provision.</p> <p>Income generated can be used to encourage greater use of public transport and promote active travel such as walking and cycling to address the Climate Emergency.</p> <p>Resources are required to implement and manage the project timeously to avoid delay and disruption in the delivery of proposed interventions (infrastructure and personnel) on a yearly basis.</p> <p>Political and public opposition to the proposals may increase levels of challenges, scrutiny and objections elongating delivery or potentially abandoning the project.</p>	<p>Reports to Council in June 2022 and April 2023 approved.</p> <p>Economic impact assessment undertaken for North Berwick providing detailed analysis and assessment of growth opportunities.</p> <p>Resources deployed from other service areas to support Project Manager and consultant commissioned to provide technical support.</p> <p>Meetings held and guidance given to Elected Members, local community council in North Berwick to inform and support their understanding of technical matters, process and delivery.</p> <p>Parking management Project Board formed. Meetings occur monthly to monitor progress and agreed operational matters going forward.</p> <p>This risk is supported by a full project risk register.</p>	4	3	12	<p>Undertake full economic impact assessments, demand assessments and technical work for all East Lothian towns.</p> <p>Provide consistent approach to consultation on an individual town by town basis commencing in Musselburgh.</p> <p>Engage with community leaders, businesses, area partnerships early to explore their concern. Keep dialogue open.</p> <p>Identify partners and allies to keep messages positive.</p> <p>Exploring and identifying additional off street parking intervention(s) where appropriate.</p> <p>Report to Council February 2024 on North Berwick objection status, and Musselburgh consultation status.</p>	3	3	9	<p>September 2023</p> <p>October 2023</p> <p>October 2023</p> <p>September 2023</p> <p>October 2023</p> <p>February 2024</p>	<p>New risk created by Project Manager - Growth & Sustainability, August 2023.</p>
D2	Service objectives	<p>Failure to facilitate supportive business formation, recovery, and growth environment</p> <p>Failing to facilitate a conducive environment for business formation, recovery, and growth in the short to medium term would lead to a lack of opportunity / encouragement to new start-ups, businesses with growth potential, and relocation of businesses to East Lothian. Opportunity cost in terms of prosperity and employment as well as risk of business failure and job losses. Reputational risk to East Lothian as a business location and consequently to the Council. Impact on the revenue of the Council through reduced income from business rates, rents, and council tax. Would also lead to higher costs of service</p>	<p>Delivery of Business Gateway by specialist advisers enables staff to engage with, support and monitor business performance and confidence.</p> <p>Monitor developments regarding the national review of business support environment including national Business Gateway review.</p> <p>Ongoing monitoring of commercial / employment land availability and planning support to developers bringing forward plans for allocated sites.</p> <p>Continue to monitor economic situation and work with national partners via CEG and BSP, carry out 'business base survey' to gather further intelligence and inform ongoing delivery / scope of support funds.</p>	3	4	12	<p>Long term planning for provision / development / enablement by ELC of land to allow for business growth and expansion. This is linked to the LDP and its identified employment sites and a review of potential sites through the preparation of LDP2.</p> <p>Develop new 10 year Local Economy Strategy and Action Plan.</p> <p>Deliver remediation (through Levelling Up funded works) and masterplan for former Cockszie power Station site to unlock development / employment land.</p> <p>Explore individually and with others the identification of alternative funding streams (e.g. Visitor Levy, UKSPF,</p>	2	4	8	<p>January 2026</p> <p>March 2024</p> <p>April 2025</p> <p>March 2024</p>	<p>Risk reviewed by Service Manager, Economic Development August 2023 with no change to risk scores.</p> <p>Risk further reviewed by Head of Service, September 2022 with current risk score reduced from 16 to 12.</p> <p>Risk refreshed August 2022 by Service Manager – Economic Development combining three risks into one with no change to risk scores.</p>

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		<p>provision e.g. welfare support to tackle growing inequalities.</p> <p>There are:</p> <p>Ongoing issues with the availability of commercial space and rising rents within the County. Recent commercial needs review highlights full occupancy and older business units coming to the end of their effective life. Lack of new developments coming forward, due to difficulties with delivering development on allocated sites.</p> <p>Significant and increasing ongoing risks to viability and growth of businesses due to increasing inflationary impact on cost base (rising costs of resources / utilities / transportation / new commercial development etc.), linked cost of living increases/wage inflation, as well as issues finding and retaining skilled staff as result of very low unemployment levels and shifting attitudes to work.</p> <p>Ongoing issues in terms of shifting buying patterns, loss of confidence, and debt burden following COVID-19 increasing the risk of business failure, job losses, and increased personal debt.</p> <p>Increased pressure on ELC budgets resulting in reduction of existing support for business and discretionary funding for business sector groups.</p>	<p>Deliver UK Shared Prosperity Investment Plan providing additional support for communities, businesses, and skills development.</p> <p>LUF2 bid secured funds for remediation of future employment land at former Cockenzie Power Station site.</p> <p>Ongoing development of QMU Hub to support business formation and innovation.</p>				LUF3) and alternative delivery arrangements.					
D3	Service Objectives	<p>Future development of the Blindwells expansion proves technically undeliverable, unviable or unaffordable</p> <p>Larger new town is a long term project that is likely to span several economic and political cycles, and generate significant capital and revenue requirements and additional demands for services and facilities as it is developed and once operational.</p> <p>Work that is currently being undertaken on the business case for expansion will consider technical requirements, and capital and revenue impacts of the development, and may demonstrate that there is no technically sound, viable or affordable future for the expansion area or no technical, viable or affordable future without public sector financial support from either or both Governments. The level of potential solution, including capital and revenue support to be identified, quantified and agreed with both Governments as a commitment through business case</p>	<p>The Edinburgh and South East Scotland City Region Deal and Regional Prosperity Framework Delivery Plan provide the context for business case development in collaboration with both Governments to seek place-based capital and revenue solution for site. Also, ongoing engagement with UKG and SG to ensure that shared benefits and challenges of Larger Blindwells are understood in terms of ambition and constraints, and to reflect the need for shared solutions and actions as a priority.</p> <p>Ensure solution to capital and revenue issues and approach to delivery and risk management identified before any project allocation, consent or commencement, linked to business case development stages with prior approval of those relative to LDP process, with OBC to be approved by both Governments prior to any further land allocation proposal in a draft LDP as a minimum.</p>	4	3	12	<p>Ministerial engagement with UKG (Lord Offord) and SG (Minister Gray) is planned to set out 'asks' at regional level to that could support business case and delivery as part of on-gong engagement.</p> <p>Locally, engagement with the Depute First Minister started a dialog to consider challenges, ambitions and potential solutions, including for Larger Blindwells.</p> <p>Ensure landowners base all proposals, including for business case development, on sound technical work, and delivery and financial model that can be resilient to economic cycles, and takes account of viability and affordability parameters.</p> <p>Test the robustness of the viability model prepared by the landowners and subsequently agree clear development programme and phasing model.</p> <p>Understand the scope and timing of any public sector intervention required to enable the development to proceed,</p>	4	2	8	<p>26th September 2023 (and on-going)</p> <p>23rd August 2023 (and on-going)</p> <p>Before LDP2 adopted winter 2028</p> <p>Before LDP2 Evidence Report at spring 2024</p>	<p>Risk reviewed and updated July 2023 by Exec Director Place with Current Score increased from 9 to 12 and residual score from 6 to 8.</p>

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		<p>development, if required, before any expansion scheme is committed to by ELC.</p> <p>May lead to development requirements needing to be met elsewhere in East Lothian in whole or part.</p>	<p>Blindwells Business Case Board established and meeting quarterly with inception June 2023 with landowners.</p> <p>Ensure relevant internal and external service and infrastructure providers engaged as and when required, including UK Government and Scottish Government and Key Agencies as well as ELC Legal, Estates and Finance and other relevant departments as required, to ensure technical matters addressed in terms of deliverability.</p> <p>This risk is supported by a full project risk register.</p>				<p>working with SFT, including revenue and affordability parameters / solutions.</p> <p>Encourage equalisation agreement between landowners.</p> <p>Consider if any need for shared control of land for shared infrastructure.</p> <p>If BW2 site allocated by LDP2, identify and quantify additional revenue and public loan or grant investment required, facilitate arrangements between public/private/third sectors if needed. Could include UKG/SG/City Deal/SNIB as appropriate. To be in line with the business case being prepared by landowners, once it is approved at each stage of its development.</p> <p>Identify method to protect any public loan investment, including through engagement with SFT.</p>				<p>SOC at Spring'24</p> <p>OBC at Autumn 2025</p> <p>As LDP2 adopted and FBC approved at end of 2028</p> <p>As LDP2 adopted and FBC approved at end of 2028.</p>	

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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