

**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 11 DECEMBER 2014 – RISK MANAGEMENT UPDATE**

*The following is an extract from the Draft Minutes of the Finance, Performance and Risk Committee meeting held on 11 December 2014.*

**40. RISK MANAGEMENT UPDATE**

The Head of Finance, Performance and Asset Management (HF) advised that the purpose of the report was to update the Committee on the management of the Strategic and Corporate Risks owned by Cabinet and the Senior Management Team.

The HF confirmed that the Cabinet Top Risks and Senior Management Team Top Risks had been reviewed and were summarised in the Matrices at Tables 1 and 2 respectively. The HF advised that this Committee had to consider and review the Top Risks and that any changes to the Cabinet Top Risks must be referred to Cabinet for approval.

The HF reminded the Committee that at the meeting held on 18 September 2014 (Minute 22 refers) the changes to the Waste and Street Cleansing Contract Renewal was referred to Cabinet and that the Senior Management Team (SMT) risk for the development of Careline had been agreed. Since the September meeting all of the Top Risks for Cabinet and SMT had been reviewed and the HF updated the Committee on recent developments. Of most concern was the Cabinet Top Risk concerning North Hertfordshire Museum and Hitchin Town Hall where there had been notice of a potential loss or unavailability of key personnel at Hitchin Town Hall Ltd. Notice had also been taken of the possible lack of resources to operate the building as a Community Facility. The Council were also aware through recent announcements that there was a lack of fund raising and a ramp up plan from Hitchin Town Hall Ltd. Accordingly the HF proposed that Cabinet should be advised that this project should be moved to the top scale of 9 – high impact and top scale of 3 risk likelihood.

The HF advised the Committee that it was proposed to reduce the likelihood of the Northern Transfer Station and Ancillary Cabinet Top Risk from Impact of 9 to Impact of 6 and reduce the likelihood to a low 1. This was due to the resolution of the short term risks relating to the lease and contract arrangements for Bury Mead Road in Hitchin and that Hertfordshire County Council continued to use this site as a residual waste transfer station for the District, but not domestic waste.

The HF stated that the SMT risk for the Payroll system service was given a reduced likelihood as the system had 'bedded down' well and consequently the risks had passed or not happened. There was also a likelihood of reduced risks and or errors by SERCO staff or NHDC employees which in turn reduced the likelihood of additional risks.

The HF referred the Committee to Appendix A for a more detailed description of the revised risks.

In addition to the proposed changes to the Cabinet and SMT top risks the HF advised the Committee that the Risk and Opportunities Management Policy as presented at Appendix B had been revised to reflect the Council's current priorities and that by managing risk the Council could:

- Explore ways to generate additional income to protect and enhance the facilities, services and environment that we already have;
- Encourage an environment in which businesses and people can flourish;
- Use resources such as people, knowledge, investments and land and buildings to make changes to services and how they are delivered."

The PRM also advised that although the Risk and Opportunities Management Strategy was not due for review at this meeting there had been some recent minor revisions put forward and these were contained in the Strategy at Appendix C.

It was very clear from the ensuing discussion that Members had a great concern about the viability of the Hitchin Town Hall Project should Hitchin Town Hall Limited withdraw from the Development Agreement (as indicated by letter from Hitchin Town Hall Limited to all NHDC Councillors) and discussed at length the proposal to increase the likelihood score. It was accepted that a top score of '9' was the highest allowable under the current matrix arrangement but the Committee expressed great concern that a full description of the mitigation of risks had not been provided with the officer's report. The HF advised that this information could be found in COVALENT and that he would ensure that the Performance and Risk Manager made arrangements for COVALENT training for any Member that requested it. Members expressed a view that in such a case as this very important risk other information could not be assessed outside this meeting. Members also considered that the description of the risk at Appendix A did not have sufficient information about this project which could have very serious consequences for the Council if the risk was not managed or assessed in the correct way. Members were also very concerned about the lack of a Business Plan for the North Hertfordshire Museum and Hitchin Town Hall Project provided in the officer's report as supporting information for the proposed increase in the likelihood to '3' and impact to '3'.

Consequently the Committee agreed that they could not support the proposal to increase the likelihood score to '9' without much more supporting information and in particular the mitigation of risks.

In response to a question concerning the Local Plan and its ranking of '9' the HF advised that this item was at a '9' and would remain at '9' and that this report had been published before the meeting of Council on 27 November and that the decision taken on 27 November (Minute 51 refers) confirmed the listed score.

In response to another question concerning a new paragraph 6.2 in the Risk and Opportunities Management Strategy which addressed risks in Service Areas the HF confirmed that this was at the level of Service Areas and not at Directorate Level. The HF advised that this allowed peer challenges on the lower level risks to avoid a large grouping of risks in any service area that were listed to cover all events that might occur when a good assessment of the mitigation of a risk could avoid a risk being listed.

The Chairman thanked Members and Officers for their contribution to the debate and emphasising the need for adequate information when important and major risks were considered for an increase in the risk rating.

**RESOLVED:**

- (1) That the proposal to reduce the likelihood score for the Cabinet Top Risk 'Waste and Street Cleansing Contract Renewal be agreed;
- (2) That the proposal to reduce the impact score for the Senior Management Team Top Risk of the Payroll System be agreed;
- (3) That the proposal to increase the likelihood score for the Cabinet Top Risk ' North Hertfordshire Museum and Hitchin Town Hall Project to category 9 be noted and that Cabinet should be advised that the Committee were unable to agree this proposal due to the lack of any information on the mitigation of risks presented at this meeting;
- (4) That the Performance and Risk Manager be requested to ensure that any future reports on a risk with a proposed increase in overall risk score to a '9' should include supporting comprehensive information including the mitigation of risks
- (5) That the proposed changes to the Risk and Opportunities Management Policy (Appendix B) be agreed and forwarded to Cabinet for consideration and endorsement;

- (6) That the proposed changes to the Risk and Opportunities Management Strategy (Appendix C) be agreed and forwarded to Cabinet for consideration and endorsement;

**RECOMMENDED TO CABINET:**

- (1) That the proposal to reduce the likelihood score for the Cabinet Top Risk 'Waste and Street Cleansing Contract Renewal' be endorsed;
- (2) That the proposal to increase the likelihood score for the Cabinet Top Risk 'North Hertfordshire Museum and Hitchin Town Hall Project' be noted with the proviso that Cabinet should be aware that there was insufficient information provided on the mitigation of risks was provided to allow the Committee to agree the increase of the likelihood score;
- (3) That the proposed changes to the Risk and Opportunities Management Policy (Appendix B) be endorsed;
- (4) That the proposed changes to the Risk and Opportunities Management Strategy (Appendix C) be endorsed.

**REASON FOR DECISION:**

To ensure that the Finance, Audit and Risk Committee would receive updates on the assessment of changes to Cabinet and Senior Management Team Top Risks and advise Cabinet of any decisions made by this Committee concerning such risks.

***The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 11 December 2014.***

## **TITLE OF REPORT: RISK MANAGEMENT UPDATE**

### **REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT**

#### **1. SUMMARY**

- 1.1 To provide the Committee with an update on the management of the Strategic/Corporate risks owned by the Senior Management Team (SMT) and Cabinet.
- 1.2 To provide the Committee with a summary of the changes made to the Risk Management Policy and Strategy for 2014.

#### **2. RECOMMENDATIONS**

- 2.1 That the Committee notes and refers the reduced likelihood score for the Northern Transfer and Ancillary Facility risk to Cabinet.
- 2.2 The Committee notes and refers the revised likelihood score for the Top Risk of the North Hertfordshire Museum & Hitchin Town Hall Project to Cabinet.
- 2.3 To note the Payroll System/Service Top Risk has a reduced impact score following the continuing embedding of the payroll contract.
- 2.4 To review and approve the changes to the Risk and Opportunities Management Policy and Strategy and refer these to Cabinet.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of the risks referred to in Section 2.1 and 2.2 of this report is that of Cabinet.
- 3.2 Cabinet have responsibility for approving any changes to the Risk & Opportunities Management Strategy and Policy.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options that are applicable.

#### **5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion'). Lead Officers discuss these risks with the relevant Portfolio Holder.

#### **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**



- 7.1 The Finance, Audit and Risk Committee received an update report on the Top Risks at the September 2014 meeting. The new risk of the Waste & Street Cleansing Contract Renewal was referred to Cabinet. In addition, the Committee noted the new SMT Top Risk of Development of Careline.
- 7.2 The Top Risks have been reviewed by the Senior Management Team. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2. Members are able to view the current risk descriptions on Covalent, the Council's performance and risk management software.
- 7.3 The Council's Risk and Opportunities Management Strategy describes the role of this Committee as to "oversee the effective management of risk by the Council by receiving and considering the Top Risks and risk management reports. Any changes to the Top Risks are referred to Cabinet".
- 7.4 The projects relating to the North Hertfordshire Museum & Hitchin Town Hall and the Northern Transfer Station and Ancillary Facilities have been included as key projects in the Priorities for the District 14/15. They relate to the priorities of "Working with our Communities" and "Living Within our Means" respectively

## **8. REVISED TOP RISKS**


- 8.1 **North Hertfordshire Museum & Hitchin Town Hall**  
This Top Risk was formally known as "Delivery of Outcomes from the Museums FSR". The title has been revised to reflect the current project. The likelihood has been increased to reflect the risk of loss of, or unavailability of, or capacity of, key personnel at Hitchin Town Hall Ltd and potential failure to mobilise resources to operate the building. It further reflects the lack of fund raising and a ramp-up plan from Hitchin Town Hall Ltd.
- 8.2 **Northern Transfer Station and Ancillary Facilities**  
This has a reduced likelihood following the resolution of the short-term risks posed by the lease and contract arrangements for Bury Mead. This site is currently acting as a residual waste transfer station for North Hertfordshire.
- 8.3 **Payroll System/Service**  
The replacement payroll system/service has a reduced likelihood to reflect that the system is now bedding down so risks have either materialised or passed, also reducing the risk of errors or omissions by staff/SERCO and the risk of additional costs being charged.
- 8.4 The full risk descriptions for the revised risks outlined in paragraphs 8.1 to 8.3 are included in Appendix A.

8.5 Tables 1 and 2 illustrate the current and proposed changes to the Top Risks.

**Table 1: Risk Matrix – Cabinet Risks December 2014**

<b>likelihood</b>	<b>3</b> high	<b>4</b>	<b>7</b> Sustainable Development of the District	<b>9</b> Local Plan  North Hertfordshire Museum & Hitchin Town Hall 
	<b>2</b> medium	<b>2</b>	<b>5</b> Office Accommodation  Churchgate and the surrounding area  Asset Management	<b>8</b> Waste & Street Cleansing Contract Renewal  Comingled waste  Managing the Council's Finances
	<b>1</b> low	<b>1</b>	<b>3</b>	<b>6</b> Northern Transfer Station & Ancillary Facilities (9) 
		<b>1</b> Low	<b>2</b> Medium	<b>3</b> High
		<b>Impact</b>		

**Table 2 – SMT Top Risks December 2014**

<b>likelihood</b>	<b>3</b> high	<b>4</b>	<b>7</b>	<b>9</b>
	<b>2</b> medium	<b>2</b>	<b>5</b> Procurement, Tendering & Letting of Contracts  Workforce Planning  Welfare Reform and Interest Rates  Replacement payroll system / payroll service 	<b>8</b> Development of Careline
	<b>1</b> low	<b>1</b>	<b>3</b>	<b>6</b>
		<b>1</b> Low	<b>2</b> Medium Impact	<b>3</b> High

## 9. RISK & OPPORTUNITIES MANAGEMENT POLICY & STRATEGY





9.1 The Risk Management Policy in Appendix B has been revised to reflect the current Priorities. The following paragraph has been inserted to confirm that by managing risk the Council can take opportunities.

“By managing risk, the Council will be in a better position to:

- Explore ways to generate additional income to protect and enhance the facilities, services and environment that we already have
- Encourage an environment in which businesses and people can flourish
- Use resources such as people, knowledge, investments and land & buildings to make changes to services and how they are delivered.”

9.2 Although the Strategy is not formally due for review at this time, some minor revisions are proposed. The revised Strategy is attached in Appendix C.

9.3 The Strategy has been amended in the following areas:

Ref	Existing Wording	New Wording
3.1	<ul style="list-style-type: none"> <li>• Living within our means to deliver cost effective services</li> <li>• Working with local communities</li> <li>• Protecting our environment for our communities</li> </ul> <p>From 1 April 2014, the priorities will be:</p> <ul style="list-style-type: none"> <li>• Promoting Sustainable Growth</li> <li>• Working with our communities</li> <li>• Living within our Means</li> </ul>	<p>The Council’s short and medium term priorities are :-</p> <ul style="list-style-type: none"> <li>• Promoting Sustainable Growth</li> <li>• Working with our communities</li> <li>• Living within our Means</li> </ul>
4.4	<p>Managers need to consider the worst thing that can happen/the benefits of taking an opportunity.</p> <p>Event  Consequence  Impact</p> <p>Typical risk phrasing is</p> <ul style="list-style-type: none"> <li>Loss to...</li> <li>Failure of.....</li> <li>Failure to.....</li> <li>Lack of.....</li> <li>Partnership with.....</li> <li>Development of .....</li> </ul> <p>} leads</p>	<p>Managers need to consider the cause of a risk/the benefits of taking an opportunity. The risk description needs to be clearly understood by anyone who is reading the register. If it is not well defined, it is difficult to understand why there us a risk and identify the appropriate and effective controls</p> <p>Cause  Risk  Result</p> <p>As a result of...,there is a risk that..., which may result in...</p> <p>For example:-</p> <p>As a result of lack of staff</p>

		<p>and budget resources there is a risk that there will be a delay of 6 months in implementing buildings maintenance plans leading to:-</p> <ul style="list-style-type: none"> <li>• Increased deterioration of buildings</li> <li>• Increased cost of implementing plan</li> <li>• Budget shortfall</li> <li>• Impact on insurance arrangements</li> </ul>
6.2	New	<p>Where a particular service area has a large number or variety of risks, at least an annual report on their identified risks as well as their performance and any outstanding recommendations from internal audit reports will be reviewed at a Team Meeting. This enables a local challenge by managers within that service who would have an understanding of the operational service risks, including new and emerging risks relevant to that service</p>
8.2	Revised	<p>Timetable updated to reflect dates for 2014 and beyond</p>

## 10. LEGAL IMPLICATIONS

- 10.1 No legal implications arise from Risk Management updates to the Finance, Audit and Risk Committee. The Committee's Terms of Reference make it responsible for monitoring the effective development and operation of risk management and corporate governance in the council

## 11. FINANCIAL IMPLICATIONS

- 11.1 Any additional resources to complete risk management actions are included in the Corporate Business Planning process. There are no direct financial implications from this report.

## 12. RISK IMPLICATIONS

- 12.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Top Risks. Failure to provide the Committee with regular updates would be in conflict



with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Top Risks are being managed.

### **13. EQUALITIES IMPLICATIONS**

- 13.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 13.3 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner. This then fulfils the council's obligations arising from the Public Sector Equality Duty.

### **14. SOCIAL VALUE IMPLICATIONS**

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 13.

### **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct Human Resource implications arising from this report but it should be noted that there is a separate Top Risk relating to Workforce Planning.

### **16. APPENDICES**

- 16.1 Appendix A – The Top Risks of
- The North Hertfordshire Museum and Hitchin Town Hall
  - Northern Transfer Station and Associated Facilities
  - Payroll System / Service
- 16.2 Appendix B – Risk and Opportunities Management Policy.
- 16.3 Appendix C- Risk and Opportunities Management Strategy.

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## **18 BACKGROUND PAPERS**

18.1 The risks held on Covalent the Council's Performance and Risk Management IT system.

18.2 The Risk & Opportunities Management Strategy 2013-16. <http://www.north-herts.gov.uk/aksnherts/images/att6979.doc>