

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 18 MARCH 2015 – RISK MANAGEMENT UPDATE

The following is an extract from the Draft Minutes of the Finance, Performance and Risk Committee meeting held on 18 March 2015.

66. RISK MANAGEMENT UPDATE

The Performance and Risk Manager (PRM) presented the report of the Head of Finance, Performance and Asset Management and confirmed that as standard procedure all Cabinet Top Risks and Senior Management Top Risks had been reviewed by the Risk Management Group and Lead Officers had discussed such risks with the appropriate Portfolio Holders.

The PRM referred the Committee to Tables 1 and 2 which showed the matrices for Cabinet Top Risks and Senior Management Team Top Risks respectively.

The PRM advised the Committee that the Cabinet Top Risk 'Waste and Street Cleansing Contract Renewal' had been revised following review to ensure that all sub risks were now included in the main risk. Therefore it was proposed to add the following two sub risks viz. 'Co-mingled Waste' and 'Northern Transfer Station and Ancillary Facilities' within the Top Risk. The PRM referred the Committee to Appendix A which detailed these key sub risks (11 December 2014, Minute 40(4) refers). The PRM confirmed that the two sub risks were listed in the Cabinet Top Risks Matrix and listed these sub risks (with risk assessment score) for clarification:

- a. Co-mingled Waste (7);
- b. Northern Transfer Station and Ancillary Facilities (6);
- c. Trade Waste (3);
- d. Waste and Recycling Service for flats (5);
- e. Street Cleansing (5);
- f. Shared Procurement Opportunity (6).

The PRM confirmed that mitigating actions on these sub risks or planned mitigations were described in Appendix A and that the planned risk mitigation for the overarching Top Risk was as follows:

- a. To outsource advice on procurement if necessary;
- b. To undertake a 'soft' market exercise and benchmark against other authority's contract specifications;
- c. Undertake a consultation exercise to include parishes;
- d. To obtain a prompt decision on whether this should be a joint procurement with East Herts District Council.

With regard to Senior Management Team (SMT) Risks the PRM advised that there were two SMT risks that could be removed and be treated as operational management risks: Replacement Payroll System/Service and Procurement, Tendering and Letting of Contracts.

The PRM confirmed that there had been no obvious impact on the Welfare Reform and Interest Rates risk following the introduction of welfare reforms in North Hertfordshire and no increase in interest rates and it was proposed that this risk should be deleted. The PRM proposed that there should instead be a new Senior Management Team Top Risk of 'Increased Homelessness and Use of Bed and Breakfast Accommodation'. The PRM wished to make one correction to Table 2 where this new risk should be placed in Impact 3 'high' with Likelihood 2 'medium' (incorrectly placed in Impact 2 'medium') as this new risk had a value greater than £100K. The PRM referred the Committee to Appendix A for a full description of this new risk.

The Chairman thanked the Performance and Risk Manager for the detailed

clarification behind the proposed new Cabinet Top Risk and the new Senior Management Top Risks and invited comments and or questions from the Committee.

There ensued a short discussion on the reasons behind the changes to the Increased Homeless and Use of Bed and Breakfast Risk and the magnitude of change. The PRM advised that in the first quarter of 2014-2015 there had been 16 homeless families in North Herts and that figure had now risen to 80 families who were placed in Bed and Breakfast Accommodation with a rise in costs to the Authority. It was noted that this could become a significant charge to the Council as only about 35 per cent of housing benefit costs can be claimed through government subsidy leaving a budget gap. The Head of Finance, Performance and Asset Management stated that this increase was due in part to the improving economy where private landlords were declining to accept tenants on benefits as well as a lack of suitable temporary accommodation. The Engagement Manager from Grant Thornton was able to confirm that he was aware of two other local authorities in Hertfordshire where homelessness was increasing. In response to a question the PRM confirmed that there was a statutory definition of homelessness which all local authorities had to follow. In response to another question the PRM confirmed that officers were aware of a possible displacement impact of homeless people into North Hertfordshire following the trial roll out of Universal Credit in Bedfordshire.

RESOLVED:

- (1) That the proposal to amend the Cabinet Top Risk 'Waste and Street Cleansing Contract Renewal' to include the following six sub risks:
 - a. Co-mingled Waste;
 - b. Northern Transfer Station and Ancillary Facilities;
 - c. Trade Waste;
 - d. Waste and Recycling Service for flats;
 - e. Street Cleansing; and
 - f. Shared Procurement Opportunity,be agreed and referred to Cabinet;
- (2) That, as the current Top Risks of "Co-mingled Waste" and the "Northern Transfer Station and Ancillary Facilities" are to be included under the main Waste and Recycling Contract Renewal risk (as set out in (1) above), rather than as separate risks, this change be agreed and referred to Cabinet;
- (3) That the proposal to convert the Senior Management Team Top Risk 'Replacement Payroll System/Service to an operational contract management risk be agreed;
- (4) That the proposal to convert the Senior Management Team top Risk ' Procurement, Tendering and Letting of Contracts to an operational management risk be agreed;
- (5) That the proposal to delete the Senior Management Team Top Risk ' Welfare Reforms and Interest Rates' be agreed; and
- (6) That the proposal to add a new Senior Management Team Top Risk ' Increased Homelessness and use of Bed and Breakfast Accommodation be agreed.

RECOMMENDED TO CABINET:

- (1) That the Cabinet Top Risk 'Waste and Street Cleansing Contract Renewal' be amended to include the following six sub risks:
 - a. Co-mingled Waste;
 - b. Northern Transfer Station and Ancillary Facilities;
 - c. Trade Waste;
 - d. Waste and Recycling Service for flats;
 - e. Street Cleansing; and
 - f. Shared Procurement Opportunity; and

- (2) That it be agreed that the current Top Risks of “Co-mingled Waste” and the “Northern Transfer Station and Ancillary Facilities” be included under the main Waste and Recycling Contract Renewal risk (as set out in (1) above), rather than as separate risks.

REASON FOR DECISION:

To ensure that the Finance, Audit and Risk Committee were aware of all the relevant factors taken into consideration for the amendment of Cabinet Top Risks and Senior Management Team Top Risks.

The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 18 March 2015.

TITLE OF REPORT: RISK MANAGEMENT UPDATE

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & 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.

2. RECOMMENDATIONS

- 2.1 The Committee notes and refers the changes to Cabinet for the Waste & Street Cleansing Contract Renewal risk to include a number of sub risks as follows:

Commingled Waste
Northern Transfer Station and Ancillary Facilities
Trade Waste
Waste & recycling Service for Flats
Street Cleansing
Shared Procurement Opportunity

- 2.2 As the current Top Risks of “Commingled Waste” and the “Northern Transfer Station and associated facilities” are to be included under the main Waste & Recycling Contract risk (see 2.1) rather than separate risks, this change should be referred to Cabinet.
- 2.3 To note that the SMT “Payroll System/Service” risk is to be considered as an operational risk.
- 2.4 To note that the SMT risk of “Procurement, Tendering & Letting of Contracts” is to be treated as an operational risk,
- 2.5 To note the deletion of the SMT risk relating to “Welfare Reforms and Interest Rates” and the addition of the new related risk of “Increased Homelessness and use of B & B”.

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.

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 December 2014 meeting. Reductions in the assessment of the risks “Northern Transfer Station & Ancillary Facilities” and “Replacement Payroll System/Service” were noted and referred to Cabinet (where appropriate).
- 7.2 The proposal to increase the likelihood score for the Cabinet Top Risk ‘ North Hertfordshire Museum and Hitchin Town Hall Project” was noted with the proviso by this Committee that Cabinet should be aware that there was insufficient information provided on the mitigation of risks to allow the Committee to agree the increase of the likelihood score. Cabinet agreed the amended likelihood assessment.
- 7.3 The revised Risk & Opportunities Management Strategy was referred to Cabinet.
- 7.4 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.
- 7.5 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”.
- 7.6 The projects relating to the “Waste & Street Cleansing Contract Renewal” and the “Implementation of the Payroll System” have been included as key projects in the Priorities for the District 14/15. They relate to the priority of “Living Within our Means”.

8. REVISED TOP RISKS

8.1 Waste & Street Cleansing Contract Renewal

This Top Risk has been revised to include two that were previously separate Top Risks (Commingled Waste and Northern Transfer Station and Ancillary Facilities).

The Waste & Street Cleansing Contract renewal now has the following sub risks (figure in brackets shows their rating on the risk matrix):

- Commingled Waste (7)
- Northern Transfer Station and Ancillary Facilities (6)
- Trade Waste (3)
- Waste & recycling Service for Flats (5)
- Street Cleansing (5)
- Shared Procurement Opportunity (6)

- 8.2 The sub risks are the key areas that will be considered in the forthcoming procurement exercise. The risks are described in full in Appendix A and the mitigating actions that have been completed or are planned to mitigate these risks are included in the sections “Work Completed” and “Ongoing Work”.

8.3 The key areas of planned risk mitigation work for the overarching risk of the Waste & Street Cleansing Contract Renewal are:

- to outsource advice on procurement if necessary
- to undertake a “soft” market exercise and benchmark against other authority’s contract specifications
- undertake a consultation exercise to include parishes
- to obtain a prompt decision on whether this should be a joint procurement with East Herts.

8.4 **Replacement Payroll System/Service**

The system has now been in use for nearly 12 months and is an operational contract management risk rather than an SMT Top Risk.

8.5 **Procurement, Tendering & Letting of Contracts**

Again, this is no longer considered to be a Top Risk but an operational one.

8.6 **Welfare Reform & Interest Rates and Increased Homelessness and use of B & B**

There has been no obvious impact following the introduction of welfare reforms in North Hertfordshire and no increase in interest rates. It is therefore proposed that this risk is deleted and replaced with a new SMT Top Risk of “Increased Homelessness and use of B & B”. The Committee will note the considerable increase in the use of Bed and Breakfast accommodation over the last 12 months and the cost of this to the Council in the Quarterly Revenue Monitoring report also being considered at this meeting.

8.7 The full risk descriptions for the revised risks outlined in paragraphs 8.1 and 8.6 are included in Appendix A.

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

Table 1: Risk Matrix – Cabinet Risks March 2015

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

Table 2 – SMT Top Risks March 2015

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

9. LEGAL IMPLICATIONS

- 9.1 No legal implications arise from this report. There is a legal requirement for Councils operating Executive arrangements to appoint an overview and scrutiny committee with remit to review decisions and other actions taken. (S9F Local Government Act 2000) 6.3.5 (I) Constitution 09.04.14).
- 9.2 As such a Committee, the Terms of Reference include the effective development and operation of risk management and corporate governance in the council. (6.3.5 (I) Constitution 09.04.14). This report gives the Committee the opportunity to review and comment on how the risks have and are proposed to be managed.

10. FINANCIAL IMPLICATIONS

- 10.1 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.

11. RISK IMPLICATIONS

- 11.1 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.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th 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.
- 12.2 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.
- 12.3 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.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 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 Section 12.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 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.

15. APPENDICES

- 15.1 Appendix A – The Top Risks of:
- Waste & Street Cleansing Contract Renewal and the various sub risks
 - Increased homelessness and use of B & B

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17. BACKGROUND PAPERS

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