

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 24 SEPTEMBER 2015 – RISK MANAGEMENT UPDATE**30. RISK MANAGEMENT UPDATE**

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management.

In respect of the increased homelessness and use of Bed and Breakfast, the Head of Finance, Performance and Asset Management advised that the number of households accepted by the Council as homeless and the number living in temporary accommodation had continued to rise in the first quarter of 2015/16. In addition, the number of households who had potential homelessness prevented had declined. The reasons for becoming homeless were not only associated to changes in the welfare and benefits system, but also in response to relationship breakdown (including with parents or guardians), domestic violence or unmanaged debt. The Housing Team had seen the resignation of four officers recently which had not helped mitigate this rising risk. Recruitment had commenced to fill the vacant posts. In the meantime, the "Housing Options Team Resilience" had become a sub-risk to this Top Risk. The Housing Team was exploring a number of options to increase the amount of alternative temporary accommodation to avoid the use of Bed and Breakfast, which incurred a significant and irrecoverable additional cost on the authority. In the meantime, the risk had been moved to become a Cabinet Top Risk and the likelihood of the risk had increased from a 2 to a 3.

In relation to managing the Council's finances, the Head of Finance, Performance and Asset Management stated that, as well as a reduction in the revenue support grant, there was the potential for further Government funding reductions in the Autumn Statement, such as changes to the New Homes Bonus and the Business Rates Retention scheme. In addition, additional duties may be transferred for delivery by the Council without sufficient funding. The requirements for further savings, efficiencies and service transformation would therefore continue for several years. The current uncertainty had led to the likelihood of the risk being increased from a 2 to a 3.

With regard to the Waste and Street Cleansing Contract renewal, the Head of Finance, Performance and Asset Management explained that this risk had a number of sub-risks that recorded what the Council needed to consider, such as the complex and evolving statutory environment for waste and recycling and changes in the disposal infrastructure and opportunities for collaborative working. In respect of the Waste and Recycling Service for Flats, this sub-risk had a reduced likelihood assessment of a 1 (overall risk matrix score of a 3). Although the Department of Communities and Local Government funding would cease in 2018 for a weekly food waste collection from flats, this could be considered as part of the new contract or the Council could consider offering alternate weekly food waste collections. The income that the Council received from the sale of waste paper and commingled recycling had dropped over the past 12 months. This had been due to an apparent downturn in the demand for these products and contamination of some of the loads that had been sent for recycling. This new sub-risk reflected this and had a risk matrix score of an 8.

In respect of the new contract relating to the collection of parking fees from the machines in the Council's car parks, the Head of Finance, Performance and Asset Management advised there were Performance Indicators in the new contract requiring the banking of monies collected every few days. He undertook to investigate whether or not the new contractor had provided the Council with a financial deposit at the commencement of the contract.

RECOMMENDED TO CABINET: That the following amendments to the Top Risks be approved:

- (1) changes to the “Homelessness and use of Bed and Breakfast” risk to move it from an SMT to Cabinet Top Risk and an increase in its likelihood assessment;
- (2) the increased assessment of the likelihood of the “Managing the Council’s Finances” Top Risk; and
- (3) changes to the Waste and Street Cleansing Renewal risk that include a reduction in the likelihood of the “Waste and Recycling Materials for Flats” risk and a new sub-risk of the “Sale of Materials”.

REASON FOR DECISION: To comply with the requirements of the Risk and Opportunities Management Strategy.

The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 24 September 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

That the Committee notes and refers to Cabinet:

- 2.1 changes to the "Homelessness and use of B & B" risk to move it from an SMT to Cabinet Top Risk and an increase in its likelihood assessment;.
- 2.2 the increased assessment of the likelihood of the "Managing the Council's Finances" Top Risk;
- 2.3 changes to the Waste & Street Cleansing Renewal risk that include a reduction in the likelihood of the "Waste & Recycling Materials for Flats" risk and a new sub risk of the "Sale of Materials".

3. REASONS FOR RECOMMENDATIONS

- 3.1 The responsibility for ensuring the management of the risks referred to in Section 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') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member.

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 annual report on Risk and Opportunities Management (2014-2015) at its June meeting

- 7.2 The Top Risks have been reviewed and agreed by SMT. 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 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 Waste & Street Cleansing Contract Renewal has been included as a key project to support the Priorities for the District 15/16. It supports the priority of "Working with our Communities". Ensuring that the risk of "Managing the Council's Finances" is managed enables the Council to deliver the priority of "Living within our Means".

8. REVISED TOP RISKS

8.1 Increased Homelessness & Use of B & B

The number of households accepted by the council as homeless and the number living in temporary accommodation has continued to rise in the first quarter of 2015/16. In addition, the number of households who had potential homelessness prevented has declined. The reasons for becoming homeless are not only associated to changes in the welfare and benefits system, but also in response to relationship breakdown (including with parents or guardians) domestic violence or unmanaged debt. The housing team has seen the resignation of four officers recently which has not helped mitigate this rising risk. Recruitment has commenced to fill the vacant posts. In the meantime, the "Housing Options Team Resilience" has become a sub-risk to this Top Risk. The Housing Team is exploring a number of options to increase the amount of alternative temporary accommodation to avoid the use of B & B, which incurs a significant and irrecoverable additional cost on the authority. In the meantime, the risk has been moved to become a Cabinet Top Risk and the likelihood of the risk has increased from a 2 to a 3¹.

8.2 Managing the Council's Finances

As well as a reduction in the revenue support grant, there is the potential for further Government funding reductions in the Autumn Statement, such as changes to the New Homes Bonus and the Business Rates Retention scheme. In addition, additional duties may be transferred for delivery by the Council without sufficient funding. The requirements for further savings, efficiencies and service transformation will continue for several years. The current uncertainty has led to the likelihood of the risk being increased from a 2 to a 3.

8.3 Waste & Street Cleansing Contract Renewal

This risk has a number of sub-risks that record what the Council needs to consider such as the complex and evolving statutory environment for waste & recycling and changes in the disposal infrastructure and opportunities for collaborative working.

Waste & Recycling Service for Flats

This sub-risk has a reduced likelihood assessment of a 1 (overall risk matrix score of a 3). Although the Department of Communities and Local Government funding will cease in 2018 for a weekly food waste collection

¹ A "3" likelihood assessment reflects that "The event will occur on numerous occasions (4 or more times) within the next 12 months"

from flats, this can be considered as part of the new contract or the Council could consider offering alternate weekly food waste collections.

Sale of Materials

The income that the Council receives from the sale of waste paper and commingled recycling has dropped over the past 12 months. This has been due to an apparent down turn in the demand for these products and contamination of some of the loads that have been sent for recycling. This new sub-risk reflects this and has a risk matrix score of an 8.

8.4 The full risk entries for the Top Risks outlined in paragraphs 8.1 to 8.3 are included in Appendix A. These risk entries detail the work completed and planned work to mitigate these risks.

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

Table 1: Risk Matrix – Cabinet Risks September 2015

| | | | | |
|------------|-------------|-----------------|--|---|
| likelihood | 3 high | 4 | 7 Sustainable Development of the District | 9 Local Plan North Hertfordshire Museum & Hitchin Town Hall Managing the Council's Finances (8) ↑ Increased Homelessness & use of B & B (8 & SMT) ↑ |
| | 2 medium | 2 | 5 Office Accommodation Churchgate and the surrounding area Asset Management | 8 Waste & Street Cleansing Contract Renewal |
| | 1 low | 1 | 3 | 6 |
| | | 1 Low Impact | 2 Medium | 3 High |

Table 2 – SMT Top Risks September 2015

| | | | | |
|------------|-------------|------------------------|--------------------------------|-------------------------------------|
| likelihood | 3 high | 4 | 7 | 9 |
| | 2 medium | 2 | 5 Workforce Planning | 8 Development of Careline |
| | 1 low | 1 | 3 | 6 |
| | | 1 Low Impact | 2 Medium | 3 High |

10. LEGAL IMPLICATIONS

10.1 No legal implications arise from this report. The Committee’s Terms of Reference include “to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet.” This report gives the Committee the opportunity to review and comment on the Top Risks and have they have and are proposed to be managed.

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 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.

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, and especially to its most vulnerable residents such as those who are homeless

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 Paragraph 13.

14. 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 and HR are assisting with managing the Housing Options Team Resilience sub-risk to the Homelessness Top Risk.

16. APPENDICES

- 16.1 Appendix A – The Top Risks of Homelessness and the Use of B & B, Managing the Council's Finances and the sub-risks to the Waste & Street Cleansing Contract renewal Top Risk of the Waste & Recycling Services for Flats and Sale of Materials.

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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 2014-17.