

**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.
- 1.2 To provide the Committee with an opportunity to review and comment on revisions to the Risk and Opportunities Management Strategy.

**2. RECOMMENDATIONS**

- 2.1 That the Committee notes and refers changes to the Waste & Recycling Service risk to Cabinet. This risk has been amended to include an additional sub-risk relating to co-mingled recycling.
- 2.2 The Committee notes the deletion of the SMT risk of Organisational Workload. The majority of the sub risks underpinning this risk are now being managed at Service level or are covered within other Top Risks.
- 2.3 The Committee notes the addition of a new SMT risk relating to Benefit Reforms.
- 2.4 The Committee reviews the changes to the Risk & Opportunities Management Strategy 2013-16 and recommends the revised Strategy to Cabinet

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of the risk referred to in Section 2.1 of this report is that of Cabinet. Further details relating to the change in this risk and those in 2.2 and 2.3 are included under Section 8 of this report.
- 3.2 Cabinet have responsibility for approving any changes to the Risk & Opportunities Management Strategy.

**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'). The members of this Committee were invited to attend the Risk Management Group held on 29 October 2013. 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 its September 2013 meeting. The Committee recommended changes in the following risks to Cabinet:

- Changes to the Waste and Recycling risk.
- Amendments to the Asset Management risk to form a separate risk for Office Accommodation.
- A substantial change to the Sustainable Development risk that is now formed of two sub-risks, National and Regional Planning issues and Neighbouring Authorities Plans and Consultations. The overall impact of the risk reduced from a "3" to a "2".
- Deletion of the risk of Hitchin Town Centre Development and its replacement with "Churchgate and the Surrounding area".
- Addition of the Local Plan as a Top Cabinet risk

- 7.2 The Top Risks have been reviewed and the changes reviewed and agreed by SMT. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2. The changed/new Top Risks covered in this report are attached as Appendix A.

## **8. SIGNIFICANT AMENDMENTS TO TOP RISKS**

### **8.1 Waste And Recycling Service**

The overall risk of the Waste and Recycling Service risk and now has the following sub-risks:

- New Waste & Recycling Service
- Northern Transfer Station and Ancillary Facilities
- Co-mingled Waste.

- 8.1.1 The risk relating to the new waste service includes the financial risks to the delivery of this new service such as a potential increase in the cost of the service due to the procurement of a new contractor by HCC, the ongoing provision of caddy liners and the potential loss of Alternative Financial Model (AFM) payments in 2016/17.

- 8.1.2 The Northern Transfer Station risk highlights the need to have a suitable transfer site in North Herts for the longer term to avoid a potential significant increase in transport costs for the waste service.

- 8.1.3 There is an ongoing issue with some of the co-mingled recycling being contaminated and there is a risk arising from this to the income from recyclates. Additionally, there is the potential for a legal challenge on the quality of the glass being recycled via co-mingled recycling compared to kerbside sorted glass. This has been identified as a new sub-risk and is included in Appendix A.

## **8.2 Organisational Workload**

The Organisational Workload risk was formed following a discussion at SMT in December 2011. The unknown impact of, what was at that time, anticipated changes for services from legislation was discussed and the risks assessed. The risk is comprised of a number of sub-risks:

- Localism Act – reforms to the planning system
- Council Tax Reduction Scheme
- Universal Credit
- NNDR/Resource review
- Open Public Services
- Health & Social Care Act
- Localism Act 2011

8.2.1 Since the risks were initially identified more information has been forthcoming from Government and a number of changes have now been implemented. A number of the sub-risks are now being managed at service level, whereas others are now included within other Top Risks. The impact of the Localism Act has, for example, been included within the Sustainable Development of the District and Local Plan risks. It is, therefore, recommended that this risk is deleted as a Top Risk although it is recognised that delivering the Council's priorities with the continuing reduction in resources is a risk.

8.2.2 There is an exception, the introduction of Universal Credit, as this has yet to be implemented due to project slippage at the national level and the impact on NHDC is still unknown. It is, therefore, proposed to add a risk relating to Welfare Reform generally and the potential impact these may have for the district and Council services.

8.3 Tables 1 and 2 on the next page illustrate the current and proposed changes to the Top Risks.

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

likelihood	3 high	4	7 Waste & Recycling Service Sustainable Development of the District	9 Delivery of Outcomes from the Museum FSR  Managing the Council's Finances  Local Plan
	2 medium	2	5 Asset Management Office Accommodation  Churchgate and the surrounding area	8
	1 low	1	3	6
		1 Low	2 Medium	3 High
		Impact		

**Table 2 – SMT Top Risks**

likelihood	3 high	4	7	9 Replacement payroll system / payroll service
	2 medium	2	5 Procurement, Tendering & Letting of Contracts  Workforce Planning  <i>Organisational Workload (to be deleted)</i>  <i>Welfare Reform (new)</i>	8
	1 low	1	3	6
		1 Low	2 Medium	3 High
		Impact		

## 9 RISK AND OPPORTUNITIES MANAGEMENT STRATEGY

9.1 The Risk & Opportunities Management Strategy has been reviewed and some amendments have been made. These are summarised in Table 3.

**Table 3 - Summary of Changes to the Risk & Opportunities Management Strategy**

Page & Section No.	Changes from 2012/15 Strategy	2013/16 Strategy
Pg 3 1.3	New addition. To emphasise that without risk, there is no reward or progress, but unless risk is managed effectively within the Council, the opportunities will not be maximised and the threats minimised.	“This Strategy enables the Council to have a better understanding of the risks and opportunities it faces and how they can be best managed or exploited. By employing these techniques the Council can become risk aware rather than risk averse. This is increasingly important in the current climate when the way that the Council operates has to change.”
Pg 8 3.6	New addition. To highlight the use of project risk logs and where the template for these can be found.	“The Council’s Project Management Guidance has a Project Risk Log to enable managers to identify the key risks to the delivery of a successful project. This is available on the intranet and has been pre-populated with previously identified key risks to projects. <a href="http://srvinternet01.north-herts.gov.uk/intracontent/index/finance_and_procurement/corporate_governance/project_management-2/nhdc_project_management_framework/project_risks.htm">http://srvinternet01.north-herts.gov.uk/intracontent/index/finance_and_procurement/corporate_governance/project_management-2/nhdc_project_management_framework/project_risks.htm</a> . A summary of these identified risks will then be added to Covalent with the Project risk Log subject to a frequent review by the Project Manager.”
Pg 8 3.7	New addition. To refer to the benefits realisation that is part of the Council’s project management framework	The benefits from any project should be clearly identified and have objective measures of achievement. It should be possible to establish baseline data against which improvements can be compared. This will enable the expected benefits from a project to be measured.
Pg 9 4.3	Replacement	Revision to provide a table to assist with the assessment of the impact of a risk
Pg 14 6.14	Insertion	Addition of a diagram explaining the review process for the Top Risks
Pg 16 7.3	Insert Addition of a sentence to highlight the role of service managers to complete project risk logs.	Service Managers should identify and assess the risks that threaten service delivery or the achievement of the Council’s priorities. This includes the completion of Project risk logs when undertaking a project. ....
Pg 18	Update	Update of timetable to reflect latest dates

9.2 The Risk Management Policy has been reviewed but no significant changes are required to it this year.

## **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 12.

## **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 – Amended Top Risks referred to in Section 8 of this report
- 16.2 Appendix B – Amended Risk & Opportunities Management Strategy for 2013/16

## **17. CONTACT OFFICERS**

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## **18 BACKGROUND PAPERS**

- 18.1 None other than the risks held on Covalent the Council's Performance and Risk Management IT system.