

## APPENDIX A – CHANGED TOP RISKS FOR THE FINANCE, AUDIT AND RISK COMMITTEE

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Top Risk Code & Title	<u>TR08 Managing the Council's finances</u>
<p><b>Description</b></p>	<p>Managing the Council's finances and achievement of corporate objectives during a period of economic uncertainty. The Government now presents funding changes in terms of overall "spending power" and reductions are projected to be no more than 6.9% for any authority. However, it should be noted that whilst Revenue Support Grant is guaranteed, funding from Business Rates is not. All factors being equal if the Authority collects Business Rates inline with the NDR Baseline the retained amount should be comparable with the Baseline Need Amount. The Authority would not be protected from an initial fall in business rates collection until the safety net figure was reached, i.e. business rates due to NHDC could fall by 7.5% before safety net funding was received. NHDC has cut over £10 million in recent years and it is currently projected that £3.8m needs to be found for the five years commencing 2014/15. There will be a 1% limit on pay inflation for 15/16, extending the current assumption for 14/15. The provisional Finance Settlement, following the Autumn Statement, was announced in mid December 2013. This confirmed a continuation of funding restrictions, although a decision on top-slicing New Homes Bonus was deferred to Easter 2014, but decision is still pending as at 21st May 2014. A 2% cap will also be applied to the Business Rates multiplier from 2014/15, although the local government shortfall is to be addressed, at least in the short-term, via specific Government grant funding (s31 grant). Council Tax threshold for a referendum remained at 2% for 2014/15. The Govt have indicated an intent to deliver a budget surplus by 2020, which requires ongoing budget cuts, at an increasing rate, until then. Meeting the statutory requirement to set a balanced budget each year.</p> <p>Risks are:</p> <ul style="list-style-type: none"> <li>-Decline in staff morale and service resilience,</li> <li>-inability to provide adequate service levels in times of increasing demand due to impacts of benefit cuts,</li> <li>-inadequate funding to meet Priorities for the district.</li> <li>-NNDR income lower than projected</li> <li>-Failure to manage expectation of the public</li> <li>-Failure to meet customers demands and needs</li> <li>-Failure to manage the public's reaction to the potential loss of discretionary services.</li> <li>-Failure to have sufficient financial management skills in service managers (reduction in back office support staff leads to greater financial management responsibilities being put on budget holders. This potential risk identified by Grant Thornton for local govt. )</li> </ul>
<p><b>Opportunities</b></p>	<p>The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. The Council manages performance against budgets and manages its asset base. New Homes Bonus funding, although note potential for amendment by Easter 2014, and ability to set planning fees locally</p>
<p><b>Consequences</b></p>	<ul style="list-style-type: none"> <li>• Cuts in services impact on the achievement of the Council's vision</li> <li>• Failure to bring budget base to manageable/affordable level &amp; achieve efficiency target</li> </ul>

	<ul style="list-style-type: none"> <li>• Significant under or over spends on revenue budgets</li> <li>• Deferment of planned projects leads to inability to deliver the Priorities for the District</li> <li>• Failure to satisfy external assessment of value for money</li> <li>• Inability to deliver proposed efficiencies due to public campaigns</li> <li>• Cuts in services impact on the achievement of the Council's vision</li> </ul>		
<b>Service Area</b>	Finance, Performance & Asset Management		
<b>Lead Officer</b>	Andy Cavanagh	<b>Cabinet Member</b>	Portfolio Finance & IT
<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Date Reviewed</b>	21-May-2014	<b>Next Review Date</b>	01-Dec-2014
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>• Annual review of financial strategy - 2014 review underway</li> <li>Use of capital funds for schemes that reduce future revenue liabilities and/or increase income generation opportunities to be prioritised</li> <li>• Head of Service challenge sessions planned for June 2014 to facilitate better understanding of longer term service/saving options and agree the way forward</li> <li>• Benchmarking of key corporate/support services</li> <li>• statutory/discretionary split of services undertaken once again</li> <li>• Budget review process brought forward for 2015/2016, continuing the process first set in 11/12</li> <li>• clear links to priorities and scoring mechanisms</li> <li>• detailed assessment of all service areas, with feedback to Challenge board</li> <li>• Revenue budget target for 14/15 exceeded, although work required for later years</li> <li>• inclusion of financial management responsibilities in job descriptions and person specifications for budget holders</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>• budget gap for 15/16 yet to be addressed at this early stage in planning process - therefore risk matrix assessed as high/medium on this basis. Structural issues remain for following years.</li> <li>-Timely and accurate performance monitoring – quarterly reporting to Senior Management &amp; Cabinet of key expenditure on higher risk areas and on key income (land charges/planning fees, car parking)</li> <li>- Land sales are being progressed, subject to Cabinet approval, with external support from property agents</li> <li>- Consideration will be given to using some of the interest receipts from investment of capital receipts to set up a Revenue Contribution to Capital fund. Should any increased income be received as a result of an improvement in interest rates in the year, we will consider making a contribution to such a fund.</li> <li>- With regard to use of capital receipts, for 2014/15 onwards a minimum retained capital threshold is set at £20million, being the approximate rolling average five-year capital programme value. This policy will be reviewed at least annually to consider the impact of changing interest rates and also at the point when the minimum capital threshold is approaching.</li> </ul>		

- continue with subscription to LG Futures financial briefings
- exploration of collaborative procurement options
- VFM review planned for 14/1 completed - Electoral Services
- training opportunities for non-financial managers
- Management will continue to ensure that service managers are engaged in the budgetary control process via management team meetings, briefings on the council's financial position and day to day management
- Regular financial updates ensure that issues are highlighted and resolved in a timely manner, that forecasts are based on information "from the bottom up" and therefore the overall financial resilience of the council can be ascertained.

Top Risk Code & Title	<b><u>TR40.005 Northern Transfer Station and Ancillary Facilities</u></b>
<b>Description</b>	<p>NHDC owns the Bury Mead Hitchin Transfer Station which has been leased to the private sector. In addition to the undertaking commercial activities on site, in recent years the tenant has also used Burymead site to fulfil a contract with Hertfordshire County Council which enabled NHDC to tip residual waste at Burymead rather than transport direct to landfill sites outside of the district. Residents have been able to dispose of household waste at this site on a Sunday.</p> <p>As a result of the lease agreement at Burymead to Biffa as a transfer station and the contract for collection of nonrecyclable material from North Herts to the landfill site at Ware being re-let commencing in from 1 October 2014 there is a risk that there is</p> <ul style="list-style-type: none"> <li>- failure to negotiate the end of the lease with Biffa meaning the site is not available for the start of the new contract</li> <li>- There is a risk that Biffa will reconsider their position and decide that they wish to renew their existing lease rather than vacate the site at the end of the lease term. This risk of this occurring is considered to be low as Biffa have clearly stated that they view the site as commercially unviable.</li> <li>- failure to stop the current practice of waste being taken to the site by residents at the weekend results in any new contractor being unable to run the site and the continuation of potential recyclable material being sent to landfill</li> <li>- increased cost for providing a Sunday service at Burymead if it continues</li> <li>- new leaseholder would not be obliged to provide a Sunday service</li> </ul> <p>These risks result in</p> <ul style="list-style-type: none"> <li>- additional transport costs for NHDC if refuse collection vehicles would need to travel outside the district and tip directly at the landfill site of up to £280,000 (gross of HCC transport subsidy of £100,000) and increased vehicle emissions</li> <li>- reputational risks arising from the cessation of the Sunday waste disposal facility</li> <li>- as sorting of waste is limited at Burymead loss of opportunity to recycle should Sunday service continue.</li> <li>- additional costs of ~ £180,000 if the Sunday waste disposal facility continues to be provided by NHDC</li> <li>- health and safety risks to the public using the Sunday service</li> <li>- contractor may refuse to provide a Sunday Service</li> </ul> <p>As a result of not developing a Northern Transfer Station the risks are:</p> <ul style="list-style-type: none"> <li>- Failure to agree a suitable site along the A1 corridor and development of a viable business case</li> <li>- Failure to obtain planning permission</li> <li>- Failure to gain required permits</li> <li>- Diversion of NHDC resources to support the project</li> <li>- Failure to develop a site in time, leading to significant increased financial and environmental risks</li> <li>- lack of control over a transfer station asset by either NHDC or HCC may lead to increased costs in the retendering of the waste contract</li> <li>- Failure of the Radwell site to accommodate any increase in recycling</li> </ul> <p>These risks could lead to the site not being built, which would lead to increased transport costs to transfer to alternative transfer sites and a failure to capture all savings from having one dedicated waste and recycling site/depot.</p> <p>There is a risk that the energy from waste plant will not be ready by 2017. This would impact on the waste service contract at NHDC, which is</p>

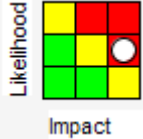
	due for renewal in 2017.		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Reduction in transportation costs for NHDC and HCC and minimising the impact on the environment</li> <li>- Consolidation of existing facilities (depot, transfer stations for recycling and residual waste, HWRC) and dependant on location, working with other partners for other services (shared costs, economies of scale)</li> <li>- To improve operational efficiencies by providing one site for Household Waste (HCC), a depot and waste and dry recyclates transfer station</li> <li>- Work with East Herts, Stevenage and HCC on not only the transfer station but also potential amalgamation of waste contracts for economies of scale</li> </ul>		
<b>Consequences</b>	<p>The consequences of this risk are:</p> <ul style="list-style-type: none"> <li>- Transportation costs to ultimate disposal site continue to increase</li> <li>- Detrimental impact on the environment</li> </ul>		
<b>Service Area</b>	Leisure & Environmental Services		
<b>Lead Officer</b>	Vaughan Watson	<b>Cabinet Member</b>	Portfolio Waste, Recycling & Environment
<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Date Reviewed</b>	16-May-2014	<b>Next Review Date</b>	01-Sep-2014
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Feedback to HCC strategic site allocation planning</li> <li>- Worked with HCC waste services in identifying suitable locations for a Northern Transfer Station</li> <li>- Stevenage/North Herts location aborted due to planning restrictions</li> <li>- workshop held to brief members on the issue at Burymead</li> <li>- Equality Assessment has shown there are no direct or indirect discrimination should the Sunday service cease.</li> </ul>		
<b>Ongoing Work</b>	<p><b>Work in progress to resolve risk at Burymead</b></p> <ul style="list-style-type: none"> <li>- in the process of negotiating an early surrender of the existing lease with a view to putting in place a new short term tenancy from now until the end of September. This short term tenancy would not include any right to renew</li> <li>- Property Services, Estates, Waste and Legal working to resolve dilapidations at Burymead with Biffa to enable surrender of the lease. This could cost NHDC about £50,000</li> <li>- HCC procuring new contractor to take over Burymead facility and transport waste to landfill site. HCC to confirm whether any contribution is required from NHDC although this is unlikely as NHDC are covering the cost of the lease surrender, foregoing commercial rent from the site, resolving dilapidations and picking up the costs of the Sunday service should this continue</li> <li>- Continue to maintain Burymead, as a transfer site for short and medium term (2014-2017). This may mean NHDC offers the site rent free meaning a loss of potential revenue income of £15,000 pa</li> <li>- Not to include within the lease to the new contractor a requirement to provide a disposal facility on Sundays for residents, as the site is not</li> </ul>		

deemed as acceptable for a modern disposal facility

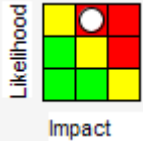
**Work in progress to resolve risk re Northern Transfer Station**

- Consider developing a transfer station in North Herts
- Consider working with neighbouring authorities to develop a shared transfer site – informed by HWP peer review in 2014
- Development of a PID

<b>Top Risk Code &amp; Title</b>	<b><u>TR40.006 Co-mingled Waste</u></b>		
<b>Description</b>	<p>As a result of:</p> <ul style="list-style-type: none"> <li>- Challenges being made at a national level by environmentalists and by companies involved in source separated materials, such as glass, who are using TEEP (Technically, Environmentally and Economically Practicable) to argue that MRFs (Material Recycling Facilities) do not perform as well and are less environmentally friendly in terms of processing glass and other such material than a source separated at kerbside</li> <li>- Cross contamination of co-mingled recycling</li> <li>- The quality of glass in co-mingled recycling</li> <li>- failure of the contractor for co-mingled waste</li> <li>- the limited capacity at Rawell</li> </ul> <p>There is a risk of:</p> <ul style="list-style-type: none"> <li>- Contaminated loads going to the MRF</li> <li>- Negative impact on recycling performance and diversion of contaminated recycling material being sent to landfill</li> <li>- Failure to make best use of glass collected for recycling</li> <li>- A decrease in the price received for co-mingled recycling</li> <li>- Legal challenge from 2015 on the quality of the glass being recycled via co-mingled recycling compared to kerbside sorted glass is encouraging DEFRA to review its opinion on this matter</li> <li>- failure of the Radwell site to be able to accommodate any increase in recycling</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- To ensure our co-mingled material is within defined limits (less than 5%) of contamination at source, to prevent legal and financial challenges</li> <li>- To argue our case if challenged that our co-mingled material and the MRF that it is sent to is "Fit for Purpose" and the challenges made under TEEP demonstrate we have improved on performance and is more efficient and effective than our previous source separated service</li> </ul>		
<b>Consequences</b>	<p>As a result of these risks:</p> <ul style="list-style-type: none"> <li>- High levels of contamination may result in downgrading our material and significant increased costs; this then may lead to higher risk of challenge on quality and performance under TEEP</li> <li>- Glass may have to be removed from co-mingled recycling if sufficient quality cannot be achieved at the MRF</li> <li>- Textiles may need to be reviewed if contamination persists in the co-mingled waste stream</li> <li>- Increased costs if the Council has to use an alternative MRF</li> <li>- Negative impact on our residents and potentially on the performance, reducing our recycling performance if glass is sent to landfill</li> <li>- Option of going back to kerbside sort for glass or send to landfill, both these options would have financial implications to the revenue budget for waste</li> <li>- Any legal challenges made may have additional revenue or opportunity costs</li> <li>- Reputational issues</li> </ul>		
<b>Service Area</b>	Leisure & Environmental Services		
<b>Lead Officer</b>	Vaughan Watson	<b>Cabinet Member</b>	Portfolio Waste, Recycling & Environment

<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Date Reviewed</b>	17-Mar-2014	<b>Next Review Date</b>	30-Jan-2015
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Cardboard now removed from compost improving the quality of the compost</li> <li>- Commingled contract implemented</li> <li>- Change in publicity in relation to textiles, now in a bag outside of the bin, to help prevent contamination</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Waste and recycling contractor removes as much contamination as possible before the recycling is transported to the MRF</li> <li>- AFM payments for reducing amount sent to landfill should compensate for reduction in income from recyclates, although, AFM funding is uncertain after 2016</li> <li>- Communication with our residents to assist us in minimising contamination in the co-mingled waste stream</li> <li>- Herts Waste Partnership have agreed that they will support any district/borough that has a legal challenge about the quality of their co-mingled recycling</li> <li>- Review of textiles collections</li> <li>- in the event of failure of the contractor the Council would seek an alternative provider but may have to send some potentially recyclable materials to landfill in the interim.</li> </ul>		



<b>Top Risk Code &amp; Title</b>	<b><u>TR50 Replacement Payroll System/Payroll Service</u></b>		
<b>Description</b>	<p>Payroll Service through the Hertfordshire County Council Shared Managed Service Contract through Serco implemented on 1 April 2014. There is a risk that due to the implementation of new payroll arrangements with Serco there could be:</p> <ul style="list-style-type: none"> <li>- additional costs over an above those allowed for</li> <li>- errors or omissions by Staff/Serco</li> <li>- insufficient controls in place</li> </ul> <p>Any failure of our payroll service would result in:</p> <ul style="list-style-type: none"> <li>- NHDC being unable to meet its contractual obligations to pay employees</li> <li>- NHDC being unable to meet its statutory obligations to report information and make payments to HMRC and other third parties such as HCC for pensions</li> </ul> <p>This will give rise to potential liabilities for breach of contract if staff are not paid on time and fines from HMRC if submissions are not made on time.</p>		
<b>Opportunities</b>	- A new payroll service that provides improved resilience		
<b>Consequences</b>	<p>The consequences of this risk include:</p> <ul style="list-style-type: none"> <li>- breach of contract if staff not paid on time</li> <li>- fines from HMRC if submissions are not made on time</li> <li>- staff may make incorrect expenses claims</li> <li>- Serco may make errors in payments to staff</li> <li>- dissatisfaction of staff who are paid incorrectly</li> <li>- there is a financial loss to the Council</li> </ul>		
<b>Service Area</b>	Human Resources		
<b>Lead Officer</b>	Kerry Shorrocks	<b>Cabinet Member</b>	Portfolio Leader of the Council
<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	3
<b>Date Reviewed</b>	21-May-2014	<b>Next Review Date</b>	01-Sep-2014
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Serco commenced to provide the payroll service from 1 April 2014</li> <li>- Member of HR Team retained to act as contract manager</li> <li>- IT have developed an online recruitment facility</li> </ul>		

	<ul style="list-style-type: none"> <li>- Training provided to HR staff then all staff on new system</li> <li>- Payroll System Champions – approximately 25 Officers received training on the new system, so they can support their colleagues when the system went live</li> <li>- FAQ's and guides for staff are available on the intranet</li> <li>- Internal audit completed on the implementation</li> </ul>
<p><b>Ongoing Work</b></p>	<ul style="list-style-type: none"> <li>- Gap analysis completed on our standard reports and those available from Serco completed and arrangements are in the process of being delivered to resolve this</li> <li>- Challenges and negotiations made when any additional costs are proposed by Serco</li> <li>- to implement agreed recommendations from the internal audit report</li> <li>- wherever staff are paid incorrectly emergency payments are made to correct the pay</li> </ul>