

FINANCE AUDIT AND RISK COMMITTEE
16 March 2020

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: RISK AND OPPORTUNITIES MANAGEMENT UPDATE

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

CURRENT COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

To provide the Committee with an update on the Corporate risks and the proposed changes to these risks

2. RECOMMENDATIONS

- 2.1. That the Committee notes the review / changes to the Corporate Risks for the quarter, namely
 - Proposed changes to the Waste Risks
 - Deletion of the North Hertfordshire Museum and Town Hall project risk following sign off by Project Board.
- 2.2. That the Committee notes and recommends that Cabinet approve the proposed Risk Management Framework documents, to replace the current Policy and Strategy, in particular, the changes in approach summarised in 8.6.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2. This Committee has responsibility to monitor the effective development and operation of Risk and Opportunities Management.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. Consultation has been undertaken with the Senior Management Team (SMT) and the Risk Management Group (RMG). This includes the Executive Member for Finance and IT 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 contains a recommendation on a key Executive decision first notified on the Forward Plan on the 7 February 2020.

7. BACKGROUND

7.1. At the December meeting, the Committee noted the review of the Impact of Anti Social Behaviour on Council Facilities Risk, with no change to the Risk Score of 7. The report was approved and referred on to Cabinet. The report was subsequently approved by Cabinet.

8. RELEVANT CONSIDERATIONS

8.1. The Corporate risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana, the Council's performance and risk management software

Table 1: Draft Risk and Opportunities Matrix

The dates specified relate to the date that officers last reviewed the risk. Risks that Officers have reviewed since the last FARC meeting have been given a direction of travel arrow

| | | | | |
|-------------------|---------------------|------------------|--|---|
| Likelihood | 3 High | 4 | 7 <ul style="list-style-type: none"> • Impact of Anti-Social Behaviour on Council Facilities (29.10.19) • Income Generation (07.10.19) • Sustainable Development (17.01.20) ↔ | 9 <ul style="list-style-type: none"> • Brexit (23.12.19) ↔ • Local Plan (17.01.20) ↔ • Managing the Council's Finances (26.07.19) • <i>Waste Management, Recycling and Street Cleansing (01.08.19) – TO BE REPLACED</i> |
| | 2 Medium | 2 | 5 <ul style="list-style-type: none"> • Increased Homelessness (14.01.20) ↔ • Workforce Planning (03.01.20) ↔ | 8 <ul style="list-style-type: none"> • Cyber Risks (30.09.19) • Delivery of the Waste Collection and Street Cleansing Services Contract (28.01.20) NEW |
| | 1 Low | 1 | 3 <ul style="list-style-type: none"> • North Hertfordshire Museum and Hitchin Town Hall Project (29.07.19) | 6 <ul style="list-style-type: none"> • External Factors Affecting the Future Provision of Waste Services (28.01.20) NEW |
| | | 1 Low | 2 Medium Impact | 3 High |

8.2. At the Risk Management Group meeting on 17 February, a review of the Waste Risks was discussed. Details of the proposed changes are included in Appendix A.

8.3. The changes consolidate the existing Waste risks into 4 risk entries – 2 Corporate Risks (CR) and 2 Service Risks (SR) – covering all current risks and linking them with the Waste Partnership Board Risk log. The table below summarises the proposals.

| Existing | Score | Proposed | Score |
|--|---|---|--|
| Waste Management, Recycling and Street Cleansing (CR) Incorporating <ul style="list-style-type: none"> - Staffing - Management and monitoring arrangements - Trade waste - Contact handling - Street cleansing - Snow and ice - Emerging external factors. |  Likelihood Impact | Delivery of the Waste Collection and Street Cleansing Services Contract (CR – Risk Score changed from 9 to 8) Incorporating <ul style="list-style-type: none"> - Staffing - Management and monitoring arrangements - Contact handling - Trade waste - Street cleansing Deletion of Snow and Ice |  Likelihood Impact |
| Disposal Arrangements for Waste (CR) |  Likelihood Impact | External Factors affecting the future provision of Waste services. (CR Risk Score changed from 8 to 6) |  Likelihood Impact |
| Sale of Recyclable Materials (CR) |  Likelihood Impact | Sale of Recyclable Materials (SR – Risk Score changed from 9 to 5) |  Likelihood Impact |
| Depot / Transfer Station (CR) |  Likelihood Impact | Deletion | - |
| Food and Garden Waste (CR) |  Likelihood Impact | Organic Waste (SR – Risk Score unchanged as 5) |  Likelihood Impact |
| Route Optimisation of Collection Rounds (CR) |  Likelihood Impact | Deletion | - |

8.4 A review of the Risk and Opportunities Management Policy and Strategy is generally completed on an annual basis and discussed at RMG. In November 2019, SIAS undertook an audit of the Risk Management process at NHDC and the report provided Satisfactory Assurance. The report contained one Medium recommendation relating to Outlining Risk Appetite – as the existing Strategy was not clear on how the Risk appetite of the Council was defined. In addition, initial feedback from the Peer Review undertaken in January 2020 identified a general perception both internally and externally, that the Council is risk averse. In order to address this, it was felt that a more fundamental review of the Strategy and Policy should be undertaken, resulting in the draft NHDC Risk Management Framework, included as Appendix B.

8.5 An additional Framework document – providing further operational guidance for Officers, called the Toolkit and an associated E – Learning package on the Growzone are also under development.

8.6 Table 2 – Summary of Key Changes outlines the main changes in approach.

| Table 2 | Proposed | Previously | Reason for change |
|--------------------------------|--|---|---|
| Change of name / format | Risk Management Framework, comprising Policy Statement, Policy, Strategy and Toolkit | Risk and Opportunities Management Strategy and Policy statement | Whilst we will always consider opportunities when they present, we do not actively record opportunities on Pentana – they are only considered as part of risk management. New framework documents outline – key principles / what you must do / how we will do it / operational manual |
| Change of approach | The aim is that Risks should always be actively managed down. Risks assessed twice - Initial risk score set. Smart actions recorded on Pentana - with owners and target dates. Target Risk score set. | Risks set with a risk score. Actions are not SMART No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced. | Risk owners will have to think about what actions they can actually take and what the impact of those actions will be. Actions can be monitored to ensure completion. Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. RMG can provide a more robust challenge to the Risk score and non completed actions. |
| Change of Approach | Once risks have been managed down to their target risk score, by completion of the actions, the risk should be updated – either with new actions or consideration should be given as to whether the risk is now businesses as usual – if so – consider deleting. | No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced. | Risk owners will have to think about what actions they can actually take. Actions can be monitored to ensure completion. Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. Allows the Council to concentrate efforts on risks it can do something about. RMG can provide a more robust challenge to the Risk score and whether new actions are required. |
| Change of Approach | If Risks are assessed as Green Risks – scores of 1, 2 or 3 / or have been managed down to Green – with no further actions which can be taken - not monitored further and proposed for deletion | No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced. Green risks are only reviewed annually. | Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. Allows the Council to concentrate efforts on risks it can do something about. If risks re –emerge new actions will be required, and |

| | | | |
|-----------------------|--|--|--|
| | | | risk will be monitored at that point. |
| Scoring Matrix | Likelihood 1 – less than 20% likelihood 2 – between 20% and 60% Likelihood 3 – Greater than 60% Likelihood | 1 – unlikely in the next 12 months 2 – possible in the next 12 months 3 – likely in the next 12 months | % actively splits the scoring – e.g. the current unlikely / possible / likely can be difficult to choose between. |
| Scoring Matrix | Impact 1 – consequences minor and associated losses will be small 2 – Will have a noticeable effect on services 3 – Can have a significant impact on services | 1 – consequences will not be severe and associated losses will be small 2 – will have a noticeable effect on services 3 – can have a catastrophic effect | Catastrophic too severe. E.g. Currently failure of the waste contract would fall under “Likely in the next 12 months to have a catastrophic effect “(which is hopefully (!) not the case) |

9. LEGAL IMPLICATIONS

- 9.1. The Committee’s Terms of Reference include monitoring the effective development and operation of risk management and corporate governance, agreeing actions (where appropriate) and making recommendations to Cabinet. This report gives the Committee the opportunity to review and comment on the high-level risks and how it is proposed they are managed.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial implications arising from this report. However, it should be noted that there is a separate Corporate risk relating to Managing the Councils Finances.

11. RISK IMPLICATIONS

- 11.1. The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Councils Corporate 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 assurance to Cabinet that the Councils identified Corporate Risks are being managed.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.

- 12.2. 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 Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1. There are no direct human resource implications relating to this report, but it should be noted that there is a separate Corporate risk relating to Workforce Planning.

15. APPENDICES

- 15.1. Appendix A – Proposed changes to the Waste Risks
Appendix B – Risk Management Framework

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1. The risks held on Pentana, the Councils Performance and Risk Management software.
17.2. Audit report