SCRUTINY COMMITTEE

Date: **29 June 2011**

Venue: **East Northamptonshire House, Cedar Drive, Thrapston**

Time: **7.30 pm**

Present: **Councillors: -**   **Phil Stearn (Chairman)**
                                     Sarah Peacock (Vice Chairman)

Peter Baden	**Brian Northall**
David Bateman	**David Read**
Michael Finch	**Peter Wathen**
Marika Hillson	**Pam Whiting**
Sylvia Hobbs	**Clive Wood**
Barbara Jenney	**Colin Wright**
Gill Mercer	

58.   WELCOME

The chairman welcomed the new members of the committee.

59.   MINUTES

The minutes of the meeting held on 4 April 2011 were approved and signed by the chairman.

60.   APOLOGIES FOR ABSENCE

No apologies were received.

61.   DECLARATIONS OF INTEREST

Councillor Gill Mercer declared a personal interest in agenda item 7 (Countering Benefit Fraud Quarterly Update) because her company provided software to benefit recovery agencies.

62.   REQUEST TO "CALL IN" UNDER SCRUTINY PROCEDURE RULE 14.3

It was reported that a request had been made to call-in the following matter:

Committee (date)	Agenda Item
Policy & Resources (09/06/11)	Item 10: Waste Contract Update – Oundle Recycling Centre

Decision of the Policy and Resources Committee	**(3)** That the current manned recycling facility at Oundle Recycling Centre cease at the end of the current waste collection and recycling service on 31 July 2011. **(4)** That arrangements be made to enable recycling to continue on the site in the form of a range of recycling banks.
Reasons for call-in	The decision to close Oundle's Recycling Centre from the end of this July has not given nearly adequate time for its Council, citizens, traders and even its ward ENC council members to consider its implications. A Centre which has an estimated 44,000 visits per year, with the alternative site at Weldon being a 16 mile round trip, is hardly in line with aspirations to reduce carbon emissions! In addition, the ultimatum of its definite closure only became known last week, despite the boasted "full consultation" declaration made pending the New Waste Contract.
Alternative decision proposed	That adequate time be offered to allow alternative arrangements to be considered*.*
Reason why alternative decision is considered to be in the best interests of the council	To help reduce costs, but avoid the greatly increased likelihood of fly-tipping consequent to this P&R decision.

The request to call in was signed by the following councillors

David Bateman	*Michael Finch*	*David Read*	*Pam Whiting*

Councillor M Ormrod and Mr P Norman spoke from the public gallery on this item.

Members had before them a report setting out the detail of the call in request and providing a commentary in respect of the points raised. The Head of Environmental Services gave the following outline of the background to the Policy and Resources Committee's decision:

- "In **March 2009** the project to procure the next waste collection, recycling and cleansing contract officially began. It was made clear at this time that the recycling facilities provided by this council for the southern end of the district and located in Rushden would cease from the commencement of any new contract. Documents supporting the tender process reflected this. At this time no decision had been taken or consideration given to ending the arrangements for the north of the district and located in Oundle.
- During the **procurement process**, specifically the competitive dialogue phase, many of the bidding companies raised the issue of why the council was including the continued operation of the Oundle facility when the solutions being put forward by them would collect most recyclables and more efficiently. Bidders gave indications as to the possible savings that could be realized by the council if it took the decision to curtail the Oundle arrangements. These suggestions were considered by the Budget Review Group and Finance Working Party.

- In **April 2011**, at the conclusion of the procurement process, officers and senior members met with the district councillors who represented Oundle to discuss a proposal that consideration be given to cutting back the recycling arrangements in Oundle in order to save monies. Members were advised that any such decision would need to be taken by the Policy and Resources Committee and that a paper would be prepared for consideration at its June meeting.
- **The Policy and Resources Committee** met earlier this month and considered the paper setting out the possible future arrangements involving the recycling facility in Oundle. Members will be familiar with the decision taken and this is set out in my report.
- The **effect of the decision** is that the 'manned' element of what is provided at the recycling centre will end on 31 July. Recycling banks will remain accessible to residents to deposit in addition to those recyclable materials collected kerbside, textiles, small electrical items and batteries. The main impact will be on the recycling of garden waste. Householders will have the option of home composting, which we strongly encourage and support, subscribing to the 'green waste club', of which there are no limitations on the number of containers that they can subscribe for or taking their material to the civic amenity site operated by Northamptonshire County Council in Weldon, which for the villages in the north of the district may not be too prohibitive.
- The second key part of the decision taken by the Policy and Resources Committee was the commitment to continue **dialogue** with communities in the north of the district to explore what other options may be available to enhance recycling capacity. Discussions have already taken place with Oundle Town Council to this effect and some of the options being explored include creating a garden waste version of the bulky waste collection service and brokering commercial collection arrangements for businesses.
- The decision taken by the Policy and Resources Committee has generated a **response** in some parts of the north of the district, in particular Oundle. The representations received include 50 emails and a petition signed by over 500 people but perhaps this should be considered in the context of the in excess of 24, 000 people that this facility serves, less than 2%. Whilst this petition does not trigger a council debate it is important to bring it to members' attention however the petition does refer to 'the closure' of the facility which is not what we are doing and does not specify what the petitioners want to happen."

The committee was advised that

- The un-manned facilities would cover all that was currently collected at the site, except for garden waste, and the new waste contract arrangements would vastly increase the amount of recyclate that would be collected from householders 'kerbside'.
- There were a number of options for householders for the collection or disposal of garden waste including:
    - Home composting – a subsidised scheme was available
    - Membership of the Green Waste Club – at a cost of £41 a year this included provision of a bin and a fortnightly collection
    - Use of the Northamptonshire County Council recycling facility at Weldon – the distance to the site from Oundle and the villages in the north of the district was comparable with the distance to the Rushden Recycling Centre from the other towns and villages in the south of the district.
- Businesses would be able to take their trade waste to the Lowick and Kirby Hall facilities. Officers were investigating setting up a framework agreement with the companies that ran these facilities to facilitate a favourable rate for traders across the district.

- Officers were investigating the introduction of a green version of the bulky waste service for the whole of the district.
- Discussions with Oundle Town Council and other potential partners were ongoing.
- Members concerns about access to unmanned bins that might be up steps would be taken into account.
- To keep the manned element of the site open beyond 31 July would involve negotiation with the new contractor as it was different from the terms of the new contract. There was therefore no certainty that this could be done.

Members felt strongly that there had been a lack of adequate consultation and communication with local residents and groups. It was agreed that there was a need to ensure any such future decisions would be adequately consulted on with local communities, agencies and town and parish councils. It was felt that the speed with which the decision had appeared to have been made and the lack of adequate communication had led to a great deal of mis-information. Officers commented that as the proposal to end the manned element of the recycling facility at Oundle had been suggested by bidders at a late stage in the procurement process, together with subsequent consideration by the Budget Review Group and Finance Working Party, it had been difficult to assess when to consult on the proposal. It was suggested that some members of the committee should be involved with negotiations if the Policy and Resources Committee was to agree to the Scrutiny Committee's suggestion.

A member suggested that, regardless of the outcome of the call in, some education and publicity needed to be carried out at the site and in the north of the district by waste management officers so the public was aware of all the options available.

RESOLVED:

> That the Policy and Resources Committee be asked to reconsider its decisions on the Oundle Recycling Centre and delay the start date for the removal of the manned element of the site until after the Policy and Resources Committee on 12 September.

(Reason - This delay to the change would recognise the depth of feeling within the Scrutiny Committee and the community on this issue and allow discussions between officers, Oundle Town Council and members of the Scrutiny Committee to continue along with investigation of the alternative options, with an update report to be brought to the Policy and Resources Committee meeting on 12 September.)

63. **NOMINATION OF PERFORMANCE LEADS**

Members considered nominations for the Performance Lead roles to attend the quarterly performance clinics as part of the performance management framework.

RESOLVED:

> **(1)** That Councillor Colin Wright be appointed Performance Lead - audit and risk.
>
> **(2)** That Councillor Sarah Peacock be appointed Performance Lead - national and local indicators.

64.   QUARTERLY PERFORMANCE REPORTING – Q4 2010/11

The committee received the performance update for quarter 4. The final report to the committee contained

- Performance indicators which were consistently underperforming
- Over performance and service area achievements
- Audit recommendations that had not been implemented on time
- Risk actions not completed on time
- Other supporting statistics relating to performance.

The report set out what was being done about under-performing areas and future action plans.

The committee received and noted the report.

65.   COUNTERING BENEFIT FRAUD – QUARTERLY REPORT

A report on the work of the Benefit Counter Fraud Section for the period to the end of March 2011 was submitted for consideration.

It was noted that the fraud hotline had received 100 calls up to 31 March 2011 of which 41 led to investigations and the number of prosecutions and penalties had risen over the last three years. The Benefits Manager explained that this was likely caused by an increase in claimants as a result of the recession and a change in government policy, which meant housing benefit was now paid to the claimant rather than the housing provider giving rise to some cases of non-occupancy.

The team was continuing to work on improving the letters and forms sent to members of the public to ensure they were in plain English.

It was also reported that a joint fraud investigation service was being set up, to be in place by 2013, in recognition of the difficulties of the current separation between the counter fraud work of the Department for Work and Pensions, local authorities and other agencies and the likelihood that those who fraudulently claimed one type of benefit were likely to do the same on others.

The committee received and noted the report.

66.   ANNUAL REPORT OF INTERNAL AUDIT

A report was received and noted on the progress, effectiveness, and achievements of the Welland Internal Audit Consortium (the WIAC) during 2009/10, as required by the Accounts and Audit Regulations and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

It was noted that the consortium's Audit Manager had formed the opinion that the council's overall internal control arrangements provided a "Good" assurance rating indicating a satisfactory management of risk.

RESOLVED:

That the internal audit opinion issued by the Head of the Welland Internal Audit Consortium and the reported progress and effectiveness of the consortium in 2010/11 be noted.

(Reason – to comply with the requirements of the Accounts and Audit Regulations)

67. RISK MANAGEMENT STRATEGY

A risk management strategy had been in place for a number of years which included:

- an overview of risk management
- the level of risk the council is prepared to take i.e. the risk appetite
- the integration of risk management into the council's decision making, service planning and performance management
- the responsibilities for risk management
- the processes for identifying, assessing and managing risk.

The committee considered a revised draft of the strategy to which the following changes had been made:

- inclusion of a glossary of terms to assist understanding of the language of risk management
- tabulation of roles and responsibilities for risk management across all levels of the council
- amendment of the scoring matrix from a 6 x 6 model to a 4 x 4 model to simplify the methodology and incorporate best practice.

RESOLVED:

That the revised Risk Management Strategy, as at pages 122 to 132, be approved.

(Reason – to ensure a consistent and robust approach to risk management)

68. PROPOSED CONSTITUTIONAL CHANGES – DELEGATION SCHEME

The committee reviewed a revised version of the Scheme of Delegation which included changes the result of management changes and officer titles, format changes, changes to Environmental Services' delegation approved in December 2010, repeals of legislation, new sections or amendments made to ensure consistency of approach, and additional areas of delegation proposed by Environmental Services.

RESOLVED:

That the recommendation of the Policy and Resources Committee to Full Council that the amended scheme be adopted be endorsed.

(Reason – to ensure that the constitution is continuously kept up to date; to ensure that all relevant legislation is included and to facilitate the supply of a completely revised constitution to all members of the council.)

69. WORK PROGRAMME 2011/12

The chairman asked the committee to consider reviews or projects that could be undertaken as part of the Scrutiny Committee's work programme and to bring ideas to the meeting in September. The list of proposals discussed at the scrutiny training session would be circulated to inform this discussion.

Chairman

Risk Management Strategy

East Northamptonshire Council

Effective risk management is essential if the council is to achieve its stated outcomes

If you would like to receive this publication in an alternative format (large print, tape format or other languages) please contact us on 01832 742000.

Author (Post holder title)	Finance Manager
Type of document	Strategy
Version Number	0.2
Document File Name	Risk Management Strategy
Issue date	
Approval date and by who (SMT / committee)	
Document held by (name/section)	
For internal publication only or external also?	Internal only
Document stored on Council website or Eunice?	Eunice
Next review date	

Change History

Issue	**Date**	**Comments**
0.1	5/5/11	To CMT
0.2	27/5/11	DO comments / revisions

NB: Draft versions 0.1 - final published versions 1.0

Consultees

Internal	**External**
e.g. Individual(s) / Group / Section	e.g. Stakeholders / Partners /Organisation(s)
CMT /MMG	

Distribution List

Internal	**External**
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Links to other documents

Document	**Link**
Partnership Protocol	
Project Management Framework	

Additional Comments to note

Contents

1.0 Introduction

1.1 Effective risk management is essential if the Council is to achieve its stated outcomes. It not only underpins the continuous improvement process but also the systems and procedures for governing the business of the Council.

1.2 In basic terms Risk Management is about identifying events or occurrences (Risks) that could prevent the Council achieving its stated outcomes, assessing the impact these will have should they occur and then putting in place adequate arrangement for the control, mitigation or transference of these risks. To be effective these risks and their mitigation need to be recorded and also reviewed on a regular basis.

1.3 It is neither efficient nor effective to try and control, mitigate or remove all risk from an organisation's activities. Risk mitigation needs to be proportionate to the risks they are designed to manage and as a result there will be a level of risk that the Council is prepared to take. This is known as the risk appetite and for the purpose of this strategy "primary" level risks (see Appendix A for definition) are those outside this appetite and therefore require managing.

2.0 Scope

2.1 This document is designed to set out:
- An overview of risk management
- the level of risk the Council is prepared to take i.e. the risk appetite
- the integration of risk management into the council's decision making, service planning and performance management
- the responsibilities for risk management
- the processes for identifying, assessing and managing risk

3.0 Strategy outcomes

3.1 The outcomes to be delivered by this strategy are:

Strategy outcomes	Links to corporate outcomes
• Identification of significant risks across all corporate outcomes and management of those risks to within the council's risk appetite	• Effective risk management • Effective management

4.0 Risk Management - Overview

4.1 Risk management is the process by which the council seeks to identify, assess and manage key risks which might prevent it from achieving its corporate outcomes and hence to work effectively as an organisation. Risk management should not be a standalone process but is simply part of other managerial processes such as performance management, financial management, project management, service planning and the governance of the council as whole. The identification of risk forms part of these process and is reflected in the documentation and reports stemming from them.

4.2   Risk management is an ongoing process. It should be used from the point at which a risk is first identified until such time as it no longer represents a significant inherent risk to the council. The risks and the controls used to mitigate them should be reviewed at a frequency commensurate with the impact the risk may have and the adequacy on the controls.

4.3   There are a number of benefits of having an effective risk management process in place and these are:

- Alerting management and councillors to the key risks which might prevent the achievement of the council's corporate outcomes and service plan objectives, in order that timely mitigation can be developed to either prevent the risks occurring, or to manage them effectively if they do occur.

- Contributing to better decision making and the process of achieving corporate outcomes and service plan objectives. When embedded within existing business processes such as planning, performance management, project management and budgeting, it provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered and conflicts are balanced. It also assists managers to design mitigation that is proportionate to the degree of risk faced.

- Providing assurance to Members and managers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.

- Greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures and better service outcomes.

4.4   The council's risk management approach is based on the standard management cycle of:
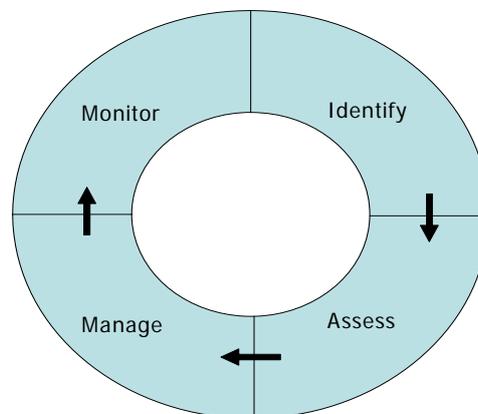
5.0   Risk Appetite

5.1   Risk appetite or tolerance is the Council's cultural taste for risk in day to day activities. The culture may be averse, neutral or positive towards taking risk. The risk appetite may vary depending on the activity, but it is essentially the level of risk the council considers acceptable in order to achieve its objectives.

5.2   The Council uses a scoring mechanism based on impact and likelihood and has defined that any risk scoring 9 or more based on the matrix at Appendix A is considered a "primary" risk and therefore should be subject to appropriate action to mitigate the risk and potentially reduce the score to within the risk appetite.

5.3   Risks scoring less than 9 should still have controls identified in the risk register and be monitored to ensure controls are operating as expected to keep them within the risk appetite.

6.0   Embedding Risk Management

6.1   Embedding risk management is defined as building it consistently and uniformly into all operations at every level where it becomes part of 'the way we do things' as a matter of routine.

6.2   The key factors for successfully embedding risk management are:
- Sponsorship;
- Ownership;
- Linking to service plans and corporate priorities
- Appropriate knowledge skills and behaviours to identify, assess and manage risks

6.3   How we achieve these success factors is outlined in sections 7 and 8, and the accompanying appendices and guidance notes.

7.0   Roles and Responsibilities

7.1   Successful risk management is the responsibility of all employees and Members of the Council. It is important that everyone understands their role in managing the risks the council faces in delivering services.

7.2   The Finance Manager is specifically responsible for:
- Producing and reviewing the Risk Management Strategy
- Reporting to the Member body charged with governance on the effectiveness of risk management arrangements
- Providing advice, guidance, support and training to officers and Members
- Reviewing committee reports to ensure risks relating to recommendations / decisions are clearly stated in the risk section of the report.
- Promoting effective risk management across the council
- Assisting officers in maintaining the corporate risk register

7.3   The Council's Scrutiny Committee is responsible for oversight of the risk management processes. The Committee receives quarterly reports on overdue risk actions as part of the performance clinic framework. The Council's Standards Board and Scrutiny Committee are involved in the preparation and review of the Annual Governance Statement which includes reference to the Council's risk management arrangements.

7.4   The following table identifies other specific roles and responsibilities.

Who	Responsibilities
Members	- To hold CMT accountable for effective risk management across the Council - To ensure effective risk management arrangements are in place - To consider risks when making decisions - To raise risk issues and concerns with CMT or Finance Manager
Corporate	To identify and assess risks to service delivery and

Management Team	instigate actions to mitigate those risks
	• To identify corporate risks and ensure identified actions to mitigate are completed
	• To champion risk management and lead by example
	• Horizon scanning to identify emerging risks
	• To ensure appropriate risk owners are designated for each risk or action
Project Managers	• To identify and manage project risks
	• To ensure high level project risks are recorded on the risk register
Partnership Lead officers	• To identify and manage partnership risks from the Council's perspective
	• To identify and manage risks from the partnership's perspective (where the council is the lead authority)
	• To ensure partnership risks are recorded on the risk register and in accordance with the Partnership Protocol.
Managers and other employees	• To identify opportunities or threats to service delivery
	• To take reasonable action to minimise risks in service delivery
	• To report events (materialising of identified risks) to CMT
	• To seek advice from the Finance Manager on risk management issues

8.0 Risk Management Processes

8.1 Corporate, Service, and Team Plans identify the aims, objectives and desired outcomes for the Council. For all outcomes identified in these plans, Heads of Service should consider the risks that may materialise to prevent delivery of a desired outcome. The following steps apply.

- Risk identification – the process of determining what can happen, when, how and why
- Risk assessment– the process used to determine the priorities by evaluating and comparing the level of risk against standards and criteria
- Risk analysis – using the assessment information to give a score relating to impact and likelihood. Inherent risk score should be the impact and likelihood if we do nothing about the risk.
- Risk response – determine what to do about a risk in terms of treat, tolerate, transfer or terminate the activity in order to reduce the impact
- Risk mitigation - identifying what controls are already in place to reduce the chance of a risk materialising,
- Review the scoring with the responses and controls in place to come up with the residual risk score
- Future mitigation by identifying actions that need to be taken to reduce the residual risk score to within the risk appetite

8.2 These steps will be undertaken by officers during a group workshop, or individually with the assistance of the Finance Manager. Risks, controls and actions can then be recorded in the 4Risk System. Risks are classified as:
- Corporate – cross cutting and affecting all services in the Council

- Operational – related to a specific service or activity
- Strategic – may affect the strategic direction of the Council
- Project – time limited and specific to finite projects

8.3 Implementation of risk actions are monitored as part of the Council's quarterly performance clinics. Where actions have not be taken in a timely manner to mitigate risks, this shall be reported to the appropriate committee charged with governance.

8.4 Emerging risks identified through regular horizon scanning will be assessed, analysed and recorded on 4Risk with suitable responses as soon as they are identified.

8.5 Risks relating to committee decisions are recorded in each committee report. The Finance Manager provides advice and guidance, and will identify if the risk register requires updating with any corporate or service risks emerging from report recommendations.

8.6 Project risks will be identified at the outset of any project and recorded in the Council's Project Management Framework documentation. Any project risks that have an inherent risk score of 9 or above will be recorded on 4Risk in a sub-section for the appropriate service area. This will enable monitoring of controls and actions.

8.7 Once the project is completed, project risks will be removed from 4Risk.

9.0   Monitoring and Review

9.1 The Strategy will be reviewed annually and reported to the Scrutiny Committee, and any other committee of the Council charged with governance issues.

9.2 Progress with actions for primary risks will be reported to the Scrutiny Committee as part of the performance management framework.

9.3 Internal Audit will review the Council's risk management processes at least once every two years.

9.4 Risk owners will review their risks on 4Risk every 6 months and give assurance that controls are still operating as recorded.

10.0   Glossary of terms

Term	Definition
Risk	The threat that an event or action will adversely affect the Council's ability to deliver its objectives. The threat is measured in terms of impact and likelikood.
Risk strategy	How the Council plans to achieve good risk management
Risk appetite	The level of risk the Council is prepared to accept
Risk averse	A low appetite for risk taking
Risk positive	A high appetite for risk taking to potentially achieve a more favourable outcome

Upside risk	Opportunity to exploit a situation for a positive advantage
Inherent risk	The impact and likelihood of an event occurring before any controls haven been applied
Residual risk	The impact and likelihood of an event occurring when controls are operating as designed
Controls	Processes or actions taken to address risks. Usually referred to as treating the risk. Cost of controls should be proportional to the risk
Mitigation	Actions taken or to be taken to reduce the chance of a risk materialising or the impact if it does. May also include the terms tolerate, transfer or terminate the risk.
Treat the risk	Operate processes to reduce the risk e.g. password security, spot checks, regular monitoring or reporting
Tolerate the risk	Agree not to take action, usually due to minimal likelihood of occurrence, or cost of controls is disproportional to the risk
Transfer the risk	Often through insurance, where the impact of a risk materialising is reduced. May also occur through outsourcing if a third party takes on the risk.
Terminate the risk	Stop doing the activity / service to which the risk relates
4Risk	The web-based database used to record the Council's risk register, including controls and actions

Appendix A – RISK SCORING MATRIX

VERY HIGH (V)	4	8	12	16
HIGH (H)	3	6	9	12
MEDIUM (M)	2	4	6	8
LOW (L)	1	2	3	4
IMPACT ╱ **LIKELIHOOD**	**LOW (L)**		**HIGH (H)**	**VERY HIGH (V)**

Red scores – Primary risk that exceeds the Council's risk appetite – action needed to redress, monthly monitoring
Amber scores – likely to cause the Council some difficulties – quarterly monitoring
Green scores – monitor as necessary

IMPACT DESCRIPTORS – how big could the impact be?
The following descriptors are designed to assist the scoring of the impact of a risk if it were to occur:

	Low	**Medium**	**High**	**Very High**
Legal	Minor civil litigation	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	Up to £25k	Up to £50k	Up to £100k	Over £100k
Performance / Service Quality	Low level of minor complaints	Material level of minor complaints. Service quality impaired	Unacceptable level of complaints. Adequate service level cannot be maintained	Complete failure to deliver service. Government intervention
Health and safety of people	Low level of minor injuries	High level of minor injuries	Serious injury	Death of an individual for whom the Council has a responsibility
Reputation	Little or no impact outside of the Council	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the local media	Questions raised in Parliament and/or reported in the national media

LIKELIHOOD DESCRIPTORS – how soon might it happen?

Low – once every two to five years or more
Medium – this year or next year
High – within six months to a year
Very High – immediate or within a month