

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-017-2018/19

Date of meeting: 25 March 2019

Portfolio: Finance

Subject: Effectiveness of the Arrangements for Risk Management

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Recommendations/Decisions Required:

That Members consider the effectiveness of the arrangements for Risk Management.

Executive Summary:

The terms of reference for this committee include “To consider the effectiveness of the Council’s Risk Management arrangements”. This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required “To advise and make recommendations to the Cabinet on Risk Management and Insurance issues”.

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council’s arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. The review of the effectiveness of the Council’s arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved –
 - (i) *That the arrangements for Risk Management be considered effective; and*
 - (ii) *That future reports to the Committee provide reassurance on the actions taken to mitigate large risks to the Council.*

Risk Management in Directorates

2. The internal arrangements for Risk Management remained unchanged for the majority

of the year. However, the methodology is currently undergoing an internal review to align with the new corporate structure.

3. It is common practice within services for risk assessments to be conducted on new or changed activities and capital projects. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.
4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the Risk Management Group (RMG) and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. Historically the RMG met quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to Management Board. During 2018/19 the group met on three occasions with meetings held in June, August and December. The Chief Finance Officer, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.
6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans.

Corporate Risk Register

7. As mentioned above, the RMG consider updates to the Corporate Risk Register making recommendations to Leadership Team.
8. Following the RMG review, a separate review of the Corporate Risk Register is then undertaken by Leadership Team to ensure that all necessary changes have been captured by the RMG and that Leadership Team is not aware of any other new risks for inclusion.
9. Finally, recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee.

Updates to the Risk Register

10. Key points from the reports to Finance and Performance Management Cabinet Committee are given in the table below.

<u>Date of Meeting</u>	<u>Updates Considered</u>
21 June 2018	Risk 1 - Local Plan – The risk has been extensively updated to

	<p>clearly reflect the Vulnerability, Trigger and Action Plan.</p> <p>The Vulnerability advises the need for the Local Plan to be submitted within six months of the publication of the revised National Planning Policy Framework (NPPF), which is expected in Summer 2018. Missing this timescale will result in the Council having to use the standard methodology, this would see a much increased housing target, around 923 per annum, rather than the 518 homes currently identified as the District's housing requirement.</p> <p>The Trigger advises that the Council is awaiting the decision on a claim for judicial review, which is holding up the submission of the Local Plan Submission Version (LPSV). The outcome of the review could result in the Council having to take the LPSV back to full Council and a further Regulation 19 publication prior to submission.</p> <p>The Action Plan advises the current controls and actions to address the risk and also the required further management actions.</p> <p>Risk 9 - Safeguarding – The existing controls have been updated to advise the development of a bespoke EFDC e-learning training resource which all EFDC staff and Members will be required to undertake. The update also advises of a bespoke face to face training session. Both these training developments will be rolled out during summer 2018.</p> <p>New Risk 12 - Waste Management – A new Waste Management risk has been added to the Corporate Risk Register. The risk centres on the ability of the Council's partner waste contractor securing profitable outlets for recycling materials processed through the Material Recycling Facility (MRF) and the possible reduction in income. The trigger for the risk been brought about due to the Chinese government banning the import of MRF paper, which has resulted in the saturation in the commodity market. Management Board are to continue monitoring the costs and market fluctuations. The new risk has been scored C2 (Medium Likelihood/Moderate Impact).</p>
13 September 2018	<p>Risk 1 - Local Plan – The Risk Vulnerability has been updated to advise the Local Plan submission deadline of the 24 January 2019. Failure to submit the Local Plan to the Secretary of State for Independent Examination will result in the Council having to use the standard methodology for the assessment of housing need. The risk Trigger has also been updated to advise that the Council is awaiting the decision on an application from the claimants to the Court of Appeal to seek leave to appeal the High Court decision which dismissed the claim for judicial review. This is holding up the submission of the Local Plan Submission Version (LPSV) for independent examination.</p> <p>Risk 2 - Strategic Sites – The Effectiveness of Controls/Actions has been updated. Epping Forest Shopping Park has been removed from the list of strategic sites, as letting of all units nears completion. The site is now operational.</p> <p>Risk 8 - Partnerships - The risk which was scored C3 (Medium</p>

	Likelihood/Minor Impact) has been removed from the Corporate Risk Register. Both the Risk Management Group and Management Board believe that the risk can now be managed at Directorate level. The Risk is attached as Appendix 2 for information.
24 January 2019	<p>Risk 1 - Local Plan – Following the failure of the claimants application to appeal the High Court decision, which dismissed the claim for judicial review, the Council has submitted the Local Plan to the Secretary of State. The risk Vulnerability, Trigger and Consequence have been extensively re-written and are best seen within the Register. The risk Consequence for not achieving an adopted plan remains an increased annual requirement of 923 homes, rather than the 518 set by the Council. The increase would result in vulnerability to planning appeal decisions and potential development in the Green Belt, as the presumption in favour of sustainable development will apply.</p> <p>The Effectiveness of Controls/Actions and Required further management action relating to Epping Forest Special Area of Conservation (SAC) have also been updated.</p> <p>Risk 2 - Strategic Sites – Effectiveness of Controls/Actions and Required Further Management Actions have been updated. The Landmark site, Cabinet agreed supplementary Capital Expenditure of £140k to undertake separation and other service works, when completed the units will be re-marketed. The St John's site will be developed by the Council and Epping Town Council, with the decision for the site to include the re-located Epping Sport Centre. The site requires a development appraisal. The sale of Pyrles Lane Nursery was agreed in October 2018, with completion expected by end of the financial year. Nursery Services are to re-locate to Town Mead.</p> <p>Risk 3 - Welfare Reform – The updated Required Further Management Action describes the need for an action plan to be developed by the end of 2019/20 which will baseline the effects of Universal Credit for implementation in 2020/21. The resulting Critical Success Factor and Measure is the need to identify the impact of Universal Credit on all services and develop the necessary mitigating actions.</p> <p>Risk 4 - Finance Income – The risk Vulnerability has been updated to reflect increasing dependence on locally generated income. Little information is available relating to funding from 2020/21. The increasing possibility of a no deal Brexit could cause challenging trading conditions for businesses, which could impact a number of the Council's income sources including commercial rentals and business rates. The changes in economic conditions are also reflected in the updated risk Trigger.</p> <p>Risk 5 - Economic Development – The Existing controls/actions to address the risk has been updated to advise that the Economic Development Plan has been drafted and presented to the Economic Development Board. The resulting Required Further Management Action is the need for an Economic Development Implementation Plan.</p> <p>Risk 7 - Business Continuity – To note the updated Effectiveness</p>

	<p>of controls/actions which advises that an audit of Business Continuity arrangements has commenced.</p> <p>Risk 9 - Safeguarding – The Required Further Management Action has been updated to advise that training records are to be held and maintained by the People Team on the iTrent system when it is fully operational.</p> <p>Risk 10 - Housing Capital Finance –The Critical Success Factor and Measures has been amended to advise that any impact from Central Government policy changes must be minimised as far as possible.</p> <p>Risk 11 - Transformation Programme – The Existing Controls/Actions to address risk has been updated to advise that Leadership Team considers Transformation issues at their weekly meetings. The effectiveness of these controls has also been updated, advising the People Strategy is at L2 Service Manager Implementation Stage; the People Strategy was considered by Overview & Scrutiny in December and that Cabinet agreed the revised Accommodation Strategy on 10 December 2018. The required further management actions are that Leadership Team and Transformation Programme Board continue to monitor projects and ensure adequate human and financial resources are available; a Task & Finish Panel is to be established to cover Performance Monitoring.</p> <p>Risk 12 - Waste Management – The Effectiveness of controls/actions has been updated to advise that the Recycling Index Unit Rate (RIUR) will continue to be monitored due to the volatility of sale prices for recycling materials</p> <p>The recent changes to the Council's structure has resulted in a need to review the Council's Risk Management Strategy (Appendix 2). It is felt that the methodology and potential use of Pentana as a system for recording and presenting risks also be explored. The target date for the completion of the review is September 2019.</p>
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11. For information, the current risk register is attached as Appendix 1.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

Reports to the Finance and Performance Management Cabinet Committee as set out above.

Impact Assessments:Risk Management

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
14/03/18 Chief Finance Officer	The report is about the effectiveness of the arrangements for risk management and relates to this process not the delivery of any particular service and so has no equality implications.