

A meeting of the **OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND CUSTOMERS)** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 5 JULY 2017** at **7:10 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 12)

To approve as a correct record the Minutes of the meeting held on 14th June 2017.

**A Green
388008**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda item.

3. NOTICE OF KEY EXECUTIVE DECISIONS (Pages 13 - 16)

A copy of the current Notice of Key Executive Decisions is attached. Members are invited to note the Plan and to comment as appropriate on any items contained therein.

**B Buddle
388007**

4. CCTV/SECURITY SERVICES - BUSINESS CASE FOR COMMERCIALISATION

The Panel are to receive the CCTV/Security Services – Business Case for Commercialisation. **(TO FOLLOW)**.

**C Stopford
388280**

5. DOCUMENT CENTRE - BUSINESS CASE FOR COMMERCIALISATION (Pages 17 - 40)

The Document Centre – Business Case for Commercialisation is to be presented to the Panel.

**J Taylor
388119**

6. RISK MANAGEMENT STRATEGY (Pages 41 - 58)

The Risk Management Strategy is to be presented to the Panel.

**D Harwood
388115**

7. COMMERCIAL INVESTMENT STRATEGY - APPROVAL TO PURCHASE CIS INVESTMENT

In accordance with Rule 16 (Special Urgency) of the Council's Access to Information Procedure Rules, the Chairman is to report that he had agreed to an item being considered as a matter of urgency at the Cabinet meeting on 22nd June 2017.

**Cllr D Tysoe
388310**

8. **OVERVIEW AND SCRUTINY PROGRESS** (Pages 59 - 64)

Members are to receive the work programmes for all Overview and Scrutiny Panels.

**A Green
388008**

Dated this 27 day of June 2017



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

- (1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*
- (2) *A Member has a disclosable pecuniary interest if it -*
 - (a) *relates to you, or*
 - (b) *is an interest of -*
 - (i) *your spouse or civil partner; or*
 - (ii) *a person with whom you are living as husband and wife; or*
 - (iii) *a person with whom you are living as if you were civil partners*

and you are aware that the other person has the interest.
- (3) *Disclosable pecuniary interests includes -*
 - (a) *any employment or profession carried out for profit or gain;*
 - (b) *any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*
 - (c) *any current contracts with the Council;*
 - (d) *any beneficial interest in land/property within the Council's area;*
 - (e) *any licence for a month or longer to occupy land in the Council's area;*
 - (f) *any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*
 - (g) *a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.*

Non-Statutory Disclosable Interests

- (4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*
- (5) *A Member has a non-statutory disclosable interest where -*
 - (a) *a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*
 - (b) *it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or*

(c) it relates to or is likely to affect any body –

- (i) exercising functions of a public nature; or
- (ii) directed to charitable purposes; or
- (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Mr Adam Green, Democratic Services Officer (Scrutiny), Tel No. 01480 388008/e-mail Adam.Green@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

This page is intentionally left blank

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND CUSTOMERS) held in Civic Suite 0.1B, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 14th June 2017.

PRESENT: Councillor D M Tysoe – Chairman.

Councillors Mrs B E Boddington, R C Carter, S Greenall, Mrs R E Mathews, J M Palmer, Mrs D C Reynolds, M F Shellens, Mrs S L Taylor and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors K M Baker and Mrs L A Duffy.

IN ATTENDANCE: Councillors D Brown, S Cawley and M Francis.

4. MINUTES

The Minutes of the meetings held on 1st February 2017, 6th March 2017 and 17th May 2017 were approved as a correct record and signed by the Chairman.

5. MEMBERS' INTERESTS

Councillor D M Tysoe declared a non-pecuniary interest in relation to Minute Number 14, as he has friends who work at the college.

6. NOTICE OF KEY EXECUTIVE DECISIONS

The Panel received and noted the current Notice of Key Executive Decisions (a copy of which is appended in the Minute Book) which has been prepared by the Executive Leader for the period 1st June 2017 to 30th September 2017.

7. TRANSFORMATION REPORT - PUTTING OUR CUSTOMERS FIRST

With the aid of a report by the Managing Director (a copy of which is appended in the Minute Book) the Transformation Report – Putting Our Customers First was presented to the Panel. The Executive Councillor for Transformation and Customers was in attendance to present the report.

Members were informed that the report was the first six monthly report on Transformation. The Executive Councillor added that he recognised that some Members are not happy with the term customers and suggested that the term citizens would be better.

A Member noted that the report states that staff resources are to be redeployed and enquired if there are to be redundancies in the future.

In response the Panel were informed that the programme is running on existing resources and staff have been seconded from their existing teams. The Council are hoping to take as many staff as possible through the process of transformation. The Executive Councillor stated he could not comment on the possibility of redundancies.

The question of how does the Transformation programme fit in with the closure of the customer service centres in Ramsey, Yaxley and St Neots, in particular the mantra of 'starts with the customer ends with the customer' was raised. In response the Executive Councillor stated that the closure of the customer service centres was identified by the Zero Based Budgeting exercise and then ratified by the budget process. Members were told that the reason for this was that a small percentage of customers use the centres and this becomes fewer and fewer as the years progress. The Council are responding to the different ways that customers want to interact with the Council. Staff at the customer service centres have identified alternative routes for vulnerable customers to interact with the Council.

In response to the question are the Council making progress in respect to ICT, the Executive Councillor stated that the website has won awards and that there is a three year programme in progress which will see improvement in the ICT service.

The Executive Councillor informed the Panel that the Council are reviewing at a different operating model. The Councils current structure creates silos and doesn't encourage collaboration and flexibility, whereas Transformation will create a more cross cutting model. This is particularly important when considering the impact in how customers interact with the Council.

A Member asked if Transformation will introduce an effective complaints procedure and in response the Panel were informed that currently Transformation is looking at who the Council are today, who is the customer, what they want and then build what they want. The Member responded that they thought it was important that the Council gets the complaints procedure correct and that it should be at the top of the agenda.

The Panel questioned whether the cost of hiring external specialists is more than the skills the Council have had previously with former Members of staff. In response Members were informed that the Council wanted to train project managers however the Council did not have that skill internally so brought in a specialist to train people to become project managers.

It was asked where is the framework for the main principles so that Members know that the principles are being met. In response Members were informed that as the operating model is designed the matrix will be developed.

In response to a question regarding the budget, the cost and expected savings for the Transformation programme were discussed.

8. COUNCIL TRADING COMPANY - SHAREHOLDER AGREEMENT, ARTICLES OF ASSOCIATION AND COMMERCIALISATION UPDATE

With the aid of a report by the Managing Director (a copy of which is appended in the Minute Book) the Council Trading Company – Shareholder Agreement, Articles of Association and Commercialisation Update was presented to the Panel.

The Executive Councillor for Commercialisation and Shared Resources was in attendance to inform Members that the commercialisation agenda is progressing and that the business plans for the commercialisation of the Document Centre and the CCTV service will be presented to the Panel in July 2017. The Panel were informed that in order to progress commercialisation the Cabinet have to approve the shareholder agreement and the articles of association.

The Panel were informed that the Executive Councillor, Councillor Mrs S J Conboy, the Managing Director and the Corporate Director (Services) will be non-executive Directors of the company.

In response to a query, the Panel were informed that it is hoped with the right partner the Document Centre revenue will increase ten-fold. There is the potential that the partner could bring new technology into the partnership. It is hoped that the service and the CCTV service will become cost neutral.

A Member asked are the Council planning to recruit new staff or bring in existing staff from partners. In response Members were informed that existing staff will be used although a need for a Commercial Manager has been identified.

Following the question would the commercial partner be offered shares, the Executive Councillor replied yes however it would be on a 50-50 basis but and that would depend on what the partner brings into the partnership.

In response to the question can the Executive Councillor give the Panel assurance that due diligence has been undertaken, Members were informed that due diligence has been done as the documents have been through two solicitors and the 3Cs legal service.

The Executive Councillor stated in response to the question can reassurance be given that there is enough skills amongst the non-executive Directors, that there is enough skills and where there isn't the Managing Director will be given the authority to appoint additional Directors depending on the requirement of skills.

The Panel welcomed the appointment of Councillor Mrs S J Conboy as a non-executive Director as a good example of cross-party working.

Despite the assurances given by the Executive Councillor, some Members remain concerned about the commercialisation agenda and in particular working with partners. The Panel stated that the Council has to ensure that it gets a fair share of the income generated from commercialisation.

Concern was raised that the authority to appoint additional Directors would be vested in one individual. As such the Panel agreed that two further recommendations will be put to Cabinet, they are:

- a) the Cabinet appoints the Managing Director as the first company Director, and
- b) the Cabinet delegates authority to the Board to appoint additional Directors.

(At 7.24pm, during the discussion of this item, Councillor S Cawley left the meeting and did not return.)

9. PROPOSED USE OF BUILDING FOUNDATIONS FOR GROWTH (CAPITAL) GRANT UNDERSPEND

With the aid of a report by the Economic Development Manager (a copy of which is appended in the Minute Book) the Proposed Use of Building Foundations for Growth (Capital) Grant Underspend was presented to the Panel.

Members were informed that whilst there are four options listed within the report practically there are only two options. Option 1 which the Council will make loans available at the predetermined European Union (EU) commercial rates for capital projects on the Enterprise Zone and Option 4 of providing Grants to small and medium sized enterprise (SMEs) that meet certain State Aid complaint conditions. The Panel were informed that the preferred option is option 1. The Head of Development stated that there is also Option 5 which is to do nothing however this is not recommended by Officers.

In response to a question are the Council still seeking legal advice, Members were informed that once an option has been selected the Council will seek legal advice to ensure due diligence has been done.

Following a question in regards to what will happen with the money when the loans are paid back Members were informed that Option 4 would become attractive to encourage small businesses. The Panel suggested making the decision to use Option 4 for the proceeds now however it was explained that as the loans won't be paid back for 10 years the need for a decision won't be until then.

(At 7.42pm, during the discussion of this item, Councillor D Brown left the meeting and did not return.)

10. INTEGRATED PERFORMANCE REPORT 2016/17 - QUARTER 4

With the aid of a report by the Head of Resources and the Corporate Team Manager (a copy of which is appended in the Minute Book) the Integrated Performance Report 2016/17 Quarter 4 was presented to the Panel.

The Panel were informed that 78% of the Key Actions are green, 19% are amber and only 1 Key Action was red and in regards to the Corporate Indicators, 19% are red. In respect to the provisional

outturn net spend there is an underspend of £600k. There has been £7m spent on the Capital Programme which is an underspend of £4m.

The Panel noted that no Executive Councillor was in attendance for this item and stated that it would be good to have one in attendance.

Concern was raised that the target for the average time between the date of referral of Disable Facilities Grants (DFGs) to practical completion for minor jobs up to £10k has been missed. A total of 58 were completed within the 28 week target and this represents 34.7%. A Member asked is this the standard for the County or just Huntingdonshire. In response Members were informed that a report outlining the detail will be presented to Overview and Scrutiny Panel (Communities and Environment) in July. In addition the Panel was informed that for smaller DFGs the target is less in South Cambridgeshire and Cambridge City.

A Member expressed concern that income for One Leisure was down on the previous year. It was noted that this was because there was a bundling of gym memberships which has since proved unpractical.

In response to a question regarding the need for capital money to be spent at One Leisure the Panel were informed that that for any capital programme there is a business case put forward and only when the business case has been approved can capital money be spent. In regards to the 3G pitches at St Neots the Head of Resources stated that as the Section 151 Officer he is not prepared to invest money into a leisure centre where the Council don't have a 20 year lease.

Following a query, the Finance Manager agreed to research has more money been spent on homelessness related housing benefits and where has the money been spent. In addition the Finance Manager agreed to find out how many 3rd Floor Multi-story Car Park licences have been sold.

In regards to the Zero Based Budgeting reds and the impact it will that have on this year's budget, the Panel were informed that where known beforehand the non-savings were incorporated into this years' budget which has since been approved.

11. DEBT MANAGEMENT POLICY

With the aid of a report by the Finance Manager (a copy of which is appended in the Minute Book) the Debt Management Policy was presented to the Panel.

Following the question of when will the Policy be implemented, the Panel were informed that once the Policy is approved by Cabinet it will get implemented.

A Member asked that once the Policy is in place would the Council act more harshly than before and there would there be the flexibility to act on a case by case basis. In response the Panel was informed that under the Policy, the Council will have the option to offer payment through instalments in certain cases.

In response to a concern that debt will be written off and that the Council will not have a record of it, Members were informed that there is a procedure in place to manage debt before reaching the Section 151 Officer to be written off (or the Executive Councillor for Strategic Resource in the case of debt over £5k).

In regards to when the debt is written off, the Panel were content with the explanation that debt is normally written off for accounting purposes and that a record of the debt is kept.

(At 8.20pm, during the discussion of this item, Councillors M Francis and M F Shellens left the meeting.)

(At 8.22pm, during the discussion of this item, Councillor M F Shellens returned to the meeting.)

(At 8.25pm, during the discussion of this item, Councillor M Francis returned to the meeting.)

12. TREASURY MANAGEMENT ANNUAL REPORT 2016/17

With the aid of a report by the Head of Resources (a copy of which is appended in the Minute Book) the Treasury Management Annual Report 2016/17 was presented to the Panel.

Following a question regarding bail in legislation, the Panel were informed that in the event of a failing (or likely to fail) banks, building societies and investment firms the cost of such failures are borne by the shareholders and creditors of the firm, rather than the taxpayers.

In response to a question is the Council confident that services continue to grow at the rate required, Members were informed that it may be the case that the Council might raise prices in the future to cover costs.

13. EXCLUSION OF PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting because the business to be transacted contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

14. AGREEMENT FOR TRANSFER OF LOAN

Consideration was given to a report by the Head of Resources regarding the agreement for the transfer of a loan. Following a couple of questions the Panel agreed that the Cabinet should approve the transfer of the loan.

15. ASSET DISPOSALS

Consideration was given to a report by the Head of Resources regarding asset disposals. The Panel expressed their disappointment that Ward Members had not been consulted before the submission of the report to the Panel.

A Member added that they would be disappointed if the Cabinet approved the disposal of the sites without consulting with Ward Members first.

The Panel recommends that the report is withdrawn from the Cabinet agenda to give the opportunity for Ward Members to be consulted.

16. RE-ADMITTANCE OF PRESS AND PUBLIC

RESOLVED

that the press and public be re-admitted to the meeting.

17. OVERVIEW AND SCRUTINY PROGRESS

With the aid of a report by the Democratic Services Officer (Scrutiny) (a copy of which is appended in the Minute Book), the Panel reviewed all the Panels' work programmes since the last meeting.

It was suggested that the Panel forms a Task and Finish Group on One Leisure specifically the finance and performance aspect of the service. The Chairman and Vice-Chairman agreed to discuss it further at the Joint Chairman and Vice Chairman meeting taking place in June 2017.

A Member suggested further investigation into the Transformation programme however the Panel recognised that Transformation was at an early stage and that Members should await for developments before deciding what to do.

The Head of Resources agreed to follow up the current status of the Social Value in Procurement item.

Chairman

This page is intentionally left blank

NOTICE OF EXECUTIVE KEY DECISIONS INCLUDING THOSE TO BE CONSIDERED IN PRIVATE

Prepared by Councillor R B Howe, Executive Leader of the Council
Date of Publication: 23 June 2017
For Period: 1 July 2017 to 31 October 2017

Membership of the Cabinet is as follows:-

| | | | |
|----------------------------|---|-----------------------|--|
| Councillor R B Howe | Executive Leader of the Council | Councillor R Fuller | Executive Councillor for Housing and Regulatory Services |
| Councillor D Brown | Executive Councillor for Commercial and Shared Services | Councillor J A Gray | Executive Councillor for Strategic Resources |
| Councillor G J Bull | Deputy Executive Leader | Councillor R Harrison | Executive Councillor for Growth |
| Councillor S Cawley | Executive Councillor for Transformation and Customers | Councillor J White | Executive Councillor for Operations |
| Councillor Mrs A Dickinson | Executive Councillor for Community Resilience and Wellbeing | | |

Notice is hereby given of:

- Key decisions that will be taken by the Cabinet (or other decision maker)
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part).

A notice/agenda together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restrictions on their disclosure, copies may be requested by contacting the Democratic Services Team on 01480 388169 or E-mail Democratic.Services@huntingdonshire.gov.uk.

Agendas may be accessed electronically at www.huntingdonshire.gov.uk.

Formal notice is hereby given under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that, where indicated part of the meetings listed in this notice will be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See the relevant paragraphs below.


Any person who wishes to make representations to the decision maker about a decision which is to be made or wishes to object to an item being considered in private may do so by emailing Democratic.Services@huntingdonshire.gov.uk or by contacting the Democratic Services Team. If representations are received at least eight working days before the date of the meeting, they will be published with the agenda together with a statement of the District Council's response. Any representations received after this time will be verbally reported and considered at the meeting.

Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) (Reason for the report to be considered in private)

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the Financial and Business Affairs of any particular person (including the Authority holding that information)
4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations that are arising between the Authority or a Minister of the Crown and employees of or office holders under the Authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the Authority proposes:-
 - (a) To give under any announcement a notice under or by virtue of which requirements are imposed on a person; or
 - (b) To make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Huntingdonshire District Council
 Pathfinder House
 St Mary's Street
 Huntingdon PE29 3TN.

- Notes:- (i) Additions changes from the previous Forward Plan are annotated ***
 (ii) Part II confidential items which will be considered in private are annotated ## and shown in italic.

|  Subject/Matter for Decision | Decision/ recommendation to be made by | Date decision to be taken | Documents Available | How relevant Officer can be contacted | Reasons for the report to be considered in private. | Relevant Executive Councillor | Relevant Overview & Scrutiny Panel |
|--|--|---------------------------|---------------------|--|---|-------------------------------|---|
| Community Chest Grant Aid Awards 2017/18 | Grants | 3 Jul 2017 | | Chris Stopford, Head of Community Tel No. 01480 388280 or email Chris.Stopford@huntingdonshire.gov.uk | | J A Gray / R Fuller | Performance and Customers / Communities and Environment |
| Business Plan for CCTV / Security Services | Cabinet | 20 Jul 2017 | | Chris Stopford, Head of Community Tel No. 01480 388280 or email: Chris.Stopford@huntingdonshire.gov.uk | | D Brown | Performance and Customers |

| Subject/Matter for Decision | Decision/recommendation to be made by | Date decision to be taken | Documents Available | How relevant Officer can be contacted | Reasons for the report to be considered in private | Relevant Executive Councillor | Relevant Overview & Scrutiny Panel |
|---|---------------------------------------|---------------------------|---------------------|--|--|-------------------------------|------------------------------------|
| Home Improvement Agency Annual Report and Review/Disabled Facilities Grant budget | Cabinet | 20 Jul 2017 | | Caroline Hannon, Housing Strategy Manager 01480 388203 or email: caroline.hannon@huntingdonshire.gov.uk | | R Fuller | Communities and Environment |
| Risk Management Strategy | Cabinet | 20 Jul 2017 | | David Harwood, Internal Audit and Risk Manager Tel: 01480 388115 / Email: David.Harwood@huntingdonshire.gov.uk | | J A Gray | Performance and Customers |
| Document Centre - Business Case for Commercialisation | Cabinet | 20 Jul 2017 | | John Taylor, Head of Customer Services Tel no. 01480 388119 or email John.Taylor@huntingdonshire.gov.uk | | D Brown | Performance and Customers |
| Memoranda of Understanding with the Local Enterprise Partnership | Cabinet | 21 Sep 2017 | | Andy Moffat, Head of Development Tel No. 01480 388400 or Email: Andy.Moffat@huntingdonshire.gov.uk | | R Harrison | Economy and Growth |
| Corporate Enforcement Policy | Cabinet | 21 Sep 2017 | | Chris Stopford, Head of Community Tel No. 01480 388280 or email: Chris.Stopford@huntingdonshire.gov.uk | | R Fuller | Communities and Environment |
| Car Parking Strategy Task and Finish Group - Vision | Cabinet | 21 Sep 2017 | | Neil Sloper, Head of Operations Tel No. 01480 388635 or email Neil.Sloper@huntingdonshire.gov.uk | | J White | Economy and Growth |

| Subject/Matter for Decision | Decision/ recommendation to be made by | Date decision to be taken | Documents Available | How relevant Officer can be contacted | Reasons for the report to be considered in private | Relevant Executive Councillor | Relevant Overview & Scrutiny Panel |
|--|--|---------------------------|---------------------|--|--|-------------------------------|------------------------------------|
| Business Rates - Discretionary Revaluation Relief Policy *** | Cabinet | 21 Sep 2017 | | John Taylor, Head of Customer Services Tel No. 01480 388119 or email john.taylor@huntingdonshire.gov.uk | | J Gray | Economy and Growth |
| Homelessness Strategy *** | Cabinet | 19 Oct 2017 | | John Taylor, Head of Customer Services Tel No. 01480 388119 or email: John.Taylor@huntingdonshire.gov.uk | | R Fuller | Communities & Environment |

Public - Yes
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

| | |
|------------------------------|--|
| Title/Subject Matter: | Procurement of a Joint Venture partnership for the commercial development of HDC's Document Centre |
| Meeting/Date: | Overview & Scrutiny (Performance & Customers) Panel – 5 July Cabinet – 20 July |
| Executive Portfolio: | Commercialisation and Shared Services: Councillor D Brown |
| Report by: | John Taylor – Head of Customer Service |
| Ward(s) affected: | All |

Executive Summary:

Cabinet approved the creation of a Local Authority Trading Company (LATC) at its meeting on 17th November 2016. This was determined as an essential stage in enabling the Council to develop a range of commercial, income generating, activities in line with its strategic objectives. It will also make an essential contribution to the Council achieving its aim of achieving financial self-sufficiency.

This report presents an outline business case to support the viability of procuring a joint venture to operate and develop the print services elements of HDC's Document Centre service. The outline business case is presented as Appendix A.

Recommendation(s):

The Overview and Scrutiny Panel is invited to comment on:

- The suitability of the proposed business model which is based on the formation of a joint venture company. This will combine the existing strengths of HDC's Document Centre with the commercial experience, skills and capacity of a professional print services provider.
- Any omissions, amendments or additions that it is felt would improve this document.

The Cabinet is asked to approve the following:

RECOMMENDED:

- 1. That the business case presents a fair reflection of the broad potential benefits of establishing a partnership with an external commercial print supplier.**
- 2. That the information presented in the business case provides a robust basis upon which to initiate a procurement process to identify potential commercial partners.**

- 3. That soft market testing continues in order to further develop the model set out in the business case, particularly in terms of evaluating market potential and projecting future sources and levels of income.**
- 4. The model described in the business case is used, as part of an EU compliant procurement process (Restricted Procedure with Competitive Dialogue), as the framework for negotiations with potential commercial partners.**

1. PURPOSE OF THE REPORT

- 1.1 This report is provided to enable Members to approve the proposed basis for the procurement of a suitably qualified and experienced commercial partner to form a joint venture company to provide printing and related services.

The attached business case describes an operating model that will allow HDC's Document Centre to contribute its existing skills, experience and resources to a joint venture that will be capable of achieving significant commercial growth.

2. WHY IS THIS REPORT NECESSARY

- 2.1 This report will ensure that Members have a clear understanding of the relative levels of risk and reward roles that this proposed strategy presents to HDC. In addition, it provides an overview of the resource commitments that HDC will be required to ensure that the projected outcomes are achieved.

3. COMMENTS OF OVERVIEW & SCRUTINY

- 3.1 The comments of the relevant Overview and Scrutiny Panel will be included in this section prior to its consideration by the Cabinet.

4. KEY IMPACTS

- 4.1 The cost to HDC of providing the Document Centre service will be reduced.
- 4.2 The potential to generate income from 'external' customers, including those in the commercial sector and outside of HDC's District borders will be increased.
- 4.3 The range of operational expertise, alongside commercial capability and capacity, will be extended.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 An OJEU compliant procurement process– Restricted Procedure with Competitive Dialogue - will be initiated with the intention of awarding a contract during the latter part of 2017.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- Implementing our Transformation Programme.
Establishing this joint venture will contribute to the way HDC functions in the future. The creation of a de facto trading entity forms one of the key elements of the transformation plan.
- Ensuring our Medium Term Financial Strategy is focused on strategic priorities.
The anticipated revenue income from the extended commercial activity of this joint venture will play an important role in ensuring the Council's future financial stability.
- Maximising income opportunities, where appropriate.
This commercial activity will require the Council to take a measured approach to market opportunities. Robust business planning will ensure that the joint venture generates revenue within an acceptable a sustainable cost base.

- Identifying new opportunities for income generation, where appropriate. This will be achieved via the introduction of key commercial capabilities such as marketing, business development and account management.
- Having a more engaged and motivated workforce. Combining the existing Document Centre team with staff from a commercial partner will introduce new ways of thinking and working into the Council, which will provide opportunities for professional and personal development across the organisation.

7. LEGAL IMPLICATIONS

- 7.1 Trowers & Hamlin have assessed HDC's planned actions in regards to incorporating trading companies and have confirmed that this is within the Council's legal powers as defined in:
- Local Authorities such as Huntingdonshire District Council are able to create Local Authority Trading Companies (LATC) under:
 - Local Government Act 2003 allows local authorities to trade in any of their ordinary functions.
 - The Localism Act 2011 enables local authorities to undertake activities for a "commercial purpose" in order to make a profit but only if delivered within a company
 - Local Government Best Value Authorities Power to Trade England Order 2009.
- 7.2 Further legal advice will be commissioned to validate the specific form and governance structure of the proposed joint venture company.

8. RESOURCE IMPLICATIONS

- 8.1 The joint venture company will also require a range of support services in areas such as HR, Finance and IT. It is anticipated that these services will be competitively sourced and that HDC will be provided with an opportunity to submit a bid for each contract.

9. OTHER IMPLICATIONS

- 9.1 Key risks:
- Acting outside law:** external legal advice has been taken to establish legal basis for local authority trading.
- Business return may not be there:** the attached business case has been developed with external support to validate the anticipated commercial proposition.
- Higher risk profile:** procurement of a joint venture will help to spread risk.
- Loss of control over services:** HDC shareholding the company will ensure that influence is maintained, but the Council will not retain sole control of services.
- 9.2 As noted above, input from the Monitoring Officer will be required to support any required changes to the Council's constitution.

Should operational support for the joint venture be provided by HDC, this will be at market rates and under the terms of a Resourcing Agreement which will be negotiated between the company and the Council.

Any rental agreement for office accommodation in Pathfinder House will be at market rate and configured as a contractual arrangement between the two parties.

10. REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 In order that HDC can proactively pursue its intention to be financially self-sufficient by 2020, it is essential that the Council establishes the commercial vehicles necessary to provide opportunities to increase income and, where possible, reduce costs.

The establishment of this joint venture company will enable to Council to protect its existing investment in print services (people and equipment) whilst also creating opportunities to enhance the commercial potential of a business that is equipped to service a wider range of customers across the public, private and third sectors.

11. LIST OF APPENDICES INCLUDED

Appendix A – Business Case

CONTACT OFFICER

Name/Job Title: John Taylor, Head of Customer Service

Tel No: 01480 388119

Email: John.taylor@huntingdonshire.gov.uk

This page is intentionally left blank

CGT Consulting Ltd

Commercial Development: Business Improvement



Document Centre – Joint Venture Business Case

Prepared by
Colin Taylor
CGT Consulting Ltd

June 2017

Advisory Note

As external consultants we have prepared this document to in response to a request from Huntingdonshire District Council. It is designed to assist the Council in analysing and evaluating the potential to develop a specific service area. We have not prepared and do not present this document as a recommendation to follow a particular course of action, nor is it intended to constitute any form of advice.

Executive Summary

This document presents the business case for Huntingdonshire District Council establishing a potential commercial partnership to develop its Document Centre function. The business case establishes that:

- Developing a commercial relationship with an experienced external partner potentially offers most advantageous balance of risk and reward.
- Establishing a trading entity New-Co will help to harness existing strengths of both HDC and a commercial partner, and provide a clear commercial focus for the future.
- The New-Co will be able to offer a range of products, services and expertise that are well matched to the predicted development of the print market (eg: on demand, short run, variable print).
- HDC will be able to contribute significantly to the 'start up' resources of The New-Co and, as a result, derive a significant share of any profits generated.

The scope of this business case does not extend to the post handling and mailing aspects of the current Document Centre operations. Although HDC may wish to consider future integration of this into New-Co, it would be prudent to initially focus on establishing a successful print based business.

Furthermore, any 'externalisation' of this service will have a direct impact on the internal accounting arrangements within HDC. Any central service recharges currently allocated against the Document Centre will need to be realigned. Although it should be possible to allocate some recharges to New-Co via a management fee, these will need to be levied at a 'market' or 'commercial' level. HDC will need to make decisions at a corporate level about how it wishes to treat this type of 'stranded cost' which are likely to occur more widely across any portfolio of commercial services that it develops.

Recommendation

It is recommended that HDC:

1. Accepts this business case as presenting a fair reflection of the broad potential benefits of establishing a partnership with an external commercial print supplier.
2. Recognises that the information presented in this business case provides a robust basis upon which to initiate a procurement process to identify potential commercial partners.
3. Continues to use soft market testing to further develop the model set out in this business case, particularly in terms of evaluating market potential and projecting future sources and levels of income.
4. Use this model as a framework to prepare for negotiations with potential commercial partners.

Introduction

Following the decision to redevelop the Council's main headquarters and depot, the Document Centre was created in 2007 as a corporate resource. It has, since then, developed its role providing internal and external post, scanning, design and printing requirements.

The Document Centre is the central point for mail collection and despatch and offers a full range of scanning at source in line with the Council's Electronic Document Management (EDM) procedures. Post is processed on a daily basis from the Royal Mail and is distributed internally either electronically or by physical delivery.

In addition, the Document Centre is responsible for the procurement and management of corporate Multi-Functional Devices (MFDs) and Customer Service Centre scanning equipment.

For some time, Huntingdonshire District Council (HDC) has been exploring potential routes to develop the Document Centre. The main drivers for this have been to identify potential ways to:

1. reduce the cost of this service to the Council
2. develop increased income from 'external' customers
3. bring in additional resources and skills from a commercial operator

Analysis of the service using a commercial financial model show that it is operating at a net cost to the Council of over £400,000 and that it is effectively subsidising (through the allocation of the majority of direct costs against internal activities) the works that it undertakes for external customers. In addition, comparative pricing has identified that external works are being undertaken below prevailing commercial rates.

The Council, via the Document Centre Management Board, has considered the relative merits of five options for the future of the Document Centre:

1. Business as usual (the 'do nothing' option)
2. Invest and develop (an incremental development model)
3. Brokerage partner (part of an external supply chain)
4. Trading company (full integration with a commercial partner)
5. Outsourcing (externalisation of HDC requirements)

An approved options appraisal has established that Option 4 (full service integration with an external partner, achieved through setting up a joint venture company) warrants further development to a full business case. The DC Management Board recognised that, although Option 4 presents an appreciable level of risk, it also offers a higher level of commercial potential to realise significant income for the Council.

The market

Industry trends

Over recent years, the turnover of the UK print industry has been relatively stable. The Office of National Statistics (ONS) reported the following for 2016:

Number of companies: 12,555
Number of employees: 146,401
Turnover: £16,970,400

Nevertheless, these statistics represent a decrease in the amount of companies and employees within the print industry. This can be attributed to two major factors:

1. The impact of the financial crash of 2008 and the subsequent recession. Many print businesses did not possess the financial resources to sustain their profit margins and led to many exiting the industry.
2. The decline in overall employees has mainly been caused by both changes in production techniques and technological advances in plant and equipment. In addition, the recession after 2008 led directly to job losses throughout the industry as a result of a fall in overall demand.

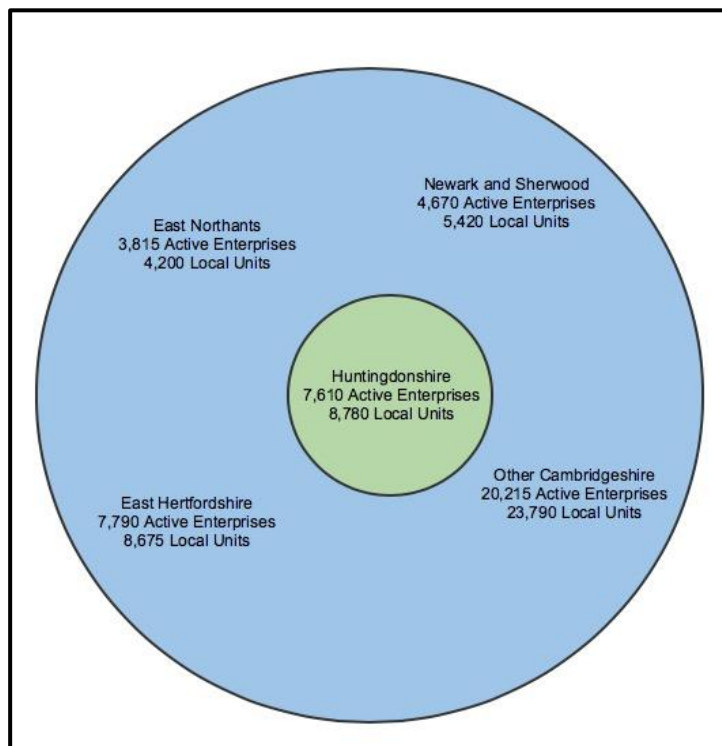
In terms of capital investment, there has been a noticeable shift in demand from sheet fed litho to digital process printing recently and this looks set to continue. Due to less demand for high volume, long-run orders many companies have opted for digital print which is a growing market. However, cut sheet still accounts for roughly double the market share that digital process print does for the vast majority of printing businesses in the U.K. today.

The key trends in the industry at present are:

- The industry is evolving, not dying. In order to succeed printing companies are adapting to new markets and evolving their products accordingly.
- Personalised products are a growth area and in growing demand from customers. New communication platforms, such as social media, are driving an increase in demand for this service.
- Print advertising is likely to continue decreasing, especially mass produced, long-run untailored messages which lack an interactive and personalised dimension.
- Advances in automation will mean that the overall workforce in the U.K. print industry will continue to decline in the near to medium future.
- Digital process printing will continue to expand further as a proportion of overall production. This will be partially offset by continuing demand for quality print in niche market sectors and some existing markets where the required standard of quality can only be met by sheet-fed litho print.

The local market

The diagram below shows (according to Office of National Statistics 2016 figures) the concentration of Active Enterprises and Local Units in Huntingdonshire and selected surrounding areas.



This provides an addressable core market of over 7,600 businesses, with a secondary market of over 36,000. It would be prudent to assume, based on the size and type of these enterprises that only 40% of this forms the accessible market for the New-Co – a total of 17,440 Active Enterprises. A prudent assumption of New-Co gaining 2% market share across this accessible market would see it acquire almost 350 new customers.

The table below (also using ONS 2016 data) shows the number of Active Enterprises in three of these areas according to industry sector classifications. These sectors are amongst those that HDC and any commercial digital print supplier would consider to be key targets.

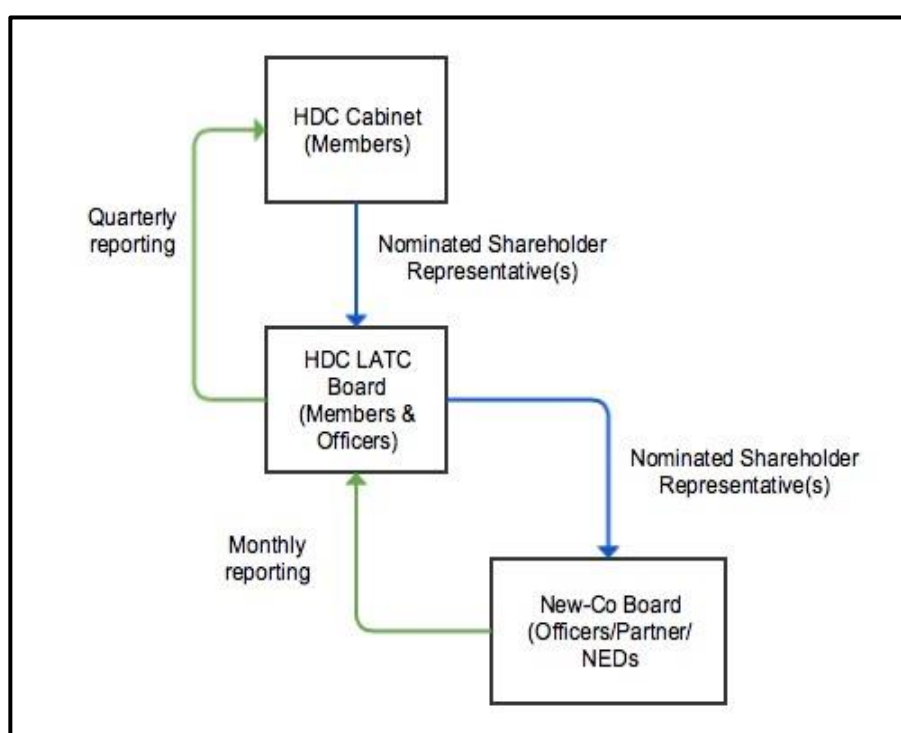
| | Huntingdonshire | Cambridge | East Hertfordshire |
|------------------------------|-----------------|-----------|--------------------|
| Retail | 420 | 320 | 455 |
| Information & Communications | 660 | 755 | 715 |
| Property | 245 | 175 | 315 |
| Public Sector | 60 | 0 | 30 |
| Arts and Entertainment | 480 | 395 | 470 |

The statistics presented above provide strong evidence that Huntingdonshire and the surrounding areas offer access to a significant number of active businesses and that these are in sectors that are proven users of digital print. This picture indicates that there is a potentially significant marketplace that can be explored further and used as the basis for a structured approach to business development .

Company structure and governance

The new co will be a jointly owned subsidiary of HDC's LATC, with the New-Co's shareholding split between HDC (via the LATC) and a commercial partner. It is anticipated that this partner will be identified and appointed via a competitive process. However, soft market testing has established that potential partners may be available and that there would be an active interest in creating a joint venture or partnership.

The New-Co will produce a comprehensive business plan which details how it will operate, the potential market for its services and provides indicative profit and loss (P&L) projections for a five-year trading period. This business plan will be signed off by The LATC via the New-Co board.



New-Co

It is anticipated that, as part of any negotiations regarding respective share allocations that account will be taken of any initial investments – either in cash or kind. This will directly impact on the level of profit extraction that each Shareholder will benefit from. For the purposes of the model described in this business case, a 50/50 split has been assumed.

New-Co Board

The Board will be responsible for delivery of the expected outcomes within the business plan. The Board will have oversight of the performance, financial and operational management of the Company within the parameters agreed with the Shareholders (including HDC).

Capital investment

New-Co will require an initial capital investment to cover the following:

- Set up costs (including consolidation of plant and other resources into a single location). £40k.
- Cash flow financing for the first three months of operation. The formation of the business around existing commercial relationships will largely offset this requirement as the continuity of cash flow should be maintained. This sum of £220k would be provide by share equity.

Company Resources

It is anticipated that, where practicable, the support services which will be required by the Company will be contracted out to HDC via the LATC.

Customers

The formation of New-Co will create a commercial operation that is able to offer a wide range of printing and associated services (see pages 10 – 11). It is anticipated that this will enable New-Co to not only retain a significant proportion of the business currently held by HDC and any potential partner, but to also achieve significant growth across the following customer groups.

HDC internal customers

The current work undertaken for internal HDC customers is currently valued at £75k. However, this is not charged at commercial rates due to an inconsistent approach to cost allocation (particularly staff costs). It is likely that a number of factors may influence the volume and value of this work in the future, including:

- Increasing digitisation of customer communications and transactional relationship will reduce the demand for printed materials.
- Any movement to implement commercial charging may result in lower volumes of work (and a possible increase in outsourcing)
- The application of preferential charge rates for this work may result in most of the work being retained.

In addition, a significant volume of print work (valued at £289k) is outsourced to external print suppliers through existing HDC frameworks. There will be substantial potential to use the enhanced capabilities offered by New-Co to provide a platform to win a proportion of this work. The model assumes this will be 60% of the current value.

HDC external customers

The Document Centre has developed a respectable presence in the local market – primarily working with other local authorities and the wider public sector. The approach to building this business has been developed within the Document Centre's existing business development and account management capabilities. These capabilities are limited by the current HDC operating model which is focused on meeting the internal service requirements of HDC.

It is anticipated that New-Co will harness the marketing and sales expertise and experience of a commercial partner, and that this will enable to work with these clients to be developed through a wider service offering and improved account management. In addition, it will be possible to better leverage the specialist capabilities of the Document Centre – including data management and an intrinsic understanding of public sector requirements – to generate more customers in these market segments.

Partner customers

The commercial partner in New-Co is likely to already have a substantial and well-developed client base. Furthermore, this is likely to be in sectors – for example, property, arts and entertainment, information services – where the Document Centre has little presence. In addition to the organic growth from this client base, New-Co will have an enhanced range of services (including those of the Document Centre) which will generate increase turnover from this type of client.

New-Co will focus on providing a comprehensive range of **digital print** services. In the context of the market conditions described above, and the high investment costs associated with lithographic printing, it is evident that this represents the best potential balance of risk and reward for HDC.

New-Co will provide customers with access to the following services:

Pre-press services

A full range of support to ensure that each job is ready for print and set up to produce the best results – including digital proofing, pre-flighting, colour management, RIPping, page imposition and Web2Print.

Digital printing

From sheet fed A4 to large formats for posters and banners in both full colour and black & white.

Finishing

Recognising the importance of delivering a first-class finished product with a flexible range of services, including: perfect and PUR binding, stitching, wire-o-binding, drilling, creasing, perforating, folding, laminating, trimming, kiss-cutting, velobinding, die cutting, drilling, collating and folding.

Print management

Offering customers access to a more strategic approach to their print buying and stock management. Print Management services allow customers to increase the efficiency of their print production and 'buy-in' to expertise that they may not have in-house.

Print design

Working with customers as a creative partner to produce attractive, practical designs for communications that gets results – from marketing material, brochures, flyers, leaflets to business cards, posters, invitations and newsletters.

Direct mail

Managing fulfilment campaigns from small mail-outs through to nationwide campaigns. Customers benefit from a full range of mail fulfilment services including hand and machine enclosing of letters, leaflets and brochures, laser printing, ink-jetting and pick & pack services.

Secure printing

Secure work is handled in a controlled environment where data is protected behind an external firewall and 24-hour CCTV coverage is in place. All secure work is segregated processed where screens cannot be overlooked.

Data management

Using supplied data to introduce variable or personalised messaging into printed communications. This will particularly draw on HDC's expertise in delivering large scale

variable print projects for local authorities (both billing and democratic services requirements).

Logistics

New-Co will use its own fleet of vehicles, alongside its contracted arrangements with Royal Mail and other distribution partners, to ensure that all jobs - either single or multipart – arrive at their destination on time and in perfect condition.

New-Co will provide customers all the key benefits associated with digital print, including:

1. Small run/on demand – only printing what customers need, thereby making budgets go further.
2. Low cost – direct to print technology and Web2Print capabilities can reduce costs by streamlining pre-press processes.
3. Variable print – consumer expectations and increasing integration with digital/social media means that customers want to deliver personalised messages where possible.
4. Choice of materials – digital print offers the potential to print directly onto paper and board as well as a wide range of range of plastic and synthetic materials.
5. Speed of turnaround – digital print can meet the on-demand requirements of most customers. With no plates to prepare and digital proofing that is reliable and accurate, the time to print most jobs is significantly reduced.

It is anticipated that New-Co will offer the type of customer assurances that are standard practice for commercial print suppliers, including:

- **Guaranteed Pricing.** Customers pay what they are quoted - no hidden charges.
- **Guaranteed Support.** A dedicated account manager to support each customer and project throughout the print process.
- **Guaranteed Quality.** Finished jobs only released when the customer is 100% happy with the output.
- **Guaranteed Delivery.** Confirmation of print order delivery times and reliable next-day delivery once the job is ready for dispatch.
- **Guaranteed Advice.** Expertise and experience to help each customer choose the best approach to achieve their objectives.

Operational

As an option for potential development of the HDC Document Centre, working with a partner is likely to have a significant impact on the operational aspects of the service. It is anticipated that New-Co will need to be operationally sophisticated and dynamic to thrive in the commercial printing market.

However, before a specific partner is identified, and their capacity, capabilities and expertise evaluated, it is difficult to be precise about the eventual operating model that will emerge. It is possible, nevertheless, to identify a number of key areas where the impact of forming New-Co is likely to have the most impact.

Location

The HDC Document Centre is currently located in Eastfield House (EFH) – a site that offers suitable and flexible production and office accommodation. In addition, access to and from EFH from main trunk routes is direct and fast. It is likely that any commercial partner may wish to consider consolidating New-Co into EFH due to its potential capacity to house a larger production facility and its advantageous location. However, the wider accommodation needs of HDC will need considering.

Staffing

Both partners will have their own staff, each with particular experience and expertise. It will be necessary to evaluate the full range of staff available to New-Co and put in place the most suitable configuration. Any procurement process will stimulate consideration of how a new structure might help to ensure that New-Co is not only an efficient production facility, but is also able to operate in a commercially agile manner.

Plant/equipment

It is anticipated that any commercial partner identified by HDC will have a track record of investment in leading edge digital print technology. It is therefore likely that this will supersede the plant that is currently used by the HDC Document Centre. However, an item by item asset review will need to be carried out to identify the optimum combination of plant from both partners.

Management Information System (MIS)

It is anticipated that a MIS (for example Optimus) will be used, alongside ISO9001, to ensure that the right goods, of the correct quality, are consistently delivered. This type of MIS, specifically developed for the print industry, encompasses all stages of the commercial process – including estimating, workflow management delivery and invoicing. The dynamic use of this type of MIS will enable New-Co to manage its cost base in real time. In relation to the sensitivity analysis presented on page 16, a cost overrun of 10% would be unlikely as the MIS would allow active management of key cost drivers, such as labour and materials costs.

The use of a print specific MIS will enable New-Co to operate efficiently, better manage its cashflow, reduce bottlenecks and deliver consistent levels of customer service.

Financial model

The following financial model is based on analysis of current HDC Document Centre accounts. In addition, a commercial print supplier has been consulted to establish the type of income and cost profile that it would be prudent to adopt for the purposes of a five-year model.

Although this soft market analysis has informed this business case, should the proposal be progressed, this model will be further tested against a range of potential suppliers.

The narrative below details the assumptions that lie behind the draft profit and loss account shown on page 16.

| Income | |
|---|--|
| HDC Doc Centre delivered – internal print | Based on current values for printing carried out for HDC by the Document Centre. |
| | Values increased by 30% to reflect commercial pricing (Appendix B). |
| | Value reduced by 10% per year to reflect increasing digitisation of services. |
| HDC – outsourced work | Based on spend through existing frameworks and with specialist suppliers (eg elections/ballot packs). |
| | Values increased by 30% to reflect commercial pricing (Appendix B). |
| | Modelled on retention of 60% of current business due to enhanced service offering. |
| | Value increasing by 5% per year. |
| HDC Clients - New services | Value of potential sales of additional services (eg large format, print management) to existing HDC clients. |
| | Value increasing by 20% per year. |
| HDC External Clients | Based on current values for printing carried out by the Document Centre. |
| | Values increased by 30% to reflect commercial pricing. |
| | Value increasing by 10% per year to reflect impact of better business development and account management. |
| JV Partner – existing print work | Estimate based on soft market testing with commercial print supplier. |
| | Value increasing by 10% per year to reflect mature client relationships and established |

| | |
|--------------------------|--|
| | business development and account management strategies. |
| JV Partner – consultancy | Estimate based on soft market testing with commercial print supplier. Based on market potential for print management, data management services. Value increasing by 10% per year to reflect structured approach to marketing and business development. |

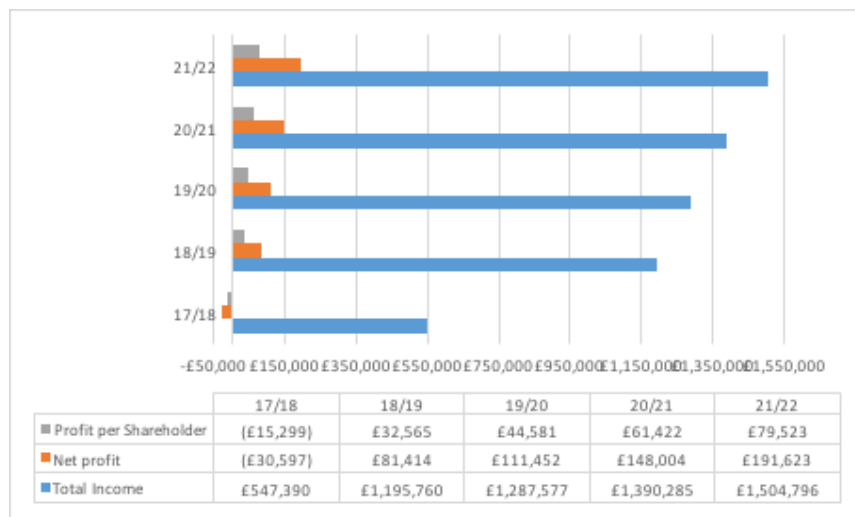
| Fixed Costs | |
|--------------------------|--|
| HDC – staff costs | Based on current values allocated to Document Centre. Flat profile until re-structure modelled for company. Some reduction in these costs are anticipated. |
| JV Partner – staff costs | Estimate based on soft market testing with commercial print supplier. £20,000 per year uplift to accommodate additional staff members as income grows. In order to drive the projected levels of business growth, it is anticipated that additional staff will be commercially focused and experienced (ie: marketing, sales, business development). |
| Eastfield House rent | Based on assumption that new commercial entity will be based in the part of EFH currently occupied by the Document Centre. Based on high level review of market rents for similar Hunts sites. Professional valuation will be required. |

| Indirect Costs | |
|-----------------------|--|
| Click charges | Charge per impression based on industry standard calculation of 20% of income. |
| Paper costs | Based on industry standard calculation of 12% of income. |
| Transport | Estimate – based on current HDC values. |
| Subcontracting | Costs of specialist print and finishing services based on industry standard |

| | |
|---------------------------|---|
| | calculation of 6% of income. |
| Business Rates | Calculated using EFH footprint and current business rate multiplier. TBC by HDC. |
| Repairs and Maintenance | Based on soft market testing with commercial print supplier. Assumption that most HDC plant will not be suitable for future use. |
| Phone, stationery etc | Estimate based on current values. |
| Marketing & advertising | Estimate based on soft market testing with commercial print supplier taking into account projected volume growth. Broadly equivalent to additional 2 x FTE. |
| Bank charges | Estimate based on current values. |
| Debt write off | Calculated on 1% of income. Aligns with UK average in 2016 of £11,000 per business. |
| Professional fees | Estimate based on soft market testing with commercial print supplier. This service will need to be put out to tender to achieve best value. |
| Depreciation | Estimate based on soft market testing with commercial print supplier. |
| Utilities | Estimate. TBC by HDC. |
| Set up costs (17/18 only) | Estimate based on soft market testing with commercial print supplier. |
| Corporation Tax | Calculated using current rate of 20%, reducing to 17% from 20/21. |

As the draft P&L indicates, based on the assumptions set out above, formation of New-Co will create a viable business that is capable of delivering the following:

- Sustainable and substantial income growth from existing and new customers.
- A significant level of net profit, offering options for extraction or re-investment
- a significant potential return for its Shareholders.



| Hunts DC JV Business Plan P&L | | | | | | |
|--|------------|------------------|-------------------|-------------------|-------------------|-------------------|
| v 1.0 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 |
| Income | | 50% Year | | | | |
| HDC internal clients | | | | | | |
| Doc Centre delivered print | | £49,140 | £98,280 | £88,452 | £79,607 | £71,646 |
| Outsourced (via HDC frameworks) | | £86,700 | £182,070 | £191,174 | £200,732 | £210,769 |
| New services | | £0 | £10,000 | £12,000 | £14,400 | £17,280 |
| | | | | | | |
| HDC external clients | | £56,550 | £124,410 | £136,851 | £150,536 | £165,590 |
| | | | | | | |
| JV partner - existing print work | | £350,000 | £770,000 | £847,000 | £931,700 | £1,024,870 |
| JV partner - consultancy | | £5,000 | £11,000 | £12,100 | £13,310 | £14,641 |
| | | | | | | |
| Total Income | | £547,390 | £1,195,760 | £1,287,577 | £1,390,285 | £1,504,796 |
| | Growth (£) | | £648,370 | £91,817 | £102,709 | £114,511 |
| | Growth (%) | | 118.4 | 7.7 | 8.0 | 8.2 |
| Fixed costs | | | | | | |
| Wages - HDC Staff | | £83,500 | £167,000 | £167,000 | £167,000 | £167,000 |
| Wages - JV Partner Staff | | £100,000 | £200,000 | £220,000 | £240,000 | £260,000 |
| EFH Rent | | £17,500 | £35,000 | £36,050 | £37,132 | £38,245 |
| | | | | | | |
| Total fixed costs | | £201,000 | £402,000 | £423,050 | £444,132 | £465,245 |
| Indirect costs | | | | | | |
| Click charges - including consumables | | £109,478 | £239,152 | £257,515 | £278,057 | £300,959 |
| Paper | | £65,687 | £143,491 | £154,509 | £166,834 | £180,575 |
| Transport | | £15,000 | £30,000 | £30,600 | £31,212 | £31,836 |
| Subcontracting | | £32,843 | £71,746 | £77,255 | £83,417 | £90,288 |
| Business Rates | | £15,000 | £30,000 | £30,600 | £31,212 | £31,836 |
| Repairs & Maintenance (Plant) | | £12,500 | £25,000 | £25,500 | £26,010 | £26,530 |
| Phone, Stationery etc | | £6,000 | £12,000 | £12,240 | £12,485 | £12,734 |
| Marketing & Advertising | | £25,000 | £50,000 | £51,000 | £52,020 | £53,060 |
| Bank charges | | £2,500 | £5,000 | £5,100 | £5,202 | £5,306 |
| Debt - write off | | £5,979 | £11,958 | £12,876 | £13,903 | £15,048 |
| Professional fees (accountancy, legal) | | £5,000 | £10,000 | £10,200 | £10,404 | £10,612 |
| Depreciation | | £30,000 | £60,000 | £61,200 | £62,424 | £63,672 |
| Utilities | | £12,000 | £24,000 | £24,480 | £24,970 | £25,469 |
| | | | | | | |
| Set up costs | | £40,000 | £0 | £0 | £0 | £0 |
| | | | | | | |
| Total indirect costs | | £376,987 | £712,346 | £753,075 | £798,150 | £847,927 |
| | | | | | | |
| Net profit | | (£30,597) | £81,414 | £111,452 | £148,004 | £191,623 |
| | | | | | | |
| Corporation Tax | | £0 | £16,283 | £22,290 | £25,161 | £32,576 |
| | | | | | | |
| Distributable Profit | | -£30,597 | £65,131 | £89,161 | £122,843 | £159,047 |
| per Shareholder | | (£15,299) | £32,565 | £44,581 | £61,422 | £79,523 |
| | | | | | | |
| Profitability on turnover | | -5.59 | 5.45 | 6.92 | 8.84 | 10.57 |

Sensitivity analysis

The table below shows the impact on net profit levels in the business case model of increases in either income or costs.

| Base model | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 |
|-----------------------------|------------------|----------------|-----------------|-----------------|-----------------|
| Total Income | £547,390 | £1,195,760 | £1,287,577 | £1,390,285 | £1,504,796 |
| Total Costs | £583,487 | £1,125,346 | £1,187,345 | £1,253,725 | £1,324,846 |
| Net profit | (£36,097) | £70,414 | £100,232 | £136,560 | £179,949 |
| Impact on net profit | | | | | |
| Income + 5% | (£8,728) | £130,202 | £164,610 | £206,074 | £255,189 |
| Income + 10% | £18,642 | £189,990 | £228,989 | £275,588 | £330,429 |
| Costs +5% | (£65,271) | £14,146 | £40,864 | £73,873 | £113,707 |
| Costs +10% | (£94,446) | (£42,121) | (£18,503) | £11,187 | £47,465 |

Cost

As noted on page 11, the introduction of a print specific Management Information System (which any credible potential commercial partner will be using) will allow 'real time' evaluation of key cost metrics and allow for the dynamic management of these. In this context it would be unlikely that New-Co would experience a cost-overrun of 10%. However, it is important to note that, even at the higher level of cost increase, the bottom line impact decreases over time due to income growth.

Income

The model presented in this business case is built around a prudent set of revenue assumptions and income projections. The formation of New-Co, and the subsequent introduction of enhanced commercial capacity and capabilities, should enable it to gain share across a range of market sectors – both existing and new.

The assumptions set out on pages 12 & 13 show that allowances have been made for a number of influencing factors including:

- the adoption of (increased) commercial pricing to reflect a full cost recovery model.
- decreases in volumes due to digitisation of HDC communications.
- partial uptake from existing HDC outsource customers due to pricing changes and buyer preferences.

Appendix A

Risk evaluation

| Risk | Potential Impact | Mitigation |
|---|---|---|
| Business model is not realistic. | Underperformance. Low level of return | Soft market testing used to validate assumptions. |
| Print market declines | Lack of opportunity Increased competition | Business model based on current industry predictions. Company focused on buoyant demand segments (on demand, personalised, short run, quality). |
| Failure to find a suitable commercial partner | Unable to form company | Soft market testing has established active interest in this and other commercial models (eg: brokerage). Procurement process will attract potential partners. |
| Costs rise – internal factors | Reduction/elimination of profits. | Company formed with partner with robust cost management experience. |
| Loss of existing business | Reduction in turnover. | Company formed with partner with established marketing/business development experience. Robust approach to Account Management. Diversified product/service offer. |
| HDC unable to win support services contract | 'Stranded costs' within HDC for resources in support teams. | Corporate decision required. |
| Lack of experience in forming a company | Failure to comply with legal/regulatory requirements. | Engagement of specialist advisors – eg: legal, commercial. |
| Profits not in line with expectations. | Lack of viability. | Robust systems for financial monitoring. Regular reporting to LATC/Cabinet via company Board. |

Appendix B

Quoting comparison

As part of the evaluation of market potential for New-Co an analysis of specific print jobs carried out to compare the prices charged by the Document Centre with those that would be quoted by a commercial print supplier. As the table below show, the Document Centre prices are significantly lower than 'market rates'.

The financial model used in this business case have assumed that New-Co would increase prices for certain categories of work - HDC internal and external clients- by 30% to reflect this. In most cases, this would maintain prices below commercial market rates.

| Job | Doc Centre Price | Commercial Quote | HDC Price as % of commercial quote |
|--|------------------|------------------|------------------------------------|
| Bin Hangers | 944 | 1849 | 51.1 |
| Buckden Roundabout | 587 | 763 | 76.9 |
| Business Cards | 4.24 | 56 | 7.6 |
| Crisis Cards | 288 | 432 | 66.7 |
| | | | |
| Annual Billing/Council Tax/NNDR | | | |
| A4 - 2 kinds | | 898 | 0.0 |
| Finishing | | 1973 | 0.0 |
| C5 mailing Wallet | | 884 | 0.0 |
| | | | |
| | | | |
| ITR Forms | | | |
| | 500 | 63 | 25.0 |
| | 1000 | 125 | 30.3 |
| | | | |
| Large Format Posters | | | |
| Digital (15 off) | 31 | 173 | 17.9 |
| Litho (50 off) | 66 | 250 | 26.4 |
| | | | |
| Large Mail Out | | | |
| 2pp letter | | 120 | |
| Address label | | 123 | |
| Returns Label | | 95 | |
| A5 booklet | | 2395 | |
| A5 Flyer | | 284 | |
| A4 Poster | | 130 | |
| Finishing | | 322 | |
| Total | 4316 | 3469 | 124.4 |
| | | | |
| Operations Manual | | | |
| A4 Letter | | 652 | 0.0 |
| | | | |
| Recycling Guide | | | |
| A5 Booklet | | 2229 | 0.0 |
| C5 Mailing wallet | | 1243 | 0.0 |
| Finishing | | 1961 | 0.0 |

As noted on Page 8, consideration will need to be given to future charge rates for what is currently categorised as HDC Internal Work. Current charge rates are, in most cases, significantly below those prevailing in the market (established via soft market testing). In order to maintain HDC's cost-base within existing parameters, the New-Co Board would need to agree to charge this work at sub-market rates. It is possible that this might have an impact on negotiations with a potential JV partner.

Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Review of the Risk Management Strategy

Meeting/Date: Overview and Scrutiny Panel (Performance and Customers)
- 5 July 2017
Cabinet - 20 July 2017

Executive Portfolio: Strategic Resources: Councillor J A Gray

Report by: Internal Audit & Risk Manager

Wards affected: All Wards

Executive Summary:

The Risk Management Strategy is reviewed annually and this report details the outcome of that review.

It is proposed that no changes be made to the Council's risk appetite and supporting statements, the risk assessment model and the scales against which likelihood and impact are evaluated.

A change is proposed to the option appraisal process. All residual risks that exceed their risk appetite will be required to be reviewed by Senior Management Team, who will decide if further mitigating controls are required or not. If further controls are required which cannot be met from current Service budgets, then the Corporate Management Team shall determine if the risk is to be accepted, and if not, prioritise any funding bids before submitting them to Cabinet for consideration.

Arising from the change above, updates have been made to the roles and responsibilities of Senior Management Team and Management Team. A number of minor amendments have also been made to the strategy to reflect current practices.

Recommendations:

The **Overview and Scrutiny Panel** is invited to comment on the Risk Strategy.

The **Cabinet** is recommended to approve the Risk Management Strategy.

1. PURPOSE OF THE REPORT

- 1.1 The Risk Management Strategy (RMS) is reviewed on an annual basis.
- 1.2 This report details the outcome of the review of the RMS and requests Cabinet to approve a revised RSM.

2. ANALYSIS

- 2.1 No changes are being proposed to either the Council's risk appetite and supporting statements, the risk assessment model or the scales against which likelihood and impact are evaluated.
- 2.2 The definitions used to judge both the likelihood and impact scores have been reviewed. Particular attention has been paid to the financial impact of risks. The Head of Resources has considered whether or not the financial impacts should be adjusted but has concluded that against the current budget, the individual limits within each of the five impact levels remain applicable.
- 2.3 A number of changes are being proposed to the RMS. The most significant being the requirement that option appraisal forms shall be completed for all residual risk scores that exceed their agreed risk appetite level. Previously only risks that resulted in 'high' or 'very high' residual risk scores required an option form to be completed.

Option forms will be completed by a member of the Management Team (either the Head of Service or Team Manager) and considered by the Senior Management Team. They will challenge the current controls and the inherent and residual risk score. If additional controls are identified that can be funded from the current Service budget or other changes made that reduce the risk so it falls below the risk appetite, then the relevant Head of Service will introduce those controls and the risk register entry will be updated.

If further controls could be introduced but cannot be funded from within existing Service Budgets or the residual risk remains above its risk appetite level, then the Senior Management Team shall submit the option form to the Corporate Management Team who will have responsibility for accepting the level of residual risk or submitting the option form to Cabinet for their consideration and decision as to whether further risk treatments are to be funded.

- 2.4 The other changes to the RMS are minor in nature:
 - Confirmation that risk registers shall be maintained at both the Corporate and Operational level and that risks are not static and may move between the two registers.
 - Updating the role and responsibilities of Senior Management Team and Management Team to reflect the changes at 2.3 above.
 - Including on the risk treatment option form the current Health & Safety counter-measures to be followed when the risk appetite is exceeded.

3. COMMENTS OF OVERVIEW & SCRUTINY

- 3.1 To be added to the report following the meeting of 5 July.

4. WHAT ACTIONS WILL BE TAKEN?

- 4.1 The appropriate Management Team member will be required to prepare risk treatment option forms by the 31 August for all current risk register entries that exceed their risk appetite. They will then be considered in line with strategy.
- 4.2 The new strategy will apply immediately to all new risk register entries.

5. LINK TO THE CORPORATE PLAN

- 5.1 Effective risk management is integral to the delivery of the Corporate Plan. It supports sound decision making through a robust assessment of risks and opportunities.

6. REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 Due to the introduction of differing risk appetite levels it is no longer appropriate that risk treatment option forms are completed only for 'high' or 'very high' residual risks. All risks that exceed their risk appetite need to be reviewed and a decision taken as to whether or not the level of residual risk is acceptable or not.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Risk Management Strategy v14 – July 2017.

BACKGROUND PAPERS

None

CONTACT OFFICER

David Harwood, Internal Audit & Risk Manager

Tel No: 01480 388115

Email: david.harwood@huntingdonshire.gov.uk

This page is intentionally left blank



Risk Management Strategy

Version14 – July 2017

Introduction

An effective risk management strategy will ensure the Council maximises its opportunities and manages those threats that may hinder the delivery of its priorities so that the opportunities for continuous improvement are maximised.

Risk therefore needs to be considered at all stages of the management process, from the setting of corporate priorities through to the delivery of the service to the customer. Risk management therefore becomes an integral element of the Council's corporate governance arrangements.

This risk management strategy aims to integrate risk management into the Council's culture and processes and raise awareness amongst all employees and members of the benefits and opportunities that the successful management of risk can bring.

Definitions

Risk is the chance or possibility of something happening that will have an adverse impact on the achievement of the Council's objectives.

Risk management is the identification, evaluation, control, monitoring and reporting of existing and emerging risks. It applies equally to the opportunities for taking risks as it does to avoiding risks or reducing losses. It is a key part of good management and not simply a compliance exercise.

Why is Risk Management important?

The Council provides a large range of services within an ever changing environment, so there is great potential for risks to arise. Effective risk management will enable the Council to:

- Maximise performance
- Minimise the need to divert funds from priority services
- Encourage creativity
- Minimise losses
- Ensure the Council's reputation is preserved and enhanced
- Reduce insurance premiums

The aim is to manage risk, rather than eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance, while an over zealous approach may stifle creativity and increase the cost of and/or impede service delivery. Successful risk management means getting the balance right.

Risk Policy Statement

Huntingdonshire District Council is committed to the effective management of risk. The Council's ability to deliver services and achieve its business objectives are constantly affected by risk, which the Council recognises as being both positive and negative.

The Council also recognises its legal, moral and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks.

The Council will ensure that Members and staff understand their responsibility to identify risks and their possible consequences.

The Risk Management Process

Risk management is a continuous process that has five key elements:

- The systematic **identification** of risks to which the Council is exposed.
- The **evaluation** of those risks in terms of likelihood and severity.
- The **control** or **mitigation** of the risks, either by reducing the likelihood or severity of adverse events.
- The **arrangements** the Council needs to put into place to deal with the **consequences** of the threats manifesting themselves, e.g. insurance, levels of policy excesses, self-insurance, service recovery planning.
- The on-going **monitoring** and **reporting** of risk, to allow for intended actions to be achieved and losses minimised.

A standard risk management process will be used throughout the Council¹. This will ensure that risks are considered in the same fashion whether at a project, partnership, corporate or operational level.

There are many ways of identifying risk, including:

- Staff experience and knowledge
- Necessity for achieving Corporate and Service Plans
- Performance indicators, financial/budgetary and management information
- Service reviews by internal/external audit and other inspection bodies
- Risk assessments
- Directorate / Service meetings / workshops
- Amendments to legislation
- Insurance claims / loss information

Risk registers shall be maintained at both the Corporate and Operational level. Corporate risks are likely to affect the medium to longer term priorities and objectives of the Council and require longer term planning to be addressed. Operational risks tend to be related to ongoing service activities and have a more immediate impact and require to be treated in a shorter time frame.

Risks are unlikely to remain static and they are required to be reviewed regularly to reflect changing internal and external circumstances. Such reviews may lead to risks moving between registers, new risks being identified, risk being closed when appropriate and control measures being updated leading to changing residual risk scores.

Risks will be allocated to one of 13 risk areas to assist with risk identification and aid discussions on linked risks and mitigation.

- Competitive
- Contractual
- Customer
- Economic
- Environmental
- Financial
- Information
- Legal / Legislative
- Physical
- Political
- Professional
- Social
- Technology

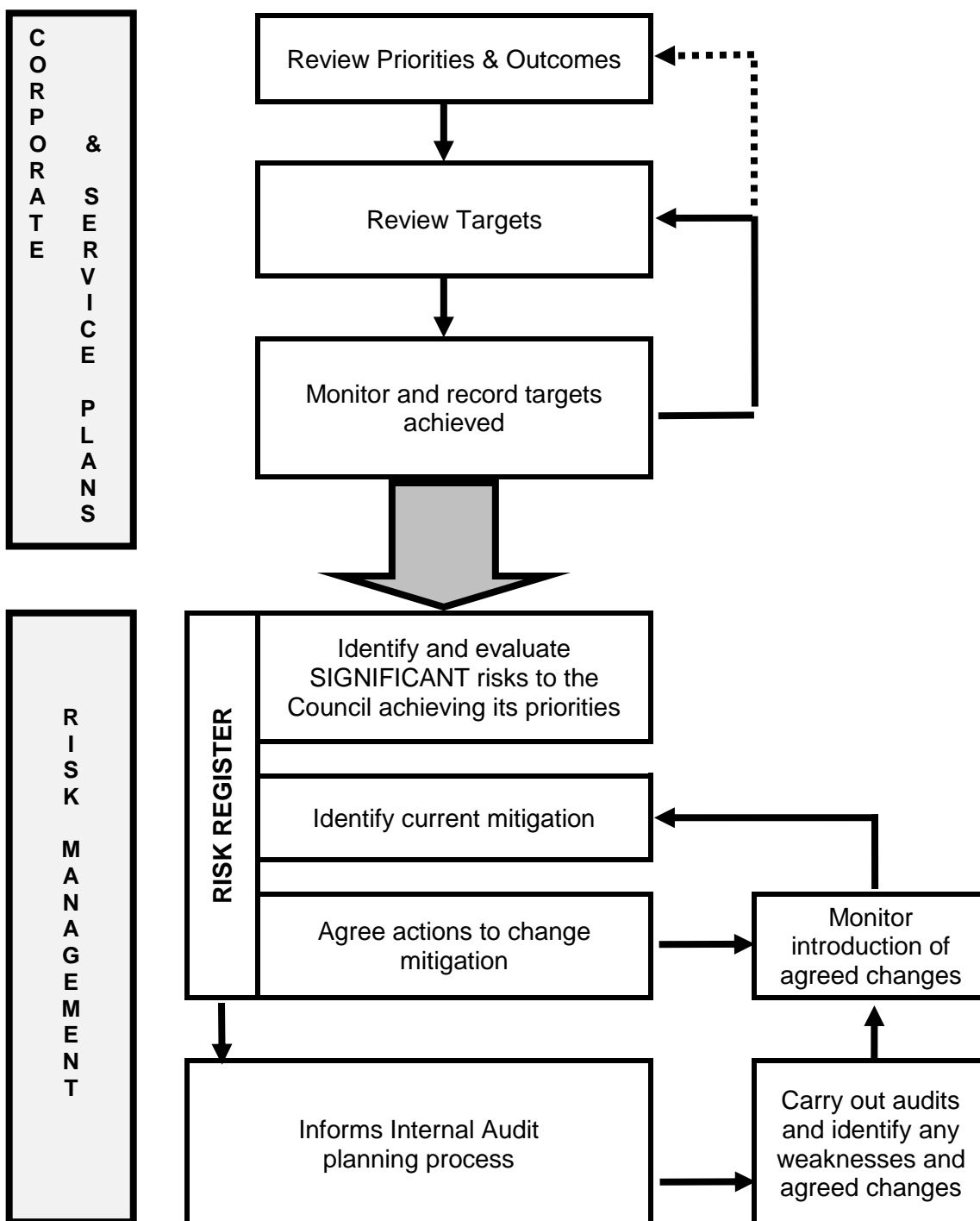
Further details about the assignment of risk to the appropriate risk level and area can be found on the Risk Management intranet pages.

¹ For operational reasons, health and safety risks shall be evaluated in accordance with the categories of injury prescribed by the Health and Safety Executive, as contained in Appendix A.

Developing and Integrating Risk Management

The identification and management of risks needs to be undertaken at all stages of the corporate and service planning process so as to ensure that the risk register contains the significant risks that will affect the Council achieving its priorities. All reports or proposals at officer or member level that deal with changes to services must, where material, refer to the impact of what is being considered on the Council's priorities and targets and be supported by an explicit consideration of the risks, both inherent and mitigated, to that impact being achieved.

The table below explains how risk management processes link into the Council's planning process.



Risk Assessment

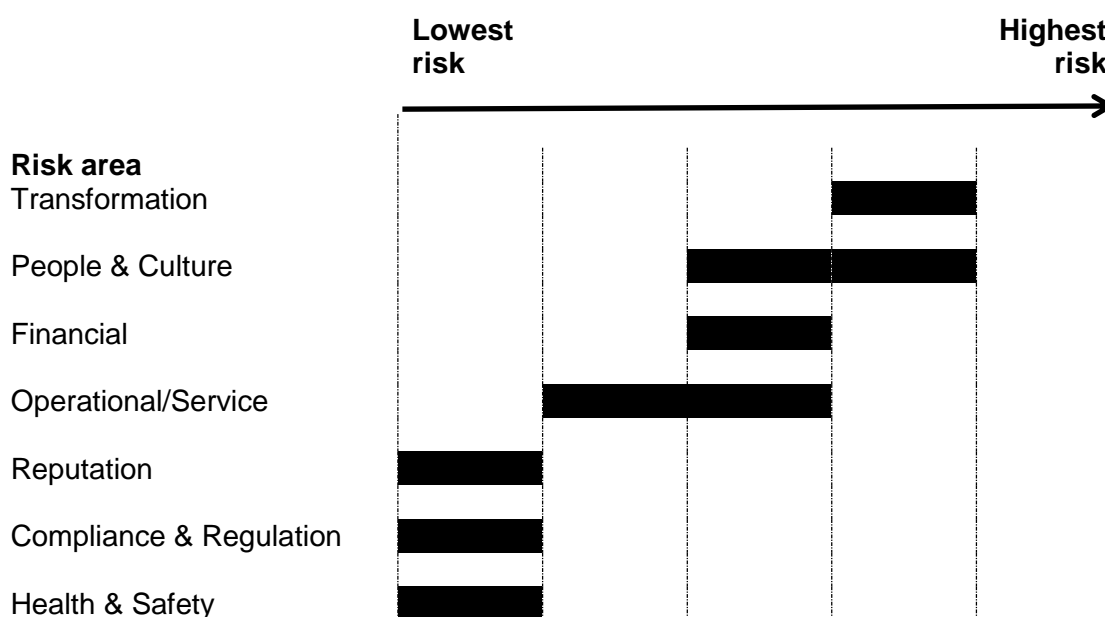
The risk assessment model is detailed in [Appendix A](#). The model requires potential risks to be evaluated against a set of pre-determined criteria for likelihood/frequency and impact at both the inherent (without controls) and residual (with controls) risk levels. Individual risk levels are determined by plotting the risks onto a risk matrix. Health and Safety risks will be plotted against the smaller inset matrix.

| | | | | | | | |
|------------------------|----------------|---|---------------|--------|-------------|-----------|-----------|
| Likelihood / Frequency | Almost Certain | 5 | Medium | High | Very High | Very High | Very High |
| | Likely | 4 | Medium | High | High | Very High | Very High |
| | Occasional | 3 | Low | Medium | High | High | Very High |
| | Unlikely | 2 | Low | Low | Medium | High | Very High |
| | Improbable | 1 | Low | Low | Medium | High | High |
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | Trivial | Minor | Significant | Major | Critical |
| | | | Impact | | | | |

Risk Appetite

The Cabinet shall determine the Council's risk appetite; that is the amount of risk that it is prepared to accept, tolerate, or be exposed to at any point in time. In making this decision the Cabinet shall consider the risk assessment model and its individual elements, the Council's current circumstances and their responsibilities towards the Council's employees and the wider community and the recommendations of Corporate Management Team.

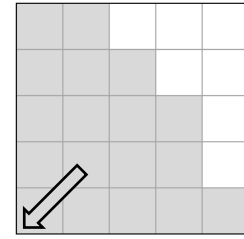
The appetite for risk varies according to the activity undertaken. The Council wish to minimise exposure to reputation, compliance and health and safety risk, whilst accepting and encouraging increasing risk in other areas in pursuit of the Corporate Plan objectives as shown in the diagram and statements below.



Transformation

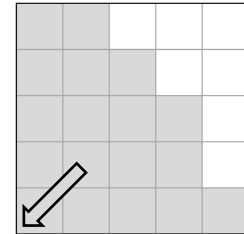
The Council recognises that in order to achieve a balanced budget it needs to make changes to its internal operations and review how services are delivered. This will require innovation. The Council has a high risk appetite in this area and is prepared to accept the risks that may arise so long as the benefits and risks from those decisions are properly assessed and appropriately mitigated or accepted before change is introduced.

Risk appetite target



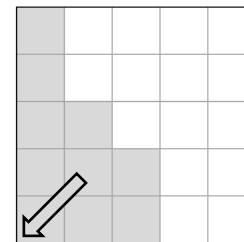
People & Culture

The Council recognises that its employees are critical to it achieving its objectives and that their support and development is key to making the Council an inspiring and safe place to work. It has a medium/high appetite for decisions that involve staffing or culture change that will support transformational change or lead to service improvement.



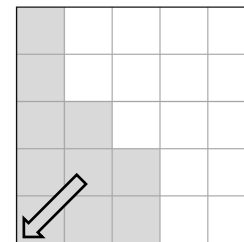
Financial

The Council has a medium appetite for financial risk. It recognises that for the foreseeable future it will have to deliver its services for less money. It aims to maintain its long term financial viability and its overall financial strength and Directors, Heads of Service and Service Managers are required to deliver their services within the budget approved by Council and in accordance with the Code of Financial Management, its reserves policy and treasury management strategy.



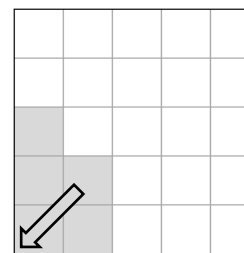
Operational/Service

In accepting that minimum service levels shall be determined by the Cabinet and are constrained by budget pressures, the Council requires operational risk to be reduced to a level at which the controls and procedures that are in place allow for services to be delivered 'right first time' and with minimum error or the requirement to re-perform. This will result in the provision of appropriate levels of service that provide value for money whilst also maintaining customer focus.



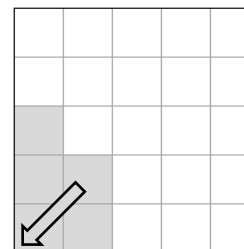
Reputation

It is regarded as essential that the Council acquires and maintains a high public reputation. It has a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity or could lead to the loss of confidence in how it delivers its services by Central Government.



Compliance & Regulation

The Council places great importance on compliance, regulation and public protection and has no appetite for any breaches in statute, regulation, professional standards, ethics or any act that facilitates bribery or fraud. It has a low risk appetite in these areas.



Health & Safety

The Council considers that health and safety risks including safeguarding and similar public safety concerns should be mitigated to the lowest practical level. If health and safety risks conflict with the delivery of services or the introduction of new initiatives, then the health and safety of employees and members of the public shall take precedence.

(Further information on H&S risk appetite levels and assessments can be found on and intranet pages).

Option Appraisals & Risk Treatment

For all individual residual risks that exceed their risk area targets as described above, consideration shall be given as to what further cost-effective mitigation could be introduced to reduce the residual risk score so that it falls within its risk appetite.

Before a decision is made on the way the risk is to be treated, the Head of Service who owns the risk, shall carry out an option appraisal. The appraisal shall consider how to deal with the risk on the following basis:

- **Reduce** or treat the risk by controlling the likelihood of the risk occurring or controlling the impact of the consequences if the risk does occur.
- **Avoid** or eliminate the risk by not undertaking the activity that may trigger the risk.
- **Transfer** the risk either totally or in part to others e.g. through insurance.
- **Accept** or tolerate the risk. This option will only be accepted when the ability to take effective action against a risk is limited or the cost of taking action is disproportionate to the potential benefits gained.

The appraisal will consider cost, resources, time and the potential financial and non-financial benefits of each treatment option. Advice from specialist staff shall be taken where appropriate.

Ideally risk treatments should be self-funding. Where this is not the case there will need to be a prioritisation process to ensure that any funding is concentrated first on those items that will be most beneficial to the achievement of the Council's priorities.

- **Action Plans**

The results of the option appraisal shall be recorded by the risk owner on a risk treatment option form ([Appendix B](#)) within four weeks of the risk having been recorded in the risk register. The form shall identify the risk, the current control environment, control actions to be introduced, the Officer responsible and the timescales for implementation.

The risk owner shall send the option appraisal form to the Senior Management Team within six weeks of the risk being recorded in the risk register. The Senior Management Team will review and challenge the form. The form shall be updated if required and then considered by the Corporate Management Team who will determine if the mitigation outlined is to be introduced. If the additional mitigation cannot be met from the current Service budget the matter shall be reported to the Cabinet for a decision. If further mitigation is agreed, the risk owner shall update the risk register and put in place procedures to introduce the agreed mitigation.

Roles and Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk.

Council, Cabinet, Committees & Panels

- To ensure they consider risk management implications when making decisions.

Cabinet

- To be responsible for ensuring effective risk management procedures are in place across the Council and approving the risk management strategy.
- To determine the Council's risk appetite annually and review the risk assessment model to ensure it continues to reflect the requirements of the Council.
- To decide upon the action to be taken for all mitigated risks that exceed the Council's risk appetite or have the potential to harm its reputation or the continuity of services and require additional budget expenditure that cannot be funded from existing Service budgets.

Corporate Governance Committee

- To receive regular updates on risk management and consider any governance issues arising.

Corporate Management Team

- To ensure effective risk management throughout the Council in accordance with the risk management strategy.
- To make recommendations at least once a year to the Cabinet on the Council's risk appetite.
- To ensure that Members are advised of the risk management implications of decisions.
- To review and challenge Corporate risk register entries at least once every three months.
- To prioritise risk treatments and requests for additional funding.

Senior Management Team

- To develop a culture of risk management throughout the Council.
- Balancing an acceptable level of risk (as described by the risk appetites) against the achievement of corporate and/or service plans, project objectives and business opportunities.
- To identify and resolve any risks associated with compliance with the Council's agreed rules, procedures and processes.
- Ensure that risks relating to significant partnerships are identified and effectively managed, within the partnership and at service level.
- To review and challenge Operational risk register entries at least once every three months.
- To review and challenge risk treatment option forms submitted by the Management Team and passing them onto the Corporate Management Team if additional control measures cannot be funded from Service budgets.

Management Team

- Ensuring that effective control procedures are in place to manage the risks affecting their services.

- Review (as risk owner) their Corporate and Operational risk register entries at least once every three months, reporting all new risks or significant changes to risk entries to their Head of Service and/or Director.
- Maintain all risk register entries fully, updating them promptly with any perceived new risks or opportunities, failures of existing control measures and closing them when appropriate.
- Update at least once every six months risk register assurance statements that describe the effectiveness of the risk mitigating controls.
- Prepare (as risk owner) for risks that exceed risk appetite levels, risk treatment option forms for consideration by the Senior Management Team.

Internal Audit & Risk Management Section

- To assist managers in identifying and analysing the risks that they encounter and the formation of action plans to address outstanding issues.
- To report as necessary to the Cabinet, Corporate Governance Committee or Corporate Management Team on risk management issues.
- To identify best practice and consider its introduction within the Council.
- To provide advice and guidance on systems to mitigate risk.

Health and Safety

- All Elected Members and employees are responsible for taking care of their own and their colleagues/visitors health and safety at all times. They are responsible for the identification and treatment of hazards as described in the Health and Safety Policy – Organisation & Responsibilities.

Employees

- To co-operate with management and colleagues in matters relating to the mitigation of risk.
- To promptly inform the appropriate manager of any risks they become aware of.

RISK ASSESSMENT MODEL

Likelihood / Frequency

Alternatively this could be expressed as likely to happen within the next:

| | | |
|---------------------------|--|----------|
| 5 = Almost Certain | Will definitely occur, possibly frequently. | Month |
| 4 = Likely | Is likely to occur, but not persistently. | Year |
| 3 = Occasional | May occur only occasionally. | 3 years |
| 2 = Unlikely | Do not expect it to happen but it is possible. | 10 years |
| 1 = Improbable | Can't believe that this will ever happen, but it may occur in exceptional circumstances. | 20 years |

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

| | | |
|-----------------------|---------|--|
| 4 = Likely | Month | Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor. |
| 3 = Occasional | Year | |
| 2 = Unlikely | 5 years | |

Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

1 = trivial event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year medium term financial strategy (MTFS) period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

2 = minor event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTFS period by more than £50,000 but less than £100,000.

- result in minor short-term (up to a fortnight) adverse publicity in the local media
- * be a Health and Safety (H&S) concern that results in an injury but 7 days or less off work
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

3 = significant event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTFS period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 7 days off work or is a specified injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013' (RIDDOR)
- has a short term local effect on the environment, or a social impact, that requires remedial action.

4 = major event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTFS period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

5 = critical event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTFS period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Risk Treatment Option Form

| Risk Treatment – Action Plan | | | | |
|---|--------------------------------------|--|------------|---------------------------------------|
| Description of risk from register: | Risk ID No: | Current residual risk score: Likelihood x Impact | | |
| Controls already in place as listed on the risk register: | | | | |
| Are these controls operating effectively? Yes / No | | | | |
| Risk Action Plan (All actions listed in priority order) | | | | |
| Proposed actions to reduce risk using existing resources | New residual risk score ² | | | Extra resources required ³ |
| | L | I | | |
| a. | | | | |
| b. | | | | |
| c. | | | | |
| Actions requiring additional resources | | | | |
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| Decision | | | | |
| Agreed Option: | Implementation Date | | Risk Owner | |
| | | | | |
| Decision taken by: _____ on: _____ | | | | |

Note: Health & Safety risks that exceed their risk appetite shall be treated with counter-measures or be stopped immediately until the residual risk has been sufficiently reduced. The action that must be taken is set-out below and mirrors the approach set-out in the Council's approved Health & Safety risk assessment form.

Residual risk score Action guideline

- | | |
|---------------|---|
| 4: Low | Maintain control measures. |
| 6: Medium | Maintain and monitor control measures. |
| 8-12: High | Review control measures and improve if reasonably practicably to do so, consider other ways of working. |
| 16: Very high | Stop activity and improve controls. |

² **New Residual Risk Score:** after the action has been introduced

³ **Extra Resources:** only complete if extra resources will be required to allow the proposed action to be introduced e.g. financial costs and staff time

Remember, when considering treatment options that the Council's aim is to manage risk rather than eliminate it completely – successful risk management is about improving risk taking activities whilst minimising the frequency of the event occurring.

Issues that should be considered when making the risk treatment decision are listed below.

| | |
|-----------------------|--|
| Administration | <p>Is the option easy to implement? Will the option be neglected because it is difficult to implement? Do staff have sufficient expertise to introduce the option?</p> |
| Continuity of effects | <p>Will the effects of the risk treatment option be long term/continuous or short term? If short term, when will further risk treatments be needed? Does the risk need to be treated at all as it will 'disappear' in the short term (e.g. a project it refers to will be completed or in the next three months)</p> |
| Cost effectiveness | <p><i>Costs need to be estimated accurately as it's the base against which cost effectiveness is measured.</i></p> <p>Can the cost of implementing further control be justified compared to the risk reduction benefits expected? What financial loss is to be expected if no action is taken? Could the same results be achieved at lower cost by other means?</p> <p>Will running costs go up or down? What capital investment will be needed? What other costs will there be?</p> |
| Benefits | <p>What will happen to service levels? What will happen to service quality? What additional benefits or risk reductions will occur in other areas? Can other controls in place be amended to deal with this risk? How will you evaluate this option to see if it is reducing the identified risk?</p> |
| Objectives | <p>Will reducing risk advance the Council's overall objectives? What will be the economic and social impacts? What will be the impact on the environment of leaving the risk as it is?</p> |
| Regulatory | <p>Complying with laws and regulations is not an option.</p> <p>Does the lack of treating the risk (or the current method of control) breach any laws or regulatory requirement? Is the treatment option proposed, including its cost, totally disproportionate to the risk?</p> |
| Risk creation | <p>What new risks will be created from introducing the option?</p> |

This page is intentionally left blank

| Panel | Study | Date | Status | Action | Date for Future Action |
|---------------------------|---|--------------------------|--|--|------------------------|
| Performance & Customers | Cambridgeshire County Council Budget Scrutiny | 05/12/16 | Representatives from Cambridgeshire County Council were in attendance to present the County Council's Budget for 2017-22 and answer Members' questions. | Democratic Services Officer (Scrutiny) drafted a response to the budget proposals based on the points raised by Members at the budget scrutiny. The response to the budget proposals has been approved by the Chairman and was sent to Cambridgeshire County Council in December 2016. | |
| Performance & Customers | Social Value In Procurement | 01/02/17 | The Chairman informed the Panel that there will be a task and finish group investigating social value in procurement. | Officers are working on a scoping document. | |
| Communities & Environment | Future of Hinchingsbrooke Country Park, Paxton Pits, Godmanchester Nursery and Public Rights of Way | 01/11/16 07/03/17 | The Panel received an exempt report on the contractual arrangements and potential improvement programme of Hinchingsbrooke Country Park. The Cabinet received the same report but including the Panel's comments at its meeting in November 2016. Cambridgeshire County Council's Highways Maintenance Manager, Mr Jonathan Clarke, was in attendance to update Members on the maintenance of Huntingdonshire's Public Rights of Way. | The Cabinet made a decision on the report. The decision remains confidential whilst negotiations are taking place. The Democratic Services Officer (Scrutiny) is to ask Officers for an update. | Autumn 2017 |

65

| Panel | Study | Date | Status | Action | Date for Future Action |
|---------------------------------|--|-----------------|---|--|------------------------|
| Communities & Environment | Waste Round Reconfiguration | 12/07/16 | A report was presented to the Panel informing Members that the Operations Division was undertaking a Waste Round Reconfiguration. Update reports were presented at the Panel meetings in September, October and February. | A final post implementation report is to be presented at the Panel meeting in July 2017. | 04/07/17 |
| | | 07/03/17 | The Head of Operations gave the Panel a verbal update on the implementation of the waste round reconfiguration. | | |
| Communities & Environment 09 | Community Resilience Plan including relationships with Parish and Town Councils and the County Council | 06/10/16 | Members agreed to keep the topic on the work programme however before appointing task and finish group, Members would like to invite the relevant Executive Councillor responsible to a future Panel meeting to update the Panel on what work has been done so far. | The Portfolio Holder has agreed to attend the Panel meeting in July to update Members on the work carried out to date. | 04/07/17 |
| Communities & Environment | Reports Due and Regular Items Representatives on External Organisations | Annual | Selected Members represent the Council on various External Organisations. The Panel received updates at its meetings in November 2016 and March 2017. | Next report is due at the Panel meeting in December 2017. | 05/12/17 |

| Panel | Study | Date | Status | Action | Date for Future Action |
|------------------|--|----------|---|---|----------------------------|
| G1 | Huntingdonshire Community Safety Partnership | 04/10/16 | Annual review of the work of the Partnership. The 2016/17 report is scheduled to be presented to the Panel in June 2018. | A six month update report is due at a future meeting of the Panel. | June 2018 |
| | Corporate Enforcement Policy including Graffiti/Fly Tipping Policy | 06/12/16 | | The Panel are to consider a report at its meeting in December. | 06/12/17 |
| | Cambridgeshire and Peterborough Clinical Commissioning Group | 12/10/16 | A report on the performance of the CCG was presented to the Panel at its special meeting in October 2016. The CCG agreed to return to the Panel to inform Members of the System Transformation Programme (STP). | The Sustainability and Transformation Programme (STP) is to be presented to a future meeting of the Panel. At the Panel meeting in March 2016, Mr Weller agreed to attend a future Panel meeting and update Members on the Urgent and Emergency Care Vanguard Programme. | 04/07/17 ? 04/07/17 |
| | Redesign of Mental Health Services | 07/07/15 | The Panel received an update report on the Children and Adolescent Mental Health Service (CAMHS). | The Panel requested further updates at future meetings. | 05/09/17 |
| Economy & Growth | Strategic Review of Car Parking | 06/10/16 | The Panel received the Review of Fees and Charges – Car Parks report. Members decided that a task and finish group should be established to review all the options for car park fees. | | |
| | | 03/11/16 | The Panel discussed the Strategic Review of Car Parking Task and Finish Group following Cabinet's agreement to the establishment of the | | |

| Panel | Study | Date | Status | Action | Date for Future Action |
|-------|-------|------|--------|--------|------------------------|
|-------|-------|------|--------|--------|------------------------|

| | | | | | |
|--|--|-----------------|---|--|--|
| | | 06/04/17 | group. The Panel appointed Councillors D B Dew, R Fuller, I D Gardener and T D Sanderson to the group. A project overview and scoping document was presented to the Overview and Scrutiny Panel. | It was agreed that the Task and Finish Group will not be led by Overview and Scrutiny; however the Panel will be responsible for the scrutiny of the Task and Finish Group's work. It was agreed that the Democratic Services Officer (Scrutiny) is to arrange meetings for July, August, September, October and November 2017. | |
| | | 30/05/17 | A meeting of the Task and Finish Group was held. Members agreed the future meeting dates, discussed the reporting dates, carried out a stakeholder analysis and discussed in what form public participation should take. In addition the Group reviewed the scoping document. | | |

62

| | | | | | |
|------------------|--------------------|-----------------|--|--|-----------------|
| Economy & Growth | Local Plan To 2036 | 06/10/16 | Members agreed to keep the Local Plan to 2036 on the work programme. A task and finish group has not be established however the Panel have agreed that the Chairman should become the Panel expert on the topic. | The Panel is to receive a Local Plan and Infrastructure Planning update. | 05/10/17 |
| | | 15/06/17 | The Panel received and discussed the Huntingdonshire Local Plan to 2036. | | |

| | | | | | |
|------------------|------------|-----------------|--|--|--|
| Economy & Growth | Devolution | 06/10/16 | Members agreed to keep Devolution on the work programme however before appointing a Panel expert, Members would like to invite the relevant Executive Councillor responsible to a future Panel | | |
|------------------|------------|-----------------|--|--|--|

| Panel | Study | Date | Status | Action | Date for Future Action |
|----------------------------|-----------------------------------|-----------------|--|---|------------------------|
| | | 03/11/16 | meeting to update the Panel on what work has been done so far. The Panel received an update on Devolution from the Executive Leader. | The Panel agreed to invite the Executive Leader to update Members after the election of the Combined Authority Mayor. | |
| Economy & Growth 63 | Reports Due and Regular Items | Annual | Selected Members represent the Council on various External Organisations. The Panel received updates at its meetings in November 2016 and February 2017. | Next report is due at the Panel meeting in December 2017. | 07/12/17 |
| | Marketing Strategy Work Programme | Annual | The Panel have requested annual updates on the work programme. | Report was presented in July 2016 and the next one is due at the Panel meeting in September. | 07/09/17 |

This page is intentionally left blank