

**NORTH HERTFORDSHIRE  
DISTRICT COUNCIL**



**ANNUAL REPORT ON RISK MANAGEMENT**

**April 2014 to March 2015**

**A progress report on Risk and Opportunity Management at  
North Hertfordshire District Council**

**ANNUAL REPORT ON RISK MANAGEMENT**  
**2014/15**

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## **ANNUAL REPORT ON RISK MANAGEMENT April 2014 to March 2015**

### **1.0 SUMMARY**

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2014/15 as outlined in the Council's Risk & Opportunities Management Strategy.
- 1.2 This report aims to:-
- Confirm the Council's ongoing commitment to the management of risks to enable the achievement of our Priorities, projects, service delivery and performance management
  - Summarise significant changes to the Top Risks in the year
  - Summarise the achievements against the risk management action plan for 2014/15.
  - Propose an action plan for 2015/16 to ensure effective maintenance of the Council's strong risk management processes.

### **2.0 BACKGROUND**

- 2.1 The Finance Audit and Risk Committee received reports on the management of the Council's Top Corporate risks at its meetings throughout the 2014/15 financial year. Where necessary these reports were referred to Cabinet.
- 2.2 The Risk & Opportunities Management Policy and Strategy was reviewed and updated in December 2014 to confirm that by managing risk the Council can take opportunities. Additionally, reference was made to the additional reporting and challenge of operational risks arising from the recommendation made in the internal audit on risk management completed in July 2014.
- 2.3 Ongoing training and support was provided to officers and members by the Performance Improvement Officer and the Performance & Risk Manager throughout the year.
- 2.4 On request, members of the Finance Audit and Risk Committee are provided with 1:1 sessions on how to access the risk register entries on Covalent the performance and risk management IT system.
- 2.5 The Deputy Leader and Portfolio Holder for Finance and IT, in his role as member 'Risk Management Champion', has remained a regular attendee at the Risk Management Group.
- 2.6 The Council's Performance & Risk Manager is a Committee member of ALARM Anglia, the National Forum for Risk Management in the Public Sector. Membership of ALARM has enabled the sharing of best practice and benchmarking with other public sector organisations. The Performance and Risk Manager has continued to provide Hertsmere Borough Council with risk management support on a daily rate basis.

### 3.0 SIGNIFICANT CHANGES TO THE TOP CORPORATE RISKS

- 3.1 The Council has two categories of Top Risks – those that are “owned” by Cabinet and those that are “owned” by the Senior Management Team (SMT). The Top Risks that require high levels of resources to manage and mitigate (such as key projects or risks directly relating to the Council’s priorities) are usually monitored by Cabinet. The remaining overarching risks that need to be managed at a high level in the Council are monitored by SMT.
- 3.2 At each meeting, the Finance, Audit & Risk Committee was provided with updates on the assessment and management of the Council’s Corporate risks (“Top Risks”). Included as Appendix A is the Top Risk matrix as at 31<sup>st</sup> March 2015. The following section summarises the changes that were reported in the past year.

#### DELETED RISKS

The following risks were reviewed and deleted as Top Risks for North Hertfordshire District Council

- 3.3 **Procurement, Tendering and Letting of Contracts**  
The risks arising from procurement and the letting of contracts is considered to be an operational rather than a Top Risk following the East of England Local Government Association review of the Council’s processes and the commencement of the implementation of the improvement actions arising from this.
- 3.4 **Replacement Payroll System/Service**  
The new system and service commenced on 1 April 2014 and has been successfully implemented. It is now an operational rather than a Top Risk.
- 3.5 **Welfare Reform and Interest Rates**  
There has been no obvious impact following the introduction of welfare reforms in North Hertfordshire and no increase in interest rates in 2014/15. This risk was therefore deleted but a new risk on Increased Homelessness and use of B & B has been added. (see section 3.8)

#### NEW RISKS

There have been some new risks added to the list of Top Risks in 2014/15.

- 3.6 **Development of Careline**  
This was included as a Top SMT risk as there are a number of opportunities to develop the business of Careline and support independent living for the residents of Hertfordshire. In view of the requirement to mobilise quickly by Hertfordshire County Council there were a number of risks to ensure that the Council made the most from this and other opportunities to develop this business.
- 3.7 **Waste & Street Cleansing Renewal**  
A new Cabinet risk was added that replaced a number of previously separate Top Risks but was comprised of a number of sub risks:
- Commingled waste
  - Northern Transfer Station and Ancillary Facilities
  - Trade Waste
  - Waste & Recycling service for flats
  - Street Cleansing
  - Shared Procurement Opportunity

### 3.8 **Increased Homelessness and use of B & B**

The Council increased the use of Bed and Breakfast accommodation in 2014/15 and the cost of this exceeded the budget provision. This risk recognises the mitigation work required to prevent the use of this type of accommodation.

### **RISKS WITH AMENDED ASSESSMENTS**

The regular review of the Top Risks, includes an assessment of the impact and probability score. The definitions used for the impact and probability scores used at NHDC are included at the back of this report.

### 3.9 **North Hertfordshire Museum and Hitchin Town Hall**

The likelihood of this risk was increased from a “2” to a “3” to reflect the risk of loss of or unavailability of or capacity of key personnel at Hitchin Town Hall Ltd and the potential failure to mobilise resources to operate the building. This was illustrated by the lack of fund raising and a ramp up plan from Hitchin Town Hall Ltd.

### 3.10 **Managing the Council’s Finances**

The likelihood assessment of the risk was increased to a “2” (the event will occur on more than one occasion within the next 12 months). This follows on from the continuing need the Council has to bridge the budget gap and to reflect the likely impact of the general election and changes to future central government funding.

## **4.0 RISK APPETITE**

4.1 Whether the Council is prepared to accept or wants to reduce a risk is known as its ‘risk appetite’. Risks have to be taken for the Council to be able to evolve and deliver its services. The Council’s risk management framework ensures the Council recognising and manages the risks that accompany new priorities and opportunities. It does not mean that all risks can or should be avoided.

4.2 We have a range of different appetites for different risks and these vary over time. The approval and monitoring of the Council’s Top Risks to Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be agreed. Generally those risks that have a score of 7 or above on the risk matrix exceed the Council’s Risk Appetite. As at 31<sup>st</sup> March 2015, the following Cabinet Top Risks exceeded this score and have clear links to the Council’s 2014/15 priorities:

- Local Plan (9)
- North Hertfordshire Museum & Hitchin Town Hall (9)
- Managing the Council’s Finances (8)
- Waste and Street Cleansing Contract Renewal (8)
- Sustainable Development of the District (7)

## **5.0 INSURANCE REVIEW**

5.1 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims for personal injury and/or property damage made by the public. These are each subject to a £5,000 excess that is charged to the responsible service area. Areas that have been subject to a claim are identified and wherever possible mitigating action is taken to prevent future damage to property or personal injury. This will then reduce the Council’s claims history.

- 5.2 Ten claims from the public have been received relating to the policy year 2014/15. Four of these related to damage to property caused by trees and five from trips and falls on Council owned land. Although claims are made these are not always successful for the claimant. The Council only makes payments of compensation when there is a proven legal liability. A further 17 claims relating to damage or injury from the highway were submitted and referred to Hertfordshire County Council in the same period. The insurance claim section on the Council's website has been amended to make it clearer the claim should be addressed to the County Council and the link the County's relevant webpage provided.
- 5.3 The Council received notice in November 2012 that the Municipal Mutual Insurance (MMI) Scheme of Arrangement was to be triggered. The levy has been set at 15% which will be reviewed every 12 months and can be adjusted up or down. A payment of £ 78,141 was made in February 2014 to meet the levy demand but no further demands were made in 2014/15. Any new claims dating back to the period that MMI were the Council's insurers will be handled by Zurich Municipal on behalf of MMI and the Council will have to pay 15% of any settlement. The 14/15 Financial Risks make provision for any new claims relating to the period MMI was the Council's insurers.
- 5.4 An internal audit on insurance will be undertaken by the Shared Internal Audit Service (SIAS) in the first quarter of 2015/16. Any recommendations arising from this will be carefully considered and, where agreed, actions will be developed.

## **6.0 BUSINESS CONTINUITY MANAGEMENT**

- 6.1 The NHDC Business Continuity Plan has been updated over the last 6 months by managers reviewing their individual service business impact assessments. During the summer of 2015, all service business impact assessments will be revisited by the service managers to take account of the business risks associated with the Gernon Road office move during 2016.
- 6.2 The two actions referred to within last year's report have been executed by their inclusion within all service business continuity plans. These include reference to both Information Technology and Telephone system.

## **7.0 HEALTH & SAFETY**

- 7.1 Following the recent review of health and safety legislation by Professor Ragnar Löfstedt the Health & Safety Executive have made changes to some H&S legislation and Approved Codes of Practice. Where applicable, all Council H&S documentation has been updated to incorporate the changes. Staff training is in the process of being arranged to provide information on the updated legislation where this has been deemed necessary.
- 7.2 The health and safety compliance contract is now 1 year into a 4 year contract. Our partner, SSE Contracting, is delivering health and safety compliance to over 50 of our buildings which includes health and safety inspections, the management of asbestos, legionella risk assessment and monitoring and the statutory inspections and servicing including gas, electricity, etc.

The contract also allows for other building related maintenance and repairs to be carried out as required.

The contract performance is monitored by the Property Services team through regular audits and monthly meetings with the contractor. The contractor also provides “live” information through a designated web portal.

## 8.0 REVIEWS OF THE RISK MANAGEMENT FRAMEWORK AT NHDC

- 8.1 The Shared Internal Audit Service (SIAS) undertook a risk management audit in 2014. This provided a full level of assurance. (There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.)

## 9.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2014/15

- 9.1 The following were considered key milestones for 2014/15:-

Task	By Date
Input into the SIAS internal audit on Risk Management	31/05/14
Review the recommendations from the audit and plan to deliver any agreed actions arising from this.	30/06/14
To review service business continuity plans for services to ensure that these coincide with the IT disaster recovery timeframe.	30/06/14
To provide staff training on updated health and safety legislation where this is deemed necessary	30/09/15
To review the form of emergency office accommodation for the Council and the disaster recovery requirements for the telephone system and revise the Business Continuity Plan accordingly.	31/03/15

- 9.2 One recommendation was made in the internal audit report on risk management that had a “merits attention” rating. This recommendation suggested a more in depth review of operational level risks by the risk management group. After consideration and agreement by the Senior Management Team, reviews of operational risks would be included in reports to Service teams on their Performance and Risk for consideration by the Head of Service and managers of similar services.
- 9.3 Service Managers updated their business continuity plans in order for them to coincide with the IT disaster recovery and telephony timeframes. Since this, IT have established a disaster recovery site at Town Lodge which has drastically shortened the timeframe to hours for the unavailability of IT systems.
- 9.4 Work continued with Senior Managers to undertake a review of the risks held on Covalent. This has resulted in a 14 risks being added and 19 risks being made inactive. These are monitored by the Risk Management Group.

## 10.0 SIGNIFICANT ACTIONS FOR 2015/16

- 10.1 The development of the risk management framework at NHDC in 2014/15 and beyond will continue through the implementation of the following key actions:-

Task	By Date
Input into the SIAS internal audit on Insurance	31/05/15
Review the recommendations from the audit and plan to deliver any agreed actions arising from this.	30/06/15
To review service continuity plans to take into account the proposed Gernon Road office moves	30/09/15
To provide staff training on updated health and safety legislation where this is deemed necessary	30/09/15
Participate in SIAS benchmarking workshop on risk management	31/03/15

## 11.0 CONCLUSION

- 11.1 The Council has continued to maintain robust risk management practices throughout 2014/15. This is evidenced through the internal audit on risk management that gave a full assurance level and additionally through the changes made to the Top Risks that have been summarised in this report. The outcome from the Council's risk management framework is to have a better understanding of the risks and opportunities it faces and how they can be best managed or exploited. By employing these techniques the Council is risk aware rather than risk averse.

## 12.0 RECOMMENDATIONS

- 12.1 The Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 12.2 Full Council to note the changes in the Council's Top Risks in 2014/15.



## Definitions

The following are the definitions of Probability and Impact used in NHDC's Risk Management Framework.

### Probability:-

1. Low.	The event is unlikely to occur within the next 12 months.
2. Medium.	The event will occur on more than one occasion (2-3) within the next 12 months.
3. High.	The event will occur on numerous occasions (4 or more) within the next 12 months

### Impact:-

<b>Severity of Impact Guide</b>							
Score	General	Personal Safety	Service Disruption	Financial loss £	Project Delay	Impact on stakeholders/ Environment	Reputation
1. Low	Consequence will not be severe and associated losses will be small	Minor injury (first aid)	Negligible effect on service provision but may have a more significant cumulative effect if action is not taken	Up to £10,000	Delivery of project delayed by weeks	No impact on stakeholders  Minor damage to local environment	Minimal reputation damage (local press article)
2. Medium	Will have a noticeable affect on services	Injury (external medical treatment required)	Will cause a degree of disruption to service provision and impinge on budgets	Medium financial loss £10,000 to £100,000	Delivery of project may be delayed by months	Some impact to stakeholders  Moderate damage to local environment	Coverage in national tabloid press
3. High	Can have a catastrophic affect	Serious injury or loss of life	May result in significant financial loss or major service disruption	Major financial loss exceeding £100,000	Delivery of project no longer attainable	Significant impact on stakeholders  Major damage to local environment	Extensive coverage in national press/national TV item

Appendix A – Top Risks – Cabinet as at 31<sup>st</sup> March 2015

<b>likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <b>Sustainable Development of the District</b>	<b>9</b> <b>Local Plan</b>  <b>North Hertfordshire Museum &amp; Hitchin Town Hall</b>
	<b>2 Medium</b>	<b>2</b>	<b>5</b>  <b>Asset Management</b>  <b>Office Accommodation</b>  <b>Churchgate and the surrounding area</b>	<b>8</b>  <b>Managing the Council's Finances</b>  <b>Waste &amp; Street Cleansing Contract Renewal</b>
	<b>1 Low</b>	<b>1</b>	<b>3</b>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium Impact</b>	<b>3 High</b>

## Appendix A – Top Risks – Senior Management Team – as at 31st March 2015

<b>likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b>	<b>9</b>
	<b>2 Medium</b>	<b>2</b>	<b>5</b>  <b>Workforce Planning</b>	<b>8</b>  <b>Development of Careline</b>  <b>Increased Homelessness &amp; use of B &amp; B</b>
	<b>1 Low</b>	<b>1</b>	<b>3</b>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>