NORTH HERTFORDSHIRE
DISTRICT COUNCIL

ANNUAL REPORT ON RISK MANAGEMENT

April 2015 to March 2016

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

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2015/16

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1.0   SUMMARY

1.1   To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2015/16 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 2015/16.

- Propose an action plan for 2016/17 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 2015/16 financial year. Where necessary these reports were referred to Cabinet.

2.2   The Risk & Opportunities Management Strategy was reviewed and minor changes were made in December 2015 to reflect the Council's Strategic Objectives from 1 April 2016.

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 former Performance & Risk Manager left the Council in March 2016 to work for Hertfordshire County Council. Following this, risk management support has been provided by HCC and the NHDC Performance Improvement Officer .

2.7   The Council's former 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 former Performance and Risk Manager continued to provide Hertsmere Borough Council with risk management support on a daily rate basis until the end of February 2016.

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 31st March 2016. 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   **Churchgate and the surrounding area**
Following the Full Council resolution of 11 February 2016 *"That work on the Churchgate project cease;"* the Churchgate Project Board agreed that the current risk for Churchgate and Surrounding Area be deleted as a Top Cabinet risk. This follows the repeated unsuccessful attempts to find a viable and acceptable solution for the Churchgate Centre and surrounding area during the course of the project. This risk was monitored and updated regularly by the Project Board throughout the period of the project and reported as part of the Council's risk management procedures. This does not preclude the Council from exploring the possibility of acquiring the Churchgate Centre as agreed by Full Council, or from taking a more strategic view of the site as part of the emerging Local Plan. Nor does it preclude interested parties from approaching the Local Planning Authority in the interim. There are risks in place that cover the production of the Local Plan, the Council's financial procedures and the vitality and viability of our town centres. Should the need arise, and depending on the approach being taken, a new risk would be prepared and reported through the Council's risk management procedures.

NEW RISKS
There have been no new separate risks added to the list of Top Risks in 2015/16.

3.4   **Waste & Street Cleansing Contract Renewal – sub risk – Sale of Materials**
The Cabinet Waste & Street Cleansing Contract Renewal risk is 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

An additional sub risk was added in September 2015 - the Sale of Materials. The income that the Council receives rom the sale of waste paper and commingled recycling dropped in 2015/16. This has been due to a down turn in the demand for

these products and contamination of some of the loads that have been sent for recycling.

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.

3.5   Increased Homelessness and the Use of B & B

The number of households accepted by the council as homeless and the number living in temporary accommodation rose in the first quarter of 2015/16. In addition, the number of households who had potential homelessness prevented declined throughout the year.

The reasons for becoming homeless are not only associated to changes in the welfare and benefits system, but also in response to relationship breakdown (including with parents or guardians) domestic violence or unmanaged debt. The Housing Team continues to explore a number of options to increase the amount of alternative temporary accommodation to avoid the use of B & B, which incurs a significant and irrecoverable additional cost on the authority.

In view of this, in September 2015, the risk moved to become a Cabinet Top Risk and the likelihood of the risk increased from medium (2) to high (3).

3.6   Managing the Council's Finances

The likelihood assessment of the risk was increased to high (3) i.e. the event will occur on numerous occasions (4 or more) within the next 12 months. This follows on from the significant reduction in ongoing government funding and uncertainties around the New Homes Bonus and Business Rates.

3.7   Waste & Street Cleansing Contract Renewal – sub risks

As described in section 3.4, the parent risk of the Waste and Street Cleaning Contract renewal has a number of sub risks. The assessment of the parent risk remained unaltered throughout 2015/16. In the course of 15/16, however, two of the sub risks had amended risks assessments. The Waste & Recycling service for flats had a reduced likelihood to low (1) and the sale of materials likelihood increased following the introduction of a "gate fee" to process the commingled recycling collected from households. At the end of 15/16 the sub risks had the following risk matrix scores:

- Commingled waste (5)
- Northern Transfer Station and Ancillary Facilities (6)
- Trade Waste (3)
- Waste & Recycling service for flats (3)
- Street Cleansing (5)
- Shared Procurement Opportunity (6)
- Sale of Materials (9)

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 31st March 2016, the following Cabinet Top Risks exceeded this score and have clear links to the Council's 2015/16 priorities:

- Local Plan (9)
- North Hertfordshire Museum & Hitchin Town Hall (9)
- Managing the Council's Finances (9)
- Increased homelessness and the use of B & B (9)
- Waste and Street Cleansing Contract Renewal (8)
- Sustainable Development of the District (7)
- Office Accommodation (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 action is taken to prevent future damage to property or personal injury.

5.2   Six claims from the public have been received relating to the policy year 2015/16. Three of these related to damage to property caused by trees and three 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 nine claims relating to damage or injury from the highway were submitted and referred to Hertfordshire County Council in the same period. This was fewer than the 17 received in 2014/15 which may partly be due to the change made to the insurance claim section on the Council's website to make it clearer the claim should be addressed to the County Council.

5.3   The Council received notice in November 2012 that the Municipal Mutual Insurance (MMI) Scheme of Arrangement was to be triggered. The levy was originally set at 15%. A payment of £ 78,141 was made in February 2014 to meet the levy demand. Although no further levy demands were made in 2015/16, the Council received notification in March that a further demand will be made in April 2016 and this will be for a further 10 %. 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 25% of any settlement. The 16/17 Financial Risks make provision for any new claims relating to the period MMI was the Council's insurers.

5.4   The Council tendered its insurance portfolio in 2013 and a three plus two year agreement was entered into with Zurich Municipal for its liability insurance. As Zurich Municipal increased its terms, a tender exercise was carried out and the Council has new liability insurers, Maven Public Sector, from 1 April 2016. The tender made a small saving on the budget for 16/17.

5.4   An internal audit on insurance was undertaken by the Shared Internal Audit Service (SIAS) in the first quarter of 2015/16.   This gave a substantial level of assurance and the agreed recommendation was implemented.

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 planned Gernon Road office move during 2016.

6.2   The two actions referred to within last year's report have been included within all the service business continuity plans. These include reference to both Information Technology and Telephone systems.

7.0   HEALTH & SAFETY

7.1   Later this year, a new electronic Display Screen Equipment (DSE) training and risk assessment software package will be introduced along with changes to the funding of eye care.

DSE training and risk assessments will be provided through the Cardinus Workstation Safety Plus software package and Eye Care will be provided by Specsavers.

Workstation Safety Plus is a browser-based program designed to help the Council manage DSE risk effectively and with ease. By utilising a number of unique features Workstation Safety Plus will help the Council comply with the DSE regulations, reduce injuries and injury related costs and improve overall efficiency.

Funding for Eye care will be linked into the new DSE assessment software and the Council will no longer refund the cost of employee eye tests or corrective lenses through the SAP payroll system.

All eye care funding will be provided through a Pre-paid corporate eye care voucher scheme provided by Specsavers.

7.2   Annual refresher fire training for all staff will be introduced alongside the new DSE risk assessment programme.

Fire Safety Plus is a e-learning programme provided by Cardinus and has been developed to ensure everyone knows what their responsibilities are should a fire happen. It will also help the Council meet its statutory responsibility in providing fire health and safety training to all staff.

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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 2015/16

9.1   The following were considered key milestones for 2015/16:-

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	31/03/16

9.2   The Internal audit was complete giving substantial assurance. The "merits attention" recommendation that was accepted was implemented.

9.3   Manager's have reviewed their service plans to consider any move to Town Lodge as well as other events.

9.4   Staff training was provided on Construction Design and Management (CDM) regulations to the Property Services Team.

9.5   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 five risks being made inactive. These are monitored by the Risk Management Group.

10.0   SIGNIFICANT ACTIONS FOR 2016/17

10.1   The development of the risk management framework at NHDC in 2016/17 and beyond will continue through the implementation of the following key actions:-

Task	By Date
To agree degree of support required from HCC for risk management and insurance	30/06/16
Follow up staff training to be provided for specific roles arising from CDM regulations	30/09/16
To undertake internal audit on the risk management arrangements	31/12/16
To implement any recommendations arising from the internal audit on risk management	31/03/17

11.0   CONCLUSION

11.1   The Council has continued to maintain robust risk management practices throughout 2015/16. This is evidenced 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 more risk aware.

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 2015/16.

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:-

Severity of Impact Guide						
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

Table 1: Risk Matrix – Cabinet Risks March 2016

likelihood	1 Low	2 Medium Impact	3 High
3 high	4	7 Sustainable Development of the District Office Accommodation	9 Local Plan North Hertfordshire Museum & Hitchin Town Hall Managing the Council's Finances Increased Homelessness & use of B & B
2 medium	2	5 Asset Management	8 Waste & Street Cleansing Contract Renewal
1 low	1	3	6

Table 2 – SMT Top Risks March 2016

likelihood	1 Low	2 Medium Impact	3 High
3 high	4	7	9
2 medium	2	5 Workforce Planning	8 Development of Careline
1 low	1	3	6