

# Public Document Pack

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET

TUESDAY, 19TH JUNE, 2018

### SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

**Agenda No    Item**

- 6.            **ITEMS REFERRED FROM OTHER COMMITTEES**
- 6(A)        **ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 18 JUNE 2018 – RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2017/18 (Pages 1 – 24)**
- 6(B)        **ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 18 JUNE 2018 – REVENUE BUDGET OUTTURN 2017/18 (Pages 25 – 26)**
- 6(C)        **ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 18 JUNE 2018 – CAPITAL PROGRAMME OUTTURN 2017/18 (Pages 27 – 28)**

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<b>CABINET</b> <b>19 JUNE 2018</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>6A</b>
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**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 18 JUNE 2018 – RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2017/18**

**10. RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2017/18**

The Service Director - Resources presented a report which provided an update on Risk Management and the Annual Report on Risk Management 2017/18.

The Service Director - Resources advised that, in February 2018, officers had reviewed the "Waste – Depot/Transfer Station" sub-risk and increased the likelihood risk score to "High" (3). This was to reflect the emerging issues relating to the installation of a Fire Suppression System and the Environment Agency permit/licence at the Buntingford Depot. The proposed change would move the Waste sub-risk from an 8 to a 9 on the Risk Matrix.

In respect of the "Waste – Food and Garden Waste" sub-risk, the Service Director - Resources commented that, in February 2018, officers had created a new sub-risk for the Waste and Street Cleansing Contract renewal with a score of 5. This was to reflect the introduction of charging for Garden Waste, which commenced on 9 May 2018.

The Committee noted that the overall risk for the Waste and Street Cleansing Contract renewal remained unchanged as an 8 on the matrix.

The Service Director - Resources referred to the Annual Report on Risk Management 2017/18, as attached at Appendix B to the report. He summarised the significant changes to the Top Risks which had occurred throughout the year, and drew attention to the achievements against the Risk management Action Plan for 2017/18.

It was noted that, when the Risk Management Group met next, there was a strong possibility that the Office Accommodation risk would be removed from the matrix now that the move back to the District Council Offices had been completed.

In response to a request from the Chairman, the Service Director – Resources undertook to report back to the Committee following the outcome of a review of the Risk Management Group's structure and terms of reference.

**RECOMMENDED TO CABINET:**

- (1) That the increase in the score for the "Waste – Depot/Transfer Station" sub-risk from an 8 to a 9 be approved;

- (2) That a new “Waste – Food and Garden Waste” sub-risk, with a score of 5, be approved;
- (3) That the overall score for the Waste and Street Cleaning Contract renewal” risk remain unchanged at a score of 8; and
- (4) That the Annual Report on Risk and Opportunities Management 2017/18, as set out at Appendix B to the report, be supported and referred to Council for approval.

**REASON FOR DECISION:** To comply with the Risk and Opportunities Management Strategy, which stipulates that an Annual Risk Management report is taken to Council.

*The following is the report to be considered by the Finance, Audit & Risk Committee at its meeting to be held on 18 June 2018.*

**TITLE OF REPORT: RISK MANAGEMENT UPDATE**

REPORT OF: THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT

EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM

COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

1.1 To provide the Committee with an update on the Corporate risks.

- The Waste sub risk for Depot/ Transfer station has been reviewed and increased from an 8 to a 9 on the Matrix.
- A new Waste sub risk for Food and Garden Waste has been introduced with a score of 5 on the Matrix..
- The overall Score for the Waste & Street Cleansing Contract Renewal remains unchanged at 8.

1.2 To present the Committee with the Annual Report on Risk & Opportunities Management.

**2. RECOMMENDATIONS**

2.1 That the Committee notes and refers the changes in the Corporate risks to Cabinet.

2.2 That the Committee notes and refers the Annual report on Risk & Opportunities Management to Cabinet and then Full Council.

**3. REASONS FOR RECOMMENDATIONS**

3.1 The responsibility for ensuring the management of the risks is that of Cabinet.

3.2 This Committee has responsibility to monitor the effective development and operation of risk management.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 There are no alternative options that are applicable

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor Cunningham as Risk Management Member 'champion') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member.

**6. FORWARD PLAN**

6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

7.1 At the March meeting of the Finance, Audit and Risk Committee the following changes to the Corporate risks were approved and referred on to Cabinet. These were subsequently approved by Cabinet.

- Office Accommodation reduction in score to 3
- Waste & Street Cleansing Contract renewal sub risk - Northern Transfer station increase in score to 8
- Waste & Street Cleansing Contract renewal sub risk Commingled Waste score increase in score to 7.

7.2 The Committee also noted the information regarding the re-tendering of the Councils Insurance arrangements.

## **8. RELEVANT CONSIDERATIONS**

### **8.1 Corporate Risks**

8.1.1 The Corporate Risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana (was Covalent), the Council's performance and risk management software. The changes to the assessment of the current Corporate risks & opportunities are outlined in sections 8.2 and 8.3. Table 1 shows the last date that the risk was reviewed by the risk owner.

**Table 1: Risk and Opportunities Matrix – Proposed Changes**

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Income Generation (30.04.18) ↔</li> <li>• Sustainable Development (2 x Sub Risks)</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Local Plan (13.04.18) ↔</li> <li>• Managing the Council's Finances (30.04.18) ↔</li> <li>• North Hertfordshire Museum and Hitchin Town Hall Project (08.02.18)</li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Increased Homelessness and Use of B&amp;B (04.04.18) ↔</li> <li>• Workforce Planning (27.03.18) ↔</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks (19.03.18) ↔</li> <li>• Waste and Street Cleansing Contract Renewal (9 x Sub Risks)</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b> <ul style="list-style-type: none"> <li>• Office Accommodation (31.01.18)</li> </ul>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		

**8.2 Waste Sub Risk – Depot/Transfer Station.** In February 2018 Officers reviewed the risk and increased the likelihood risk score to “High” (3). This is to reflect the emerging issues relating to the installation of a Fire Suppression System and the Environment Agency permit/licence at the Buntingford Depot. This proposed change will move the Waste sub risk from **8** to **9** on the Matrix. The overall score for the Waste and Street Cleansing Contract renewal remains at **8**.

**8.3 Waste sub Risk – Food and Garden Waste..** In February 2018 Officers created a new sub risk for the Waste and Street Cleansing Contract renewal with a score of **5**.. This was to reflect the introduction of charging for Garden Waste which commenced on 9 May 2018.The overall risk score for Waste remains unchanged as an **8** on the Matrix.

8.3.1 **Annual report on Risk & Opportunities Management.** The annual report has been produced to provide an update to Full Council on the Risk & Opportunities Management at NHDC during the Financial year 17/18, as outlined in the Risk & Opportunities Management Strategy. The report confirms the Council's ongoing commitment to the management of Risks and Opportunities and outlines :-

- Significant changes to the Corporate risks in 1718.
- Achievements against the Risk Management Action Plan for 1718.
- Proposed Risk Management Action Plan for 1819.

## **9. LEGAL IMPLICATIONS**

9.1 The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet.." This report gives the Committee the opportunity to review and comment on the high level Risks and how they are proposed to be managed.

## **10. FINANCIAL IMPLICATIONS**

10.1 There are no direct financial implications from this report.

## **11. RISK IMPLICATIONS**

11.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Corporate Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Top / Corporate Risks are being managed.

## **12. EQUALITIES IMPLICATIONS**

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents such as those who are homeless

## **13. SOCIAL VALUE IMPLICATIONS**

13.1 The Social Value Act and "go local" policy do not apply to this report.



**14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct Human Resource implications arising from this report, but it should be noted that there is a separate Corporate Risk relating to Workforce Planning.

**15. APPENDICES**

- 15.1 Appendix A – the Corporate Risks & Opportunities with changed assessments.  
Appendix B – Annual Report on Risk & Opportunities Management 2017/18.

**16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

- 17.1 The risks held on Pentana the Council's Performance and Risk Management IT system.

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<b>Top Risk Code &amp; Title</b>	<b><u>TR59.008 Depot/Transfer Station - CHANGED</u></b>		
<b>Description</b>	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>- The Buntingford Depot/Transfer Station failing to meet Environment Agency requirements, e.g. installation of a fire suppression system</li> <li>- The Environment Agency not issuing the required operating licence</li> <li>- The Environment Agency not agreeing to a further extension to the temporary agreement, which expires in August 2018, to continue operating from the site on the existing basis</li> <li>- Foreclosure on the tenancy agreement, a fire or serious Health &amp; Safety concerns/incident</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- The Environment Agency closes the site</li> <li>- Operational use of the site is not possible or its use is severely restricted</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- Service delivery and the management of dry recyclates being significantly affected, e.g. waste collections being suspended/reduced</li> <li>- Dry recyclates being sent directly to the recycling facility</li> <li>- Dry recyclates being sent to landfill</li> <li>- Use of alternative transfer sites (either as a formal Business Continuity arrangement or as an emergency reactive solution)</li> </ul>		
<b>Opportunities</b>	- A joint depot/recycling transfer station with EHDC providing economies of scale		
<b>Consequences</b>	<p>As a result of the risks arising:</p> <ul style="list-style-type: none"> <li>- NHDC could require additional unbudgeted resources</li> <li>- NHDC's reputation could be damaged</li> <li>- NHDC could receive an increased number of complaints from residents</li> <li>- NHDC's performance could deteriorate</li> <li>- NHDC's income/identified savings could reduce</li> </ul>		
<b>Service Area</b>	Place		
<b>Lead Officer</b>	Vaughan Watson	<b>Cabinet Member</b>	Executive Member for Waste Management, Recycling & Environment
<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Date Reviewed</b>	23-May-2018	<b>Next Review Date</b>	23-Jul-2018
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Initial risks associated with the contract tendering process managed effectively, e.g. IT, telephone and parking issues all resolved</li> <li>- Urbaser submitted application for the operator licence</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- EHDC responsible for financing and managing the installation of a fire suppression system</li> <li>- NHDC/EHDC representatives undertaking updated risk assessments and Business Continuity planning</li> <li>- Investigating options for third party providers to provide alternative transfer sites for dry recyclates and for direct delivery to Pearce</li> </ul>		

<b>Linked Action Code</b>	<b>Linked Action Title</b>	<b>Due Date</b>	<b>Status</b>	<b>Progress of Covalent Action</b>

<b>Top Risk Code &amp; Title</b>	<b><u>TR59.009 Food and Garden Waste - NEW</u></b>		
<b>Description</b>	<p>On 16 October 2017, Cabinet approved the introduction of weekly food waste collections and a chargeable garden waste collection service for the new contract, commencing on 9 May 2018.</p> <p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>- NHDC not providing food waste caddy liners, apart from a limited number when the service is introduced</li> <li>- Residents being unwilling to pay the £40 per year charge (initial £35 early bird offer)</li> <li>- Residents being unhappy with the changes, especially in light of consultation feedback</li> <li>- Problems with the payment process and transfer of data to the operating system</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- The contractor has problems delivering the garden waste collection service, i.e. ensuring residents that have paid have their waste collected and that residents that have not paid do not</li> <li>- Residents fail to utilise the food waste caddies and dispose of food waste in their purple bins</li> <li>- NHDC fails to maintain the required number of residents paying for the chargeable garden waste collection service</li> <li>- Residents dispose of garden waste by alternative (e.g. Household Waste Recycling Centres) or inappropriate (fly-tipping) means</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- NHDC not achieving the income figures specified in the budget</li> <li>- Reduced performance (increased residual waste and decreased recycling rate)</li> <li>- Increased incidents of fly-tipping</li> <li>- A high number of complaints and negative press coverage</li> <li>- Customer contact centres being unable to cope with a high volume of calls</li> <li>- Increased costs and negative impact on future AFM payments</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- NHDC maximises take up of the chargeable garden waste collection service and the associated income</li> <li>- The amount of food waste collected increases (and offsets any reduction in garden waste)</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Recycling performance reduces closer to the legislative requirement of 50%</li> <li>- Anticipated savings are not realised</li> <li>- Negative impact on NHDC's finances</li> <li>- Damage to NHDC's reputation</li> </ul>		
<b>Service Area</b>	Place		
<b>Lead Officer</b>	Vaughan Watson	<b>Cabinet Member</b>	Executive Member for Waste Management, Recycling & Environment
<b>Current Risk Matrix</b>			
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	2
<b>Date Reviewed</b>	23-May-2018	<b>Next Review Date</b>	23-Jul-2018
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Cabinet approval for service changes (October 2017)</li> <li>- Contract mobilised</li> <li>- Over 40% take up of the garden waste collection service at contract commencement, which has now increased to 47% (May 2018)</li> </ul>		

<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Implementing Communication Plan relating to service changes/implementation issues</li> <li>- Urbaser conducting a data cleansing exercise to resolve the issues with data transfer to the operating system (they have indicated that the system is currently 99% clean), which resulted in problematic collection issues and a high number of complaints</li> <li>- To address short-term implementation issues, Urbaser has doubled the size of its contact centre and operated additional services/hours to “catch up”</li> <li>- No early indications of an increase in fly-tipping or a detrimental impact on HWRCs</li> </ul>
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Linked Action Code	Linked Action Title	Due Date	Status	Progress of Covalent Action

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**NORTH HERTFORDSHIRE  
DISTRICT COUNCIL**



**Annual Report on Risk Management**

**April 2017 to March 2018**

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

# **Annual Report on Risk Management** **2017/18**

1. Summary
2. Background
3. Significant Changes to the Corporate Risks
4. Risk Appetite
5. Insurance Review
6. Business Continuity
7. Health and Safety
8. Review of the Risk Management Framework at NHDC
9. Achieving the Significant Actions for 2017/18
10. Significant Actions for 2018/19
11. Conclusion
12. Recommendations
13. Definitions
14. Risk Matrix for Corporate Risks as at 31 March 2018



## **Annual Report on Risk Management**

**April 2017 to March 2018**

### **1.0 Summary**

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2017/18, as outlined in the Risk and Opportunities Management Strategy.
- 1.2 This report aims to:
- Confirm the Council's ongoing commitment to the management of risks and opportunities to enable the achievement of its objectives, projects, service delivery and performance management.
  - Summarise the significant changes to the Corporate Risks during the year.
  - Summarise the achievements against the Risk Management Action Plan for 2017/18.
  - Propose a Risk Management Action Plan for 2018/19, in order to maintain the Council's effective and strong risk management processes.

### **2.0 Background**

- 2.1 Throughout 2017/18, the Finance, Audit and Risk Committee received reports on the management of the Council's Corporate Risks at its meetings. Where necessary, the Finance, Audit and Risk Committee then referred these reports to Cabinet.
- 2.2 The Risk and Opportunities Management Strategy was reviewed in November 2017. The review included changing how the Strategy defined the Likelihood categories of Low, Medium and High. There were other revisions made, such as updating the Local Code of Corporate Governance principles, changing references to Covalent to Pentana Performance and referencing the new roles of Deputy Chief Executive and Service Directors.
- 2.3 Throughout the year, the Performance and Risk Officer provided ongoing training and support to officers and Members.
- 2.4 On request, the Performance and Risk Officer is able to provide 1:1 sessions to members of the Finance, Audit and Risk Committee, covering topics such as accessing risk register entries on Pentana Performance, the Council's performance and risk management software.
- 2.5 The Executive Member for Finance and IT, in his role as the Member "Risk Management Champion", has been a regular attendee at Risk Management Group meetings.
- 2.6 The risk management function at both a strategic and operational level is delivered and supported by the Head of Finance, Performance and Asset Management, the Controls, Risk and Performance Manager and the Performance and Risk Officer.

2.7 Hertfordshire County Council (HCC) continues to deliver the Council's insurance services and HCC's Risk and Insurance Manager continues to attend Risk Management Group meetings. This enables the Council to obtain an insight into emerging risks and related issues at HCC and other local authorities in Hertfordshire. The Performance and Risk Officer is a member of ALARM, the national organisation dedicated to supporting risk professionals in the public sector. Membership of ALARM provides training opportunities and enables the sharing of best practice and benchmarking data with other public sector organisations.

### **3.0 Significant Changes to the Corporate Risks**

3.1 There is a single set of Corporate Risks, which Cabinet owns and monitors. These risks require high level of resources to manage and mitigate (such as key projects or risks directly related to the Council's objectives) and need to be managed at a strategic level within the Council.

3.2 At each meeting, officers provided the Finance, Audit and Risk Committee with updates on the assessment and management of the Council's Corporate Risks. Section 14.0 of this report presents a summary risk matrix, which shows the position of each Corporate Risk as at 21 March 2018 (the last meeting of the Finance, Audit and Risk Committee in 2017/18). The following paragraphs summarise the changes that were reported in the past year.

#### **3.3 Deleted Risks**

During 2017/18, no Corporate Risks were deleted or changed to service risks only.

#### **3.4 New Risks**

During 2017/18, no new Corporate Risks were introduced.

#### **3.5 Risks with Amended Assessments**

The regular review of the Council's Corporate Risks includes an assessment of the impact and likelihood scores. Section 13.0 of this report details the definitions used for assessing scores at NHDC, which ensure a consistent approach to risk scoring.

#### **3.6 Increased Homelessness and Use of Bed and Breakfast**

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "High" to "Medium" and this had resulted in a reduction to the overall risk score from "7" to "5". Use of B&B accommodation had consistently reduced over the last year and at the time of the review (March 2017), there were no homeless households being accommodated in B&B. The current level of homelessness within the District was being managed using available temporary accommodation units. However, officers noted that this was a challenging issue and that demand could be unpredictable. Therefore, the risk would be subject to quarterly reviews. On 13 June 2017, Cabinet approved the change to the risk score.

**3.7 Office Accommodation**

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that in view of progress made and the Council's commitment to complete the refurbishment, the likelihood risk score had been reduced from "High" to "Medium". This had resulted in a reduction to the overall risk score from "7" to "5". Willmott Dixon commenced work on site on 6 March 2017 and they were undertaking asbestos removal and demolition works, which were on schedule. Some unforeseen issues had been identified during the works and these were being assessed, with any solutions required being financed from existing budgets. On 13 June 2017, Cabinet approved the change to the risk score.

**3.8 Waste and Street Cleansing Contract Renewal – Sale of Materials**

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "High" to "Medium" and this had resulted in a reduction to the overall risk score from "9" to "8". A new contract had been procured for mixed recycling services until May 2018 and currently, a saving against budget was predicted. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8). On 13 June 2017, Cabinet approved the change to the risk score.

**3.9 Office Accommodation**

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "Medium" to "Low" and this had resulted in a reduction to the overall risk score from "5" to "3". This reflected the fact that the project was almost complete and staff were already being returned to the DCO. The risk entry would not be closed until a post implementation review had been completed and lessons learned had been captured. On 27 March 2018, Cabinet approved the change to the risk score.

**3.10 Waste and Street Cleansing Contract Renewal - Northern Transfer Station and Ancillary Facilities**

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been increased from "Low" to "Medium" and this had resulted in an increase to the overall risk score from "6" to "8". This was due to the re-letting of the residual waste transfer contract by HCC and the need for the depot to be secured for the new waste contract. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8).

**3.11 Waste and Street Cleansing Contract Renewal - Commingled Waste**

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been increased from "Medium" to "High" and this had resulted in an increase to the overall risk score from "5" to "7". This reflected the global economic climate and the impact of China's restrictions on plastics for recycling and the new contract re-letting. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8).

## **4.0 Risk Appetite**

- 4.1 The Council's willingness to accept risks in order to achieve its strategic objectives is known as its 'risk appetite'. The Council has to take risks in order to evolve and deliver its services effectively. The Council's risk management framework ensures that it recognises the risks that accompany new objectives and opportunities, and that it manages them appropriately. The Council has to decide what risks it wants to take and what risks it wants to avoid, although it cannot or should not avoid all risks.
- 4.2 The Council will have a range of different appetites for different risks depending on the circumstances, and these can vary over time. The reporting of the Council's Corporate Risks to Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be approved and monitored accordingly. Generally, risks with a score of "7" or above will exceed the Council's risk tolerance and will require further controls and mitigation to be put in place. As at 31 March 2018, the following Corporate Risks, which have clear links to the Council's objectives, had a score of "7" or above:
- Local Plan (9)
  - Managing the Council's Finances (9)
  - North Hertfordshire Museum and Hitchin Town Hall Project (9)
  - Cyber Risks (8)
  - Waste and Street Cleansing Contract Renewal (8)
  - Income Generation (7)
  - Sustainable Development (7)

## **5.0 Insurance Review**

- 5.1 The Council's insurance arrangements are handled by Hertfordshire County Council under a shared service arrangement that has resulted in savings for North Hertfordshire District Council.
- 5.2 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These are each subject to a £5,000 excess that is charged to the responsible service area. This will increase to £10,000 from 1 April 2018, but it is the first increase since 1993 and it has ensured that the premium does not increase. 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.
- 5.3 Eight claims were received from the public relating to the policy year 2017/18. Although claims are made, these are not always successful for the claimant, as payments of compensation are made only when there is a proven legal liability. To date, three of the eight claims relating to minor property damage have been settled. Two injury claims were made and these can take several years to conclude.
- 5.4 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013 and the Council now has to pay 25% of any new claims dating back to the period that MMI was the Council's insurers (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI was the Council's insurers.
- 5.5 The Council tendered its insurance portfolio in 2017 (apart from its liability insurance, as this was tendered in 2016). This has led to substantial savings of over £30,000 for the 2018/19 financial year.

## **6.0 Business Continuity**

- 6.1 During 2016/17, the new NHDC Resilience Plan was completed. The Resilience Plan combines NHDC's Emergency Planning and Business Continuity response arrangements into one plan with associated response and support plans.
- 6.2 During 2017/18, the following Business Continuity activities were completed:
- The Business Continuity Service and Infrastructure plans were reviewed and updated where required.
  - A Business Continuity tabletop exercise (Exercise Scarlet) was provided for Senior Managers Group in September 2017 based on the scenario of a small fire in the Council Offices. The objectives of the exercise included to validate the new Resilience Plan in response to a Business Continuity incident and highlight any gaps in resilience planning, to raise awareness of staff roles and responsibilities in a Business Continuity incident and to highlight the critical functions in each department taking part.
  - A Business Continuity workshop took place in October 2017, at which business critical functions were looked at in preparation for a forthcoming review.
  - A review of all Business Impact Assessments was carried out in late 2017/early 2018 to inform an assessment of the critical functions for the Council.
- 6.3 During 2018/19, the Resilience Plan will be updated to take into account changes arising from the return to the DCO and the restructure. The critical functions review will be completed and taken to the Senior Management Team.

## **7.0 Health and Safety**

- 7.1 **Health and Safety Concerns Relating to the DCO Relocation/Office Moves**  
Only two major concerns were raised in relation to the moves back into the DCO building. Property Services investigated both issues:
1. Heating/Cooling  
There is an ongoing issue around the general temperature throughout the building with staff complaining of constant changing temperatures throughout the day. There is also a heating issue overnight in the Careline Arc.
  2. Light Ingress  
The lack of blinds at the windows was causing problems for staff throughout the day. Staff were reporting DSE concerns in respect of glare onto screens etc. Blinds were fitted at the end of May 2018 to resolve the issues.  
There were general concerns raised by staff in respect of provision of additional equipment/local adjustments to desks/screens/chairs, which have all now been dealt with.
- 7.2 Having completed the move back to the DCO, DSE assessments were reissued to staff in line with the DSE regulations.

- 7.3 The new fire evacuation procedures for the DCO were introduced on 16 April 2018 with all staff and councillors receiving information on the new procedures and their personal fire evacuation assembly points. A successful fire evacuation test drill was conducted on 26 April 2018 and as part of the new procedures, all floors were searched by our fire marshals and reported as clear with no issues seen. Staff vacated the building within five minutes and they were sent information via the IT text system, as well as verbally at the fire assembly points.
- 7.4 There remains some residual asbestos within the building following the refurbishment. Most of the residual asbestos is within the old bitumen floor adhesive that could not be totally removed on the lift lobbies on all floors. New floor screed and carpeting has now been laid in these areas and this has encapsulated the old bitumen adhesive. The other areas that still contain asbestos are the 6<sup>th</sup> floor boiler room and the Artex ceilings within the ground floor Customer Services reception and back office. All remaining asbestos has been added to our Asbestos Register and will be monitored in line with our Asbestos Management policy and procedures.
- 7.5 The vacated buildings (Town Lodge/Broadway Offices) are being closed down by Property Services and will be managed as “void” buildings going forward.

## **8.0 Review of the Risk Management Framework at NHDC**

- 8.1 The Shared Internal Audit Service (SIAS) undertook a risk management audit in 2016/17. This provided a substantial level of assurance and highlighted the Council’s commitment to ensuring that effective risk management underpinned all activities and thus supported the Council in achieving its stated objectives. During 2017/18, officers implemented the two “Merits Attention” recommendations that SIAS made, thereby enhancing the risk management processes further.

## **9.0 Achieving the Significant Actions for 2017/18**

- 9.1 The following were considered key actions for 2017/18, in order to implement and develop the risk management framework at NHDC:

<b>Action</b>	<b>Due Date</b>
To implement the two recommendations arising from the SIAS internal audit of risk management	31/05/17
To review the structure of the Risk Management Group following publication of the details of the corporate restructure and to make any required changes to the group’s Terms of Reference	Dependent on the timing of the corporate restructure

- 9.2 During 2017/18, the two “Merits Attention” recommendations arising from the SIAS internal audit of risk management were implemented. These recommendations related to the Performance Improvement Officer’s job description/person specification and communication of relevant risk management responsibilities.
- 9.3 Due to the timing of the corporate restructure, a review of the structure of the Risk Management Group and the group’s Terms of Reference was not undertaken during 2017/18. This action will now be completed during 2018/19.

## 10.0 Significant Actions for 2018/19

- 10.1 The implementation of the following key actions in 2018/19 will ensure the continued development of the risk management framework at NHDC during the year and beyond:

Action	Due Date
To review the structure of the Risk Management Group following publication of the details of the corporate restructure and to make any required changes to the group's Terms of Reference	31/08/18

## 11.0 Conclusion

- 11.1 The Council continued to maintain robust risk management practices throughout 2017/18, including the regular review of the Council's Corporate Risks. Changes made to the assessment of Corporate Risks have been summarised earlier 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 to determine the most effective way to manage or exploit them. By employing these techniques, the Council becomes more risk aware.

## 12.0 Recommendations

- 12.1 Full Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 12.2 Full Council notes the changes to the Council's Corporate Risks during 2017/18.

## 13.0 Definitions

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

### Likelihood

<b>1. Low</b>	Unlikely in the next 12 months.
<b>2. Medium</b>	Possible in the next 12 months.
<b>3. High</b>	Likely in the next 12 months.

### Impact

Severity of Impact Guide							
Score	General	Personal Safety	Service Disruption	Financial Loss £	Project Delay	Impact on Stakeholders /Environment	Reputation
<b>1. Low</b>	Consequences will not be severe and associated losses will be small	Minor injury (first aid)	Negligible affect on service provision but may have a more significant cumulative affect 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)
<b>2. Medium</b>	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
<b>3. High</b>	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



## 14.0 Risk Matrix for Corporate Risks as at 31 March 2018

### Summary Matrix

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Income Generation</li> <li>• Sustainable Development (2 x Sub Risks)</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Local Plan</li> <li>• Managing the Council's Finances</li> <li>• North Hertfordshire Museum and Hitchin Town Hall Project</li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Increased Homelessness and Use of B&amp;B</li> <li>• Workforce Planning</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks</li> <li>• Waste and Street Cleansing Contract Renewal (8 x Sub Risks)</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b> <ul style="list-style-type: none"> <li>• Office Accommodation</li> </ul>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		

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# CABINET

## 19 JUNE 2018

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

# 6B

**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 18 JUNE 2018 – REVENUE BUDGET OUTTURN 2017/18**

### **13. REVENUE BUDGET OUTTURN 2017/18**

The Accountancy Manager presented the report of the Service Director - Resources in respect of the Revenue Budget Outturn 2017/18, and advised that the report was before this Committee for consideration prior to presentation to Cabinet on 19 June 2018.

The Accountancy Manager advised that, at year end, there had been an underspend against the working budget of £422,000. Part of that was due to projects which had not completed by the end of the year, and hence £261,000 was requested to be carried forward to fund these projects in 2018/19. There was a further forecast impact on the 2018/19 budget of an increase of £85,000.

The Accountancy Manager referred to Table 2 in the report, which summarised the significant variances. As detailed in Paragraph 8.3, the Council had overachieved on its efficiencies target for 2017/18 of £929,000 by £286,000, primarily due to increased planning income. Table 3 in the report set out the unspent Carry forward Budgets in 2017/18, which showed that a total of £473,000 of the budget carried forward had not been spent.

In respect of the Council's Corporate Financial Health Indicators, the Accountancy Manager commented that the Planning Application Fees and Parking Penalty Charge Notices were at green status, but the Land Charges income and Car Parking fees were at red status, as set out in Table 4 in the report.

The Accountancy Manager explained that, at the end of 2017/18, there was a surplus on the NHDC share of the Council Tax Collection fund of £257,000 and a deficit on the Business Rates Collection Fund of £624,000. The deficit would be funded from the grants that the Council received for Business Rate reliefs

The Committee was informed that the notional amount calculated at the start of the year for known risks was £795,000, and at the end of the year a total of £451,000 had come to fruition.

The Accountancy Manager drew attention to Table 7 in the report, regarding Earmarked Reserves, the balance of which was recommended to increase from £4.609million at the beginning of the year to £5.679million at the end.

In respect of Table 3 in the report, which outlined the unspent Carry Forward budgets in 2017/18, the Committee noted that a number of these had been

further recommended for carry forward to 2018/19. The Committee therefore agreed that Cabinet be requested to ensure that each item in the list was challenged robustly if further carry forward was requested, with each item being accompanied by an acceptable justification as to why it should be carried forward, in the realistic expectation that the budget would be spent.

**RECOMMENDED TO CABINET:** That, in respect of Table 3 in the report, which outlined the unspent Carry Forward budgets in 2017/18, it be ensured that each item in the list is challenged robustly if further carry forward is requested, with each item being accompanied by an acceptable justification as to why it should be carried forward, in the realistic expectation that the budget would be spent.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the Revenue Budget Outturn 2017/18.

**[Note: the item to which this referral relates is Item 8 on this agenda.]**

# CABINET

## 19 JUNE 2018

\*PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

# 6C

**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 18 JUNE 2018 – CAPITAL PROGRAMME OUTTURN 2017/18**

#### 14. CAPITAL PROGRAMME OUTTURN 2017/18

The Accountancy Manager presented the report of the Service Director – Resources in respect of the Capital Programme Outturn 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 19 June 2018.

The Accountancy Manager advised that there had been a total Capital spend of around £9.5million, approximately £1.5million less than forecast at the end of the Third Quarter. The majority of this figure related to re-profiled schemes.

The Accountancy manager explained that Table 2 in the report identified the more significant amounts in respect of the re-profiled projects. Table 3 detailed the projects where the amount spent had changed.

The Accountancy Manager referred to paragraph 8.5 of the report, which listed the Capital projects completed in 2017/18, and Table 4 provided a breakdown of how Capital Programme was funded (through useable capital receipts, set aside receipts, Section 106 receipts, and other third party grants and contributions).

Members commented that there were expected to be Capital monies available to fund the 2018/19 programme, but that Capital funds would be likely to be depleted within the next few years. The Committee therefore agreed that, in view of this situation, Cabinet be recommended to ensure that regular scrutiny of the Capital Programme is carried out.

**RECOMMENDED TO CABINET:** That, in view of the fact that Capital funds are likely to be depleted within the next few years, it be ensured that regular scrutiny of the Capital Programme is carried out by the Cabinet.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the Capital Programme Outturn 2017/18.

**[Note: the item to which this referral relates is Item 9 on this agenda.]**

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