

CABINET 27 MARCH 2018
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*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 6C
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TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 21 MARCH 2018 – RISK MANAGEMENT UPDATE

The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 21 March 2018.

80. RISK MANAGEMENT UPDATE

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management.

In respect of the Office Accommodation Corporate Risk, the Head of Finance, Performance and Asset Management advised that, in February 2018, Officers had reviewed this risk and reduced the likelihood risk score to “Low” (1). This was to reflect the fact that the project was almost complete, and that staff were already being returned to the District Council Offices. It was agreed that the risk entry should not be closed until a post implementation review had been completed and lessons learned had been captured. This proposed change would move the Office Accommodation risk from a 5 to a 3 on the Risk Matrix.

The Head of Finance, Performance and Asset Management reported that the Waste and Street Cleansing Contract Renewal Corporate Risk (and sub-risks) had also been reviewed. Whilst the scores for a number of the sub-risks had changed, the overall score for the Corporate Risk remained unchanged as an 8 on the Risk Matrix.

Following a recent re-tendering exercise, the Head of Finance, Performance and Asset Management outlined the key changes to the various insurance policies that the Council had in place, as set out in Section 8.4 of the report.

RECOMMENDED TO CABINET: That the reduction in score from a 5 to a 3 of the Office Accommodation Corporate Risk be approved.

REASON FOR DECISION: To comply with the requirements of the Risk and Opportunities Management Strategy.

The following is the report considered by the Finance, Audit and Risk Committee at its meeting held on 21 March 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 Office Accommodation and Waste and Street Cleansing Contract Renewal risks have been reviewed. As the Office Accommodation project is nearing completion it is recommended that the level of risk is reduced (from a score of 5 to 3).

1.2 To provide the Committee with information on the retendering of the Council's insurance arrangements. The changes that have been made are a balance between the level of risk and the cost of insurance premiums.

2. RECOMMENDATIONS

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

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 December meeting of the Finance, Audit and Risk Committee the review of the Risks and Opportunities Management Strategy and the Risk Management Policy Statement were approved and referred on to Cabinet.

These were subsequently approved by Cabinet. The Committee noted that there were no reported changes to the Corporate risks for the quarter.

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

Likelihood	3 High	4	7 • Income Generation (18.12.17) • Sustainable Development (2 x Sub Risks) (25.10.17)	9 • Local Plan (28.07.17) • Managing the Council's Finances (30.10.17) • North Hertfordshire Museum and Hitchin Town Hall Project (08.02.18)
	2 Medium	2	5 • Increased Homelessness and Use of B&B (03.01.18) • Workforce Planning (17.10.17)	8 • Cyber Risks (10.11.17) • Waste and Street Cleansing Contract Renewal (8 x Sub Risks) ↔
	1 Low	1	3 • Office Accommodation ↓ from a 5	6
		1 Low	2 Medium	3 High
		Impact		

8.2 **Office Accommodation.** In February 2018 Officers reviewed the risk and reduced the likelihood risk score to "Low" (1). This is to reflect the fact that the project is almost complete, and staff are already being returned to the DCO. It was agreed that the risk entry should not be closed until a post implementation review had been completed and lessons learned had been captured. This proposed change will move the Office Accommodation risk from a 5 to a 3 on the Matrix.

8.3 **Waste and Street Cleansing Contract Renewal.** In February 2018 Officers reviewed the sub risks for Waste. As a result the risk score for the Northern Transfer station and ancillary facilities was increased to 8. The likelihood was increased 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. In addition, the risk score for the Commingled Waste was increased to 7 to reflect the global economic climate and the impact of China's restrictions on plastics for recycling and the new contract re-letting. The overall risk score for Waste remains unchanged as an **8** on the Matrix.

8.4 **Insurance.** A retendering exercise has been undertaken for the various insurances that the Council has in place. This included getting various prices so that options could be assessed. Overall it is estimated that savings of at least £30k can be achieved. The following paragraphs summarise the key changes.

8.4.1 The Council's existing providers of liability insurance offered to renew for the same premium, but with an increase in excess to £10k per claim (was £5k). In overall terms this is a relatively small increase in the excess. When this was last tendered (in 2016), our current insurers were the only ones that provided a good price combined with a good quality rating. An increase in premium (or excess) would be expected due to changes in the way that injury pay-outs are calculated. The Council has had very few claims over the last 5 years and on that basis it is estimated that it would be cheaper to have an increased excess rather than a higher premium. As a result of this the liability insurance will be renewed with the existing insurer.

8.4.2 The Council currently has "all risk" insurance that covers museum exhibits and other valuables. This will be changed for a bespoke fine art policy which is slightly cheaper, provides more relevant cover and is often required to host visiting exhibitions.

8.4.3 Business interruption insurance covers the costs of getting the Council back up and running after a disaster (e.g. fire, flood). It also currently provides loss of revenue insurance for leisure services. As the liability for this should be with Stevenage Leisure Limited, it is intended that this cover will be removed subject to confirming the decrease in premium. The level of cover will also be increased from £500k to £1 million. This is linked to the potential future disposal of the Town Lodge site which would mean that it could not be used in the event of a disaster affecting the District Council Offices. The annual premium for this increased cover will be around £1k.

8.4.4 There is currently terrorism cover in place across all the Council's properties. The annual premium could be significantly reduced by excluding certain non-key buildings. Detailed pricing is being obtained for this and this will then be reviewed.

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.

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.