

**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**

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# 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<br>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<br>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<br>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<br/>High</b>   | <b>4</b>         | <b>7</b><br>• Income Generation<br>• Sustainable Development (2 x Sub Risks) | <b>9</b><br>• Local Plan<br>• Managing the Council's Finances<br>• North Hertfordshire Museum and Hitchin Town Hall Project |
|                   | <b>2<br/>Medium</b> | <b>2</b>         | <b>5</b><br>• Increased Homelessness and Use of B&B<br>• Workforce Planning  | <b>8</b><br>• Cyber Risks<br>• Waste and Street Cleansing Contract Renewal (8 x Sub Risks)                                  |
|                   | <b>1<br/>Low</b>    | <b>1</b>         | <b>3</b><br>• Office Accommodation   | <b>6</b>  |
|                   |                     | <b>1<br/>Low</b> | <b>2<br/>Medium</b>  | <b>3<br/>High</b>   |
|                   |                     | <b>Impact</b>    |  |   |