

**NORTH HERTFORDSHIRE  
DISTRICT COUNCIL**



**Annual Report on Risk Management**

**April 2016 to March 2017**

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

# **Annual Report on Risk Management** **2016/17**

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# Annual Report on Risk Management

April 2016 to March 2017

## 1.0 Summary

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2016/17, 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 our objectives, projects, service delivery and performance management.
  - Summarise the significant changes to the Corporate (Top) Risks during the year.
  - Summarise the achievements against the Risk Management Action Plan for 2016/17.
  - Propose a Risk Management Action Plan for 2017/18, in order to maintain the Council's effective and strong risk management processes.

## 2.0 Background

- 2.1 Throughout 2016/17, the Finance, Audit and Risk Committee received reports on the management of the Council's Corporate (Top) 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 2016. The fundamental change was that "Top" risks would now be referred to as "Corporate" risks and there would now be a single set of these risks, rather than separate Cabinet and SMT risks. There were other minor revisions made, such as changing references to the "Performance and Risk Manager" to the "Head of Finance, Performance and Asset Management" and replacing references to "Portfolio Holder" with "Executive Member".
- 2.3 Throughout the year, the Performance Improvement Officer provided ongoing training and support to officers and Members.
- 2.4 On request, the Performance Improvement 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 Covalent, the Council's performance and risk management software.
- 2.5 The Deputy Leader and Executive Member for Finance and IT, in his role as the Member "Risk Management Champion", has remained a regular attendee at Risk Management Group meetings.

- 2.6 The former Performance and Risk Manager left the Council in March 2016 and moved to Hertfordshire County Council (HCC). During the year, HCC provided risk management support at a strategic level. This arrangement has now ceased and the risk management function is now delivered and supported by NHDC's Head of Finance, Performance and Asset Management, the Controls, Risk and Performance Manager and the Performance Improvement Officer.
- 2.7 The former Performance and Risk Manager continues to attend Risk Management Group meetings, as HCC delivers the Council's insurance services. This enables the Council to obtain an insight into emerging risks and related issues at HCC and other local authorities in Hertfordshire. The Performance Improvement 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 (Top) Risks**

- 3.1 As detailed in paragraph 2.2, the Risk and Opportunities Management Strategy was changed so that there is now a single set of "Corporate" risks, rather than two separate sets of Cabinet and SMT "Top" risks. Cabinet owns and monitors the Corporate Risks, as they are risks that 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 (Top) Risks. Section 14.0 of this report presents a summary risk matrix, which shows the position of each Corporate Risk as at 31 March 2017. The following paragraphs summarise the changes that were reported in the past year.
- 3.3 **Deleted Risks**  
The following Corporate (Top) Risks were reviewed and were either deleted or changed to service risks only.
- 3.4 **Development of Careline**  
On 13 June 2016, officers reported to the Finance, Audit and Risk Committee that Careline had had a successful first year and that there were more opportunities to "grow" the service. The service had recently been restructured and Hertfordshire County Council (HCC) remained committed to funding Careline. An internal audit had given substantial assurance, providing reassurance to both HCC and NHDC that the relationship was being well managed. In view of this, the "Development of Careline" was no longer considered a Top Risk for the Council. Officers had attached details of the risk entry to the report, which highlighted the work that had been completed to manage the risk. The Finance, Audit and Risk Committee resolved that the "Development of Careline" SMT Top Risk should now be treated as a service risk only.

### 3.5 **Asset Management**

At the Finance, Audit and Risk Committee meeting on 22 September 2016, officers proposed that the “Asset Management” Top Risk should be deleted, as there were a number of separate risks that covered the key causes highlighted in the risk description (e.g. the “Office Accommodation” and “North Hertfordshire Museum and Hitchin Town Hall Project” Top Risks). In addition, there were service risks covering the risks arising from the disposal of land and assets. The Finance, Audit and Risk Committee recommended to Cabinet that “Asset Management” be removed as a Cabinet Top Risk and Cabinet approved this on 27 September 2016.

### 3.6 **New Risks**

The following Corporate (Top) Risks were introduced in 2016/17.

### 3.7 **Waste and Street Cleansing Contract Renewal – Depot/Transfer Station**

On 22 September 2016, the Finance, Audit and Risk Committee recommended to Cabinet that the addition of a new “Depot/Transfer Station” sub-risk to the “Waste and Street Cleansing Contract Renewal” Top Risk be agreed.

The “Waste and Street Cleansing Contract Renewal” Top Risk was already comprised of the following sub-risks:

- Trade Waste
- Waste and Recycling Services for Flats
- Northern Transfer Station and Ancillary Facilities
- Commingled Waste
- Street Cleansing
- Shared Procurement Opportunity
- Sale of Materials

A recent Cabinet report on the Outline Business Case for the renewal of the waste management contract included potential capital expenditure at the Buntingford Depot site. In view of this, a new “Depot/Transfer Station” sub-risk had been proposed. On 27 September 2016, Cabinet approved the addition of the new sub-risk.

### 3.8 **Income Generation Projects**

On 22 September 2016, the Finance, Audit and Risk Committee recommended to Cabinet that it should approve the addition of a new “Income Generation Projects” Top Risk. This risk described the risks arriving from the failure to deliver projects that should generate income for the Council. On 27 September 2016, Cabinet approved the addition of “Income Generation Projects” as a new Top Risk.

### 3.9 **Cyber Risks**

On 22 March 2017, the Finance, Audit and Risk Committee recommended to Cabinet that it should approve the addition of a new “Cyber Risks” Corporate Risk. Due to several high profile cyber-attacks across the public and private sector, and the current public awareness about cyber security, officers had proposed that this former service level risk should now be designated as a Corporate Risk. Although the Council had very good levels of security in place, it could not mitigate the risks fully. The most likely spread of any virus or download of ransomware would be through an officer or Member inadvertently opening an attachment they received via e-mail. Training in data protection for all was a high-level recommendation in a recent SIAS audit. On 28 March 2017, Cabinet approved the addition of “Cyber Risks” as a new Corporate Risk.

### 3.10 Risks with Amended Assessments

The regular review of the Council's Corporate (Top) 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.

### 3.11 Increased Homelessness and Use of Bed and Breakfast

On 22 September 2016, officers reported to the Finance, Audit and Risk Committee that the impact risk score had been reduced from "High" to "Medium" following ongoing work within the Housing Team to reduce the number of households in temporary accommodation. This had resulted in a reduction in the overall risk score from "9" to "7". However, there did need to be an increase in the overall provision of housing within the district to manage the risk in the long-term. On 27 September 2016, Cabinet approved the reduced impact risk score.

3.12 In March 2017, officers reviewed the risk again and reduced the likelihood risk score from "High" to "Medium". This had resulted in a reduction in 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, 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 is a challenging issue and that demand can be unpredictable. Therefore, the risk will be subject to quarterly reviews. Officers will report this further change to the risk score to the Finance, Audit and Risk Committee on 12 June 2017.

### 3.13 Waste and Street Cleansing Contract Renewal – Shared Procurement Opportunity

On 22 March 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score of the "Shared Procurement Opportunity" sub-risk had been increased from "Low" to "Medium" due to the time being taken to finalise the specification. This had resulted in an increase to the overall risk score from "6" to "8". The delay had been due to infrastructure and the client management and customer service elements of the contract, following a change to the preferred procurement option in January 2017. The contract would no longer be awarded in line with the original timeframe of May 2017, which might have further impacts on bidders' willingness to participate in the procurement. New timelines would be developed once agreement had been reached on the final scope of the outstanding elements of the specification. Despite the increase in the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level. On 28 March 2017, Cabinet approved the increased likelihood risk score.

## 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'. The Council has to take risks in order to evolve and deliver its services. The Council's risk management framework ensures that it recognises and manages the risks that accompany new objectives and opportunities. This does not mean that the Council can or should avoid all risks.

4.2 The Council has a range of different appetites for different risks and these can vary over time. The approval and monitoring of the Council's Corporate Risks by Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be agreed. Generally, risks with a score of "7" or above exceed the Council's risk appetite. As at 31 March 2017, 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 Projects (7)
- Office Accommodation (7)
- Sustainable Development (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 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. 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 The Council has received seven claims from the public relating to the policy year 2016/17. Two of these related to damage to property caused by trees, three from trips and falls on Council owned land and two as a result of accidents in play areas. 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 three claims relating to damage or injury from the highway were submitted and referred to Hertfordshire County Council (HCC) in the same period. Once again, this was far fewer than the nine received in 2015/16, which may be due to the change made to the insurance claim section on the Council's website that made it clearer that highway claims should be addressed to HCC.
- 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%. The Council received notification that a further demand would be made in April 2016 and this was for a further 10%. The total levy paid to date is £130,237. Zurich Municipal, on behalf of MMI, will handle any new claims dating back to the period that MMI were the Council's insurers and the Council will have to pay 25% of any settlement. The Council's 2017/18 Financial Risks make provision for any new claims relating to the period MMI was the Council's insurers.
- 5.4 The Council will tender its insurance portfolio in 2017, apart from its liability insurance, as this was tendered in 2016 due to an increase in terms.

## **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 To assist with Business Continuity preparedness for the office move from the Council Offices to Town Lodge a number of activities were completed, these included:
- Business Impact Assessments were reviewed with services in late 2015 to take into account the move to the temporary accommodation at Town Lodge.

- A programme of service area Business Continuity tabletop exercises was completed in May 2016.
- Senior management briefing given to SMT on Business Continuity issues to consider Business Continuity and arrangements for Emergency Planning for the period of the office move.
- Staff 'Z'Cards were issued for distribution to staff and a newsletter issued via the intranet to increase awareness about the office move and Business Continuity and Emergency Planning.
- Arrangements have been made for an Incident Control Centre secondary centre location in the event that the Town Lodge building is unavailable.

6.3 During 2017/18, the Service/Infrastructure Continuity Plans have been issued to Service Managers for update and following the move back from Town Lodge to the Council Offices a full review of the Business Impact Assessments and Service/Infrastructure Continuity Plans will be carried out to take account of any revisions to business risks.

## **7.0 Health and Safety**

### **7.1 DSE Training and Assessment**

There has been almost 100% completion rate following the introduction of the new DSE training/assessment package following the moves away from the DCO. The four outstanding assessments have been followed up through the Senior Management Team.

7.2 The new package splits the assessments into the following eight risk categories:

- |                         |       |
|-------------------------|-------|
| 1. Environment          | (0%)  |
| 2. Seating              | (4%)  |
| 3. Monitor              | (0%)  |
| 4. Keyboard and Mouse   | (0%)  |
| 5. Desk Area            | (1%)  |
| 6. User Comfort         | (29%) |
| 7. Laptop Use/Portables | (0%)  |
| 8. Other                | (5%)  |

Depending on the answers given by the officer, the system calculates each user's risks within each category. The system also produces a corporate wide percentage of high risk areas identified within each category (see percentage figures detailed above).

7.3 Corporately, the category with the highest concerns raised is User Comfort and the questions concentrate on physical effects placed on the users whilst using the equipment, i.e. experiencing headaches, aches and pains, stress and eye issues. The system provides suggestions to relevant individuals on how they can overcome any identified issues. If the suggestions do not resolve the highlighted issues, then a DSE assessor visits the officer and provides further advice.

### **7.4 Eye Tests**

The new eye care voucher scheme has been running since 1 June 2016 and a total of 37 vouchers have been issued to date at a cost of £629. This represents a saving of £1,161 based on the previous year's claims (33 claims at a cost of £1,790). There was also an additional five existing claims approved and claimed through SAP after 1 June 2016 start date, which equated to an additional £230, so overall the saving was £1,391.



## 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 underpins all activities and thus supports the Council in achieving its stated objectives. SIAS made two "merits attention" recommendations to enhance risk management processes further.

## 9.0 Achieving the Significant Actions for 2016/17

- 9.1 The following were considered key milestones for 2016/17, in order to implement and develop the risk management framework at NHDC:

Action	Due 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

- 9.2 During the course of 2016/17, the Council saw the gradual withdrawal of risk management support provided by Hertfordshire County Council's (HCC) Risk and Insurance Manager who was formally the Performance and Risk Manager at the Council. As detailed in Paragraph 2.6, the Council's Finance, Performance and Asset Management service now delivers the risk management function. However, responsibility for managing risks ultimately remains with the relevant service managers and heads of service. HCC continues to deliver the Council's insurance services. NHDC will continue to review with HCC how it provides services to us, in order to manage costs and improve resilience.
- 9.3 The employing contractors section of the intranet has been updated to include the requirement to ensure all contractors selected are competent to carry out any works procured. Guidance notes, procedures and accreditation forms have also been added to the site. Client and Designer training for managing contracts/works under the CDM regulations has been identified and will be rolled out in the medium term.
- 9.4 As detailed in Paragraph 8.1, the Shared Internal Audit Service (SIAS) undertook a risk management audit in 2016/17. SIAS produced the Final Internal Audit Report in March 2017.
- 9.5 The Final Internal Audit Report included two "merits attention" recommendations to enhance risk management processes further. Both recommendations, relating to the Performance Improvement Officer's job description/person specification and communication of the current risk management arrangements, are scheduled to be completed by 31 May 2017.

## 10.0 Significant Actions for 2017/18

- 10.1 The implementation of the following key actions in 2017/18 will ensure the continued development of the risk management framework at NHDC during the year and beyond:

Action	Due Date
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

## 11.0 Conclusion

- 11.1 The Council continued to maintain robust risk management practices throughout 2016/17, evidenced through the changes made to the Corporate Risks 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 to determine the most effective way to manage or exploit them. By employing these techniques, the Council is 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 in 2016/17.

## 13.0 Definitions

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

### Likelihood

<b>1. Low</b>	The event is unlikely to occur within the next 12 months.
<b>2. Medium</b>	The event will occur on more than one occasion (two to three times) within the next 12 months.
<b>3. High</b>	The event will occur on numerous occasions (four or more times) 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
<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 2017

### Summary Matrix

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Income Generation Projects</li> <li>• Office Accommodation</li> <li>• Sustainable Development (2 x Sub Risks)</li> <li>• Increased Homelessness and Use of B&amp;B</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>• 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>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		