



Annual Report on Risk Management

April 2018 to March 2019

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

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2018/19

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1 Summary

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2018/19, 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 significant actions for 2018/19 identified in last year's Annual Report.
 - Propose further significant actions for 2019/20, in order to maintain the Council's strong and effective risk and opportunities management processes.

2 Background

- 2.1 Throughout 2018/19, the Finance, Audit and Risk Committee (FARC) received reports on the management of the Council's Corporate Risks and where necessary, referred these reports to Cabinet.
- 2.2 In November 2018, the Risk Management Group approved minor revisions to the Risk and Opportunities Management Strategy. These amendments consisted of changing job titles to reflect the 2018 senior management restructure. The strategy is available on the Risk Management intranet page. Officers will undertake a detailed review of the strategy in 2019/20, which will include ensuring that it reflects the new Commercial Strategy and the approach to managing risks associated with major contracts.
- 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 FARC, covering topics such as accessing Risk Register entries on Pentana Risk, the Council's performance and risk management system.
- 2.5 The Executive Member for Finance and IT, in his role as the Member "Risk Management Champion", was 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 Service Director - Resources, 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 Significant Changes to the Corporate Risks

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

- 3.2 At each meeting, officers provided the FARC with updates on the assessment and management of the Council's Corporate Risks. Section 14 of this report presents a summary risk matrix, which shows the position of each Corporate Risk as at 31 March 2019 (the last meeting of the FARC for 2018/19 was on 21 March 2019). The following paragraphs summarise the changes that were reported in the past year.

3.3 Deleted Corporate Risks

The following Corporate Risks were deleted in 2018/19.

3.4 Office Accommodation

Practical completion of the District Council Offices took place on 31 May 2018 and the whole building had been handed over to NHDC. A closure report, including lessons learned, had been reported at the last Project Board meeting on 11 June 2018.

Recommended by the FARC on 24 September 2018

Approved by Cabinet on 25 September 2018

3.5 Waste

Officers had undertaken a comprehensive review of the Waste risks following the award and commencement of the new contract, which had resulted in the creation of a new parent risk and a new sub-risk, the redrafting of four existing sub-risks and the deletion of the original parent risk and five sub-risks:

- Waste and Street Cleansing Contract Renewal (Parent Risk)
- Trade Waste (Sub-Risk)
- Waste and Recycling Services for Flats (Sub-Risk)
- Commingled Waste (Sub-Risk)
- Street Cleansing (Sub-Risk)
- Shared Procurement Opportunity (Sub-Risk)

Recommended by the FARC on 24 September 2018

Approved by Cabinet on 25 September 2018

3.6 New Corporate Risks

The following Corporate Risks were introduced in 2018/19.

3.7 Waste and Street Cleansing Contract Renewal - Food and Garden Waste

Officers had created the new “Food and Garden Waste” sub-risk with an overall risk score of “5” to reflect the introduction of charging for Garden Waste, which commenced in May 2018. The overarching “Waste and Street Cleansing Contract Renewal” Corporate Risk remained at the same assessment level of “8”.

Recommended by the FARC on 18 June 2018

Approved by Cabinet on 19 June 2018

3.8 Waste

Officers had created a new parent risk, “Waste Management, Recycling and Street Cleansing” with an overall risk score of “9” and a new sub-risk, “Route Optimisation of Collection Rounds”, with an overall risk score of “7”. The creation of these new risk entries was one of the outcomes from the comprehensive review of the Waste risks that followed the award and commencement of the new contract (previously referred to in paragraph 3.5).

Recommended by the FARC on 24 September 2018

Approved by Cabinet on 25 September 2018

3.9 Brexit

Officers had created a new risk entry with an overall risk score of “9”, which reflected the current high level of uncertainty surrounding the Brexit process and the possible implications for the Council.

Recommended by the FARC on 21 March 2019

Approved by Cabinet on 26 March 2019

3.10 Corporate Risks with Amended Assessments

The regular review of the Council’s Corporate Risks includes an assessment of the impact and likelihood scores. Section 13 of this report details the definitions used for assessing scores at NHDC, which ensure a consistent approach to risk scoring.

3.11 Waste and Street Cleansing Contract Renewal – Depot/Transfer Station

Officers had increased the likelihood risk score from “Medium” to “High” and subsequently, increased the overall sub-risk score from “8” to “9”. 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. Despite the change to the sub-risk score, the overarching “Waste and Street Cleansing Contract Renewal” Corporate Risk remained at the same assessment level of “8”.

Recommended by the FARC on 18 June 2018

Approved by Cabinet on 19 June 2018

3.12 Waste and Street Cleansing Contract Renewal - Sale of Recyclable Materials

Officers had increased the likelihood risk score from “Medium” to “High” and subsequently, increased the overall sub-risk score from “8” to “9”. Officers had updated the sub-risk as part of the comprehensive review of the Waste risks that followed the award and commencement of the new contract (previously referred to in paragraph 3.5) and it now incorporated commingled waste.

Recommended by the FARC on 24 September 2018

Approved by Cabinet on 25 September 2018

3.13 **North Hertfordshire Museum and Hitchin Town Hall Project**

Officers had reduced the likelihood risk score from “High” to “Low” and the impact risk score from “High” to “Medium” and subsequently, reduced the overall risk score from “9” to “3”. This reflected the completion of the purchase of 14 and 15 Brand Street and the fact that the remainder of the project was now under NHDC’s full control.

Recommended by the FARC on 21 March 2019

Approved by Cabinet on 26 March 2019

4 Risk Appetite

4.1 The Council’s “risk appetite” is its willingness to accept risks in order to realise opportunities and achieve its strategic objectives. 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 FARC, 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. As at 31 March 2019, the following Corporate Risks, which have clear links to the Council’s objectives, had a score of “7” or above:

- Brexit (9)
- Local Plan (9)
- Managing the Council’s Finances (9)
- Waste Management, Recycling and Street Cleansing (9)
- Cyber Risks (8)
- Income Generation (7)
- Sustainable Development (7)

5 Insurance Review

5.1 Hertfordshire County Council handles the Council’s insurance arrangements under a shared service arrangement.

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 £10,000 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.

5.3 Fifteen claims were received from the public relating to the policy year 2018/19. 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. As at the end of March 2019, five of the fourteen claims relating to minor property damage had been settled. One personal injury claim was made and this was declined.

- 5.4 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013 and the Council now pays 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 were the Council's insurers.

6 Business Continuity

6.1 Business Impact Analysis

As part of the process, the core critical functions were identified and the risks mitigated (SMT - June 2018). SMT monitor these critical functions, whilst individual Service Directors retain responsibility for lower scale risks in their areas. The revised Business Continuity Plan structure is:

Corporate Level Plans

- Main Resilience Plan
- Mass Staff Absence Plan
- Recovery Plan
- Pandemic Plan
- IT Recovery Plan
- Property Services; Loss of Building (currently work in progress)
- Waste Contract (Lot 1)

Ten Core Critical Functions

- Burials
- Careline
- Emergency Planning
- Housing – Dealing With Homelessness Approaches
- Customer Service
- Communications
- IT
- Safeguarding – Managing Alerts/Concerns
- Revenues and Benefits - Payments
- Waste Management (Waste Contract/Loss of Buntingford Depot)

- 6.2 A major change to Business Continuity Planning arrangements during 2018/19 was the move back to the refurbished DCO. A storage facility is now available at Works Road, Letchworth, which houses the emergency planning equipment, IT disaster recovery and has suitable facilities to be converted to a secondary Incident Control Centre.

6.3 Business Continuity Training

The 2018/19 Resilience training programme was completed. Training focused on key response roles including Incident Manager and Reception Centre Management and staff training. With the return to the refurbished DCO complete and senior management changes in place following the restructure, training for 2019/20 will include Business Continuity sessions.

6.4 Working in Partnership

The Hertfordshire Local Resilience Forum takes a lead role in Business Continuity Planning and therefore promotes a broader understanding of issues. NHDC officers have secured good relationships with local organisations such as Churches Together, Urbaser, Pearce, Johnson Matthey and Garden Square retail. NHDC works closely with its peer authorities on topics such as cybercrime, reception centres, managing equipment, mutual aid and Brexit.

6.5 Business Continuity Preparedness

NHDC has a robust Business Continuity Planning framework. Despite uncertainty, work is ongoing to prepare NHDC for Brexit, with waste and food being the key areas impacted. Work with Environmental Health assisted in the promotion of a countywide Food Officer Group to examine the significant risks and work with Urbaser is taking place around waste. Brexit concerns have been raised at SMT level and recorded on the Risk Register as a Corporate Risk.

6.6 Business Continuity Promotion

Awareness work was carried out for Business Continuity Awareness Week in May 2018 (14 to 18 May). The theme was Organisational Resilience and NHDC published a series of key messages for businesses via Twitter. Internally, an article in the Insight magazine promoted key information for staff. The NHDC Resilience Planning booklet containing advice on Business Continuity is available on the NHDC website along with additional information and direction to Hertfordshire County Council for further guidance.

6.7 Business Continuity actions planned for 2019/20 include:

- Continue to monitor and assess potential impacts of Brexit
- Business Impact Assessments and key activities to be reviewed by SMT
- Business Continuity Plans for critical functions to be reviewed and updated as required
- Business Continuity training to be provided
- Resilience Direct will be used as a secure online external repository for NHDC's Resilience Plan documents
- Further promotion of Business Continuity Planning to the business community

7 Health and Safety

7.1 DCO Heating

The heating/cooling in the DCO continues to be a problem. Property Services are working closely with the installation company to find the optimum settings for the system. There is a trial of a retro fitted air deflector on the fifth floor and this is designed to redirect the air from the units away from desktops and disperse it across the ceiling.

7.2 Display Screen Equipment (DSE) Risk Assessment Software

The contract for the DSE risk assessment software provided by Cardinus has been renewed and is due for roll out at the end of May 2019. The updated programme now includes modules on working with hot desks, dual screens, rising desks, use of tablets and home working.

7.3 Letchworth Multi-Storey Car Park

The latest fire risk assessment highlighted a potential emergency egress issue from the town centre side of the car park after 1900 hours. The town centre gates are closed for security reasons at this time each evening and therefore the exit route from the car park through the town centre becomes unavailable.

- 7.4 Due to the loss of this exit, the re-routing of pedestrians across the vehicle decks to the DCO side stairs and a safe exit route increases the travel distances. The distances needed to travel will be increased further by the planned decoration works to the DCO side stairs, which will require the stairs to be closed off for approximately two weeks. The proposed routes for pedestrian exit to the DCO side of the car park after 1900 hours will be via the town centre stairs and vehicle ramps with exit from the Level 1 vehicle entrance. It is proposed to close the left side vehicle entrance to vehicles to accommodate this. The increased travel distances have been assessed by the Herts Fire and Rescue Service Fire Officer and have been deemed acceptable and within the guidelines for normal use of the car park. The Fire Officer also agreed with the proposals for management of pedestrian egress during the stairwell refurbishments.
- 7.5 Alternative arrangements for completion of the works have been considered. However, there would be increased costs for the Council for out of hours working and potential risks to staff and members of the public if the stairs were to remain open for the duration of the works.
- 7.6 **Bury Mead Road Museum Store**
The latest fire risk assessment review for the building highlighted several concerns around fire safety within the building. Discussions have taken place with the Service Director and both the Museum Manager and the Operations and Facilities Manager for Hitchin Town Hall and temporary measures have been implemented to reduce the level of risk. These include a reduction of unwanted combustible materials from the site, restricted access controlled by the Museum Manager and the relocation of all items used or loaned out on a regular basis to North Hertfordshire Museum. The regular volunteer worker engaged to catalogue items has also been relocated to the main museum in Hitchin. More works are planned to reduce the fire loading on the building further. However, due to priority being placed on the opening of the North Hertfordshire Museum, no timescales have been set for the completion of this work.

8 Review of the Risk Management Framework at NHDC

- 8.1 The latest risk management audit, reported by the Shared Internal Audit Service (SIAS) in March 2017, provided a substantial level of assurance and highlighted the Council's commitment to ensuring that effective risk management underpinned all activities and supported the Council in achieving its stated objectives. The subsequent implementation of the two "Merits Attention" recommendations enhanced the risk management processes further.

9 Achieving the Significant Actions for 2018/19

- 9.1 Last year's Annual Report detailed the following key action for 2018/19, to enhance implementation and development of the risk management framework:

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

- 9.2 On 22 November 2018, the Risk Management Group reviewed its structure and agreed two options for future membership. The Service Director – Resources subsequently presented these options to the Senior Management Team and it agreed that the Service Director – Commercial would join the Risk Management Group to represent the commercial side of the organisation and that the Strategic Infrastructure and Projects Manager would no longer be required to regularly attend meetings. These were the only changes required to the current membership.
- 9.3 The Risk Management Group will review its Terms of Reference during 2019/20 and agree the changes required.

10 Significant Actions for 2019/20

- 10.1 The implementation of the following key actions in 2019/20 will ensure the continued development of the risk management framework at NHDC:

Action	Due Date
To review the Risk Management Group's Terms of Reference and agree the changes required.	30/09/19
To review the Risk and Opportunities Management Strategy, including the need for changes to reflect the Council's adopted approach to commercialisation.	31/12/19

11 Conclusion

- 11.1 The Council continued to maintain robust risk management practices throughout 2018/19, including the regular review of the Corporate Risks. Section 3 of this report summarises the changes made to the Corporate Risks during the year. The outcome from the risk management framework is to ensure a better understanding of the risks and opportunities the Council faces and to determine the most effective way to manage and exploit them. As a result, the Council is more risk aware.

12 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 2018/19.

13 Definitions

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

Likelihood

1. Low	Unlikely in the next 12 months.
2. Medium	Possible in the next 12 months.
3. High	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
1. Low	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)
2. Medium	Will have a noticeable affect on services	Injury (external medical treatment required)	Will cause a degree of disruption to service provision and impinge on budgets	Medium financial loss £10,000 to £100,000	Delivery of project may be delayed by months	Some impact to stakeholders Moderate damage to local environment	Coverage in national tabloid press
3. High	Can have a catastrophic affect	Serious injury or loss of life	May result in significant financial loss or major service disruption	Major financial loss exceeding £100,000	Delivery of project no longer attainable	Significant impact on stakeholders Major damage to local environment	Extensive coverage in national press/national TV item

14 Risk Matrix for Corporate Risks as at 31 March 2019

14.1 As reported to the Finance, Audit and Risk Committee on 21 March 2019 and Cabinet on 26 March 2019.

Summary Matrix

Likelihood	3 High	4	7 • Income Generation • Sustainable Development	9 • Local Plan • Managing the Council's Finances • Waste Management, Recycling and Street Cleansing • Brexit
	2 Medium	2	5 • Increased Homelessness • Workforce Planning	8 • Cyber Risks
	1 Low	1	3 • North Hertfordshire Museum and Hitchin Town Hall Project	6
		1 Low	2 Medium	3 High
		Impact		