



ANNUAL REPORT ON RISK MANAGEMENT

April 2013 to March 2014

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

ANNUAL REPORT ON RISK MANAGEMENT

2013/14

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1.0 SUMMARY

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2013/14 as outlined in the Council's Risk & Opportunities Management Strategy.
- 1.2 This report aims to:-
- Confirm the Council's ongoing commitment to the management of risks to enable the achievement of our Priorities, projects, service delivery and performance management
 - Summarise significant changes to the Top Risks in the year
 - Summarise the achievements against the risk management action plan for 2013/14.
 - Propose an action plan for 2014/15 to ensure effective maintenance of the Council's strong risk management processes.

2.0 BACKGROUND

- 2.1 The Finance Audit and Risk Committee received reports on the management of the Council's Top Corporate risks at its meetings throughout the 2013/14 financial year. Where necessary these reports were referred to Cabinet.
- 2.2 The Risk & Opportunities Management Strategy was reviewed and updated in December 2013 to emphasise that without risk, there is no reward or progress, but unless risk is managed effectively within the Council, the opportunities will not be maximised and the threats minimised.
- 2.3 Ongoing training and support was provided to officers and members by the Performance Improvement Officer and the Performance & Risk Manager throughout the year.
- 2.4 Where requested, members of the Finance Audit and Risk Committee were provided with 1:1 sessions on how to access the risk register entries on Covalent the performance and risk management IT system.
- 2.4 The Deputy Leader and Portfolio Holder for Finance and IT, in his role as member 'Risk Management Champion', has remained a regular attendee at the Risk Management Group.
- 2.5 The Council's Performance & Risk Manager is a Committee member of ALARM Anglia, the National Forum for Risk Management in the Public Sector. Membership of ALARM has enabled the sharing of best practice and benchmarking with other public sector organisations. The Performance and Risk Manager has continued to provide Hertsmere Borough Council with risk management support on a daily rate basis.

3.0 SIGNIFICANT CHANGES TO THE TOP CORPORATE RISKS

3.1 The Council has two categories of Top Risks – those that are “owned” by Cabinet and those that are “owned” by the Senior Management Team (SMT). The Top Risks that require high levels of resources to manage and mitigate (such as key projects or risks directly relating to the Council’s priorities) are usually monitored by Cabinet. The remaining overarching risks that need to be managed at a high level in the Council are monitored by SMT.

3.2 At each meeting, the Finance, Audit & Risk Committee was provided with updates on the assessment and management of the Council’s Corporate risks (“Top Risks”). Included as Appendix A is the Top Risk matrix as at 31st March 2014. The following section summarises the changes that were reported in the past year.

DELETED RISKS

The following risks were reviewed and deleted as Top Risks for North Hertfordshire District Council

3.3 Waste & Recycling Service

Following the introduction of the revised kerb side collection service, the following sub risks to this overarching risk were deleted:

- Alternate Financial Model
- Food Waste
- Cardboard

These were replaced with one new sub risk of the New Waste and Recycling Service.

3.4 Hitchin Town Centre Development

The Hitchin Town Centre Development Top Risk was replaced with one focussed on Churchgate and the Surrounding Area. The remaining risks around development of the Northern Area of Paynes Park and the Post Office site have been included in the service risk register relating to Town Centre Strategies. Additionally Town Centres are highlighted in the risk description for the new Top Risk relating to the Local Plan.

3.5 Organisational Workload

This Top Risk was comprised of a number of sub risks which are now treated as service risks in the Risk Register rather than as Top Risks for North Hertfordshire District Council.

NEW RISKS

There have been several new risks added to the list of Top Risks in 2013/14.

3.6 Replacement Payroll/ System Service

As the Council’s existing payroll software supplier gave notice on the system effective from 1 April 2014, a new system had to be procured and implemented within a relatively short time scale. Due to the importance of the internal controls provided by a payroll system, this was included as a significant governance issue in the Annual Governance Statement 2012/13.

3.7 Office Accommodation

This was introduced as a new Top Risk to cover the refurbishment of the District Council Offices.

3.8 **Sustainable Development of the District**

The overarching risk of Sustainable Development of the District has been a Top Risk for a number of years. Following an extensive review this was revised to include two sub risks

- National and Regional Planning issues
- Neighbouring Authorities Plans & Consultations

3.9 **Local Plan**

This new Top Risks relates to the preparation of the Local Plan and in obtaining the final approval from the Inspector at Examination. There are a number of events that could derail obtaining approval for the Local Plan and these are listed within the risk description

3.10 **Welfare Reforms**

When the former Top Risk of Organisational Workload was deleted this was added as a new Top Risk due to the uncertainty that the welfare reforms will have on the Benefits and Housing Services.

3.11 **Churchgate and the Surrounding Area**

Following the deletion of the former risk of Hitchin Town Centre Development, this new risk was introduced.

RISKS WITH AMENDED ASSESSMENTS

The regular review of the Top Risks, includes an assessment of the impact and probability score. The definitions used for the impact and probability scores used at NHDC are included at the back of this report.

3.12 **Sustainable Development of the District.**

Following the introduction of the two new sub risks described in 3.8 the overall rating of this risk was reduced to have a slightly reduced impact of a "2". This changed the risk matrix score from a "9" to a "7"

3.13 **Delivery of outcomes from the Museums FSR.**

As construction commenced to provide the new North Herts Museum and Community Facility the likelihood of the risk was reduced from a "3" to a "2". This gives a revised risk matrix score of an "8".

3.14 **Managing the Council's Finances**

The likelihood assessment of the risk was reduced to a "1" (the event is unlikely to happen in the next 12 months). This follows on from the agreement to the Council's budget for 2014/15 and the continuing success the Council has had in bridging the budget gap. The revised matrix score is a "6".

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'. Risks have to be taken for the Council to be able to evolve and deliver its services. The Council's risk management framework ensures the Council recognising and manages the risks that accompany new priorities and opportunities. It does not mean that all risks can or should be avoided.

4.2 We have a range of different appetites for different risks and these vary over time. The approval and monitoring of the Council's Top Risks to Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be agreed. Generally those risks that have a score of 7 or above on the risk matrix

exceed the Council's Risk Appetite. As at 31st March 2014, the following Cabinet Top Risks exceeded this score and have clear links to the Council's 2013/14 priorities:

- Sustainable Development of the District
- Managing the Council's Finances
- Hitchin Town Centre Development
- Delivery of outcomes from the Museums FSR
- Waste and Recycling Service

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 for personal injury and/or property damage made by the public. 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 mitigating action is taken to prevent future damage to property or personal injury. This will then reduce the Council's claims history.
- 5.2 Third party property damage claims over the past 12 months have largely arisen from allegations of nuisance or damage by trees. Injury claims tend to arise from trips/falls in parks and open spaces or in the Council car parks. Although claims are made these are not always successful for the claimant.
- 5.3 The Council received notice in November 2012 that the Municipal Mutual Insurance (MMI) Scheme of Arrangement was to be triggered. The levy has been set at 15% which will be reviewed every 12 months and can be adjusted up or down. The Council had allowed for this eventuality within the Insurance Reserve. A payment of £ 78,141 was made in February 2014 to meet the levy demand. Any new claims dating back to the period that MMI were the Council's insurers will be handled by Zurich Municipal on behalf of MMI and the Council will have to pay 15% of any settlement. The 14/15 Financial Risks make provision for any new claims relating to the period MMI were the Council's insurers.
- 5.4 The Engineering insurance with Allianz was tendered for 1 April 2014. As a result of this exercise, Zurich Municipal was the successful insurer. There were no significant premium savings to be made as a result of this exercise.

6.0 BUSINESS CONTINUITY MANAGEMENT

- 6.1 The NHDC Business Continuity Plan has been updated to take into account significant staff and operational changes during 2013/14. However, during this period Letchworth Town Hall has become unavailable to be used as a "secondary centre" should the main Council Offices no longer be available in full or part due to a major business disruption. The 2014/15 updates to the plan will show alternative arrangements taking the form of a more generic approach to emergency office accommodation in the future.

7.0 REVIEWS OF THE RISK MANAGEMENT FRAMEWORK AT NHDC

- 7.1 The last internal audit on Risk Management was completed by PWC on behalf of the Shared Internal Audit Service (SIAS) in February 2012. This provided a substantial assurance level with no high risk recommendations. Risk Management is being audited by SIAS in the first quarter of 2014/15 and any agreed recommendations will be included within the action plan.

8.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2013/14

- 8.1 The following were considered key milestones for 2013/14:-

Task	By Date
Review level of support provided to Hertsmere Borough Council	30/06/13
Senior Managers will review their risks with the support of the Performance and Risk Team in light of the guidance on describing risks and to update them where necessary.	31/03/14

- 8.2 The level of support provided to Hertsmere Borough Council (HBC) has been reviewed by the Head of Finance Performance and Asset Management and the Director of Resources at HBC. It was agreed that support would continue for the foreseeable future on the day rate basis. This has now been included as income in the NHDC budget for 2014/15. The support has been beneficial for both authorities as it has enabled benchmarking and challenge between the authorities on risk management particularly at operational risk level.
- 8.3 Work continued with Senior Managers to undertake a thorough review of the risks held on Covalent. This has resulted in a 23 risks being added and 20 risks being deleted. These are monitored by the Risk Management Group.

9.0 SIGNIFICANT ACTIONS FOR 2014/15

- 9.1 The development of the risk management framework at NHDC in 2014/15 and beyond will continue through the implementation of the following key actions :-

Task	By Date
Input into the SIAS internal audit on Risk Management	31/05/14
Review the recommendations from the audit and plan to deliver any agreed actions arising from this.	30/06/14
To review service business continuity plans for services to ensure that these coincide with the IT disaster recovery timeframe.	30/06/14
To review the form of emergency office accommodation for the Council and the disaster recovery requirements for the telephone system and revise the Business Continuity Plan accordingly.	31/03/15

10.0 CONCLUSION

- 10.1 The Council has continued to maintain robust risk management practices throughout 2013/14. This is evidenced through the changes made to the Top Risks that have been 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 how they can be best managed or exploited. By employing these techniques the Council is risk aware rather than risk averse.

11.0 RECOMMENDATIONS

- 11.1 The Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 11.2 Full Council to note the changes in the Council's Top Risks in 2013/14.

Definitions

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

Probability:-

1. Low.	The event is unlikely to occur within the next 12 months.
2. Medium.	The event will occur on more than one occasion (2-3) within the next 12 months.
3. High.	The event will occur on numerous occasions (4 or more) 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
1. Low	Consequence will not be severe and associated losses will be small	Minor injury (first aid)	Negligible effect on service provision but may have a more significant cumulative effect 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

Appendix A – Top Risks – Cabinet as at 31st March 2014

likelihood	3 high	4	Waste & Recycling Service 7 Sustainable Development of the District	9 Local Plan
	2 medium	2	5 Asset Management Office Accommodation Churchgate and the surrounding area	8 Delivery of Outcomes from the Museum FSR
	1 low	1	3	6 Managing the Council's Finances
		1 Low	2 Medium Impact	3 High

Appendix A – Top Risks – Senior Management Team – as at 31st March 2014

likelihood	3 high	4	7	9 Replacement payroll system / payroll service
	2 medium	2	5 Procurement, Tendering & Letting of Contracts Workforce Planning Welfare Reform and Interest Rates	8
	1 low	1	3	6
		1 Low	2 Medium	3 High