



ANNUAL REPORT ON RISK MANAGEMENT

April 2010 to March 2011

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

ANNUAL REPORT ON RISK MANAGEMENT

2010/11

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1.0 SUMMARY

- 1.1 To provide Council with an annual report on risk and opportunities management at NHDC during the financial year 2010/11 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 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 2010/11
 - Propose an action plan for 2011/12 to ensure maintenance of the Council's strong risk management processes.

2.0 BACKGROUND

- 2.1 The former Audit and Risk Committee received reports on the management of the Council's Top Corporate risks at its meetings throughout the 2010/11 financial year. Where necessary these reports were referred to Cabinet.
- 2.2 The Risk & Opportunities Management Strategy was reviewed in December 2010. The revision took into account current best practice and the ongoing use and development of the Council's Performance & Risk Software (Covalent). The revised Strategy was approved by Cabinet on 7th December 2010 (minute number 65).
- 2.3 Following the merger of the Performance and Risk Team, ongoing training and support was provided to officers by the Performance Improvement Officers as well as the Performance & Risk Manager throughout the year.
- 2.4 The Deputy Leader and Portfolio Holder for Finance, in his role as member 'Risk Management Champion', has continued to be a regular attendee at the Risk Management Group.
- 2.5 The Council continues to have a nominated member of ALARM, 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.

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 Corporate Management Team (CMT). The Top Risks that require high levels of resources to manage and mitigate (such as key projects or risks 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 the CMT.
- 3.2 At each meeting, the Audit & Risk Committee were provided with updates on the assessment and management of the Council’s Corporate risks (“Top Risks”). Attached as Appendix A is the Top Risk matrix as at 31st March 2011. The following section summarises the changes that were reported in the past year.

DELETED RISKS

The following two risks were reviewed and divided to form two new risks leaving the old risk entries to be deleted.

- 3.3 **Corporate Work Programme**
This risk was deleted as a Top Risk but replaced with two new risks; Organisational Workload and Corporate Plan.
- 3.4 **Office Accommodation and Asset Management**
This risk was deleted and replaced by two separate risks for Office Accommodation and Asset Management. This was due to the importance of the Office Accommodation project and the office moves.

NEW RISKS

There were four new risks added to the Council’ Top Risks in 2010/11. These were the result of the deletion of the risks mentioned above (Corporate Work Programme and Office Accommodation & Asset Management).

- 3.5 **Organisational Workload**
The risk of Organisational Workload reflects the operation risks in dealing with changes in demands for services that are outside the Council’s control (such as an increase in the number of applications for housing benefit due to the current economic climate). During the year, the potential impact from the Localism Bill on the Council was included within the description of the risk.
- 3.6 **Corporate Plan**
This risk describes the risks to the delivery of projects on time and to budget that were included within the Council’s Corporate Plan action plan for 2010/11.
- 3.7 **Office Accommodation**
The Office Accommodation risk details the key risks arising from the project governing the move into the District Council Offices for the staff previously located in Town Lodge and above the Letchworth museum building.
- 3.8 **Asset Management**

This describes the risks of managing assets with limited budgetary provision for maintenance and repair.

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.

3.9 Financial Management

Due to matters outside the Council's control, such as the Comprehensive Spending Review and interest rate levels, the probability of the Financial Management risk was increased to a 3. A 3 score for probability means "this event is likely to occur on numerous occasions (4 or more) within the next 12 months". This increased the overall score of this risk on the risk matrix to a "9" – one of the three highest risks facing the Council in 2010/11.

3.10 Sustainable Community Strategy Implementation

Following the impact of the Comprehensive Spending Review and the review of some of the arrangements of our partners, the probability of this risk was increased from a "1" to a "2". This means that risks to the delivery of the Sustainable Community Strategy will occur on more than one occasion within the next 12 months.

3.11 Corporate Plan

As a result of efficiencies required and the downturn in anticipated Capital Receipts, some of the projects on the Corporate Plan action plan were delayed in 2010/11. The probability score for this risk was therefore increased from a "1" to a "2".

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. Clearly some risks have to be taken for the Council to be able to evolve. As the Council's risk management framework has become embedded, the Council has become more confident about recognising and managing the risks that accompany new priorities and opportunities.

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 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 2011, the following Top Risks exceeded this score:-

- Sustainable Development of the District
- Financial Management
- Hitchin Town Centre Development
- Delivery of outcomes from the Museums FSR
- Corporate Plan
- Implementation of Town Centre Strategies

These Top Risks have clear links with the Council's three priorities.

5.0 INSURANCE REVIEW

- 5.1 The Council transfers some financial risks to its insurers. The Risk Management Group monitors the number of public liability claims for personal injury and/or property damage made by the public against the Council. 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 The insurance market has cycles of "hard" and "soft" premium rates. At the time of the Council's last insurance tender in 2008, the market rates were "soft", meaning that premiums were generally cheap and a number of insurers were able to quote for the Council's insurance requirements. This enabled the Council to secure savings in the region of £80,000 per annum. The Council's insurance brokers have however warned that due to the earthquake and tsunami damage in Japan and the consequent insurance claims, that premiums are likely to increase. The Council's insurance cost may therefore increase over the coming years without any deterioration in our own claims history.

6.0 REVIEWS OF THE RISK MANAGEMENT FRAMEWORK AT NHDC

- 6.1 Following the cessation of the Comprehensive Area Assessment (CAA) inspection regime and the Use of Resources review, there was no formal external inspection of the Council's risk management arrangements in 2010/11.
- 6.2 In 2010 the Council attempted a benchmarking exercise of its risk management against other Hertfordshire District Councils using the Alarm National Performance Model for Risk Management in the Public Services. Only one other District provided comparable information and North Hertfordshire performed better in all of the areas considered.
- 6.3 This Model tests the extent to which risk management is having a positive effect and maturity is assessed at one of five levels. In all areas apart from one, the self assessment conducted by the Risk Management Group at NHDC assessed our performance at a level 3 (risk management is "working" for NHDC). The only area where we found we were at a level 2 (risk management is "happening" within NHDC) was in Partnership, Shared Risk & Resources Processes.

7.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2010/11

- 7.1 The following were considered key milestones for 2010/11:-

Task	By Date
To conclude a risk management maturity benchmarking exercise with other local authorities	30/09/10

To provide refresher risk management training to new members of the Audit & Risk Committee including how to view risks on Covalent	31/12/10
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7.2 As commented on in section 6.2, a limited risk management maturity benchmarking exercise was undertaken with another Hertfordshire District Council. Although all other nine Districts were invited to participate results were only provided by one other authority.. As this exercise was so limited the full details have not been included in this report.

7.3 A full project management guide for Project Managers was launched in 2010. This includes a risk management template to enable managers to readily identify and manage the risks to the delivery of the project.

8.0 SIGNIFICANT ACTIONS FOR 2011/12

8.1 The development of the risk management framework at NHDC in 2011/12 will continue through the implementation of the following key actions :-

Task	By Date
To evaluate the results of the internal audit on risk management proposed in the annual audit plan. As this will be undertaken by the new Shared Internal Audit Service, it may, therefore, include an element of benchmarking	31 /03/12
To provide refresher risk management training to new members of the Finance Audit & Risk Committee including how to view risks on Covalent	31/12/11

9.0 CONCLUSION

9.1 The Council has continued to maintain robust risk management practices throughout 2010/11. 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 has become risk aware rather than risk averse.

10.0 RECOMMENDATIONS

10.1 The Council notes the continuing strong processes of the risk management framework at NHDC.

10.2 For Council to note the changes in the Council's Top Risks in 2010/11.

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:-

1. Low	<p>Consequences will not be severe and associated losses will be small. Negligible affect on service provision but may have a more significant cumulative affect if action is not taken Minor injury (first aid) Minimal reputation damage (local press article) Minor damage to local environment Low financial loss –up to £10,000 Delivery of project delayed by weeks. No impact on stakeholders.</p>
2. Medium	<p>Will have a noticeable affect on services. Will cause a degree of disruption to service provision and impinge on budgets. Injury (external medical treatment required) Coverage in national tabloid press Moderate damage to local environment Medium financial loss £100,000 Delivery of project may be delayed by months. Some impact to stakeholders</p>
3. High	<p>Can have a catastrophic affect. May result in significant financial loss or major service disruption or significant impact on the public Serious injury or loss of life Extensive coverage in national press/national TV item Major damage to local environment Major financial loss exceeding £100,000 Delivery of project no longer attainable. Significant impact on stakeholders</p>

Appendix A – Top Risks – Cabinet as at 31st March 2011

PROBABILITY	3	4	7 Delivery of outcomes from the museum service FSR	9 Sustainable Development of the District Hitchin Town Centre Development Financial Management
	2	2 Sustainable Community Strategy	5 Organisational Development Office Accommodation Asset Management	8 Corporate Plan
	1	1	3 Waste & Recycling service	6
		1	2	3
		Impact		

Appendix A – Top Risks – Corporate Management Team – as at 31st March 2011

PROBABILITY	3	4	7 Implementation of Town Centre Strategies	9
	2	2	5 Climate Change Strategy Organisational Workload	8 Business Continuity Management
	1	1	3 Workforce Planning	6
		1	2	3
			IMPACT	