



ANNUAL REPORT ON RISK MANAGEMENT

April 2011 to March 2012

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

ANNUAL REPORT ON RISK MANAGEMENT

2011/12

1. Summary
2. Background
3. Significant Changes to the Top Corporate Risks
4. Risk Appetite
5. Insurance – claims review
6. Reviews of the Risk Management Framework at NHDC
7. Achieving the Significant Actions for 2011/12
8. Significant Actions for 2012/13
9. Conclusion
10. Recommendations
11. Definitions
12. Appendix A – Risk Matrix for Top Risks as at 31st March 2012

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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 2011/12 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 2011/12
 - Propose an action plan for 2012/13 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 2011/12 financial year. Where necessary these reports were referred to Cabinet.
- 2.2 The Risk & Opportunities Management Strategy was reviewed in December 2011. The review concluded that no changes were required to the Strategy that covers the period 2010 to 2013 but that some revisions will need to be made in 2012 to reflect the new Corporate Priorities.
- 2.3 Ongoing training and support was provided to officers by the Performance Improvement Officer and the Performance & Risk Manager throughout the year.
- 2.4 The Deputy Leader and Portfolio Holder for Finance and IT, 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 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 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 2012. 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 **Corporate Plan / Priorities for the District**
This risk was deleted as a Cabinet Top Risk following the decision by Full Council to reduce the number of the key actions planned for 2011/12 under the Corporate Plan or, as the document is now known, “Priorities for the District”. Additionally, each of the key projects to be delivered under the Priorities for the District 2011/12 had it’s own project risk log or appeared as separate Top Risks. This Top Risk was, therefore, considered superfluous.
- 3.4 **Office Accommodation**
Following the relocation of the majority of Officers from Town Lodge and the Property Services Office into the main Council Offices, this risk initially had a reduced probability assessment. After the vacation of Town Lodge by IT Services the risk was subsequently deleted. The residual risks arising from the ongoing property responsibilities for Town Lodge are being considered under the Asset Management Top Risk.
- 3.5 **Business Continuity Management**
Due to the work completed to re-launch the Council’s business continuity plans in 2010/11, the Business Continuity Management risk has been removed from the list of Top SMT Risks but it is still monitored via a Risk Register entry.
- 3.6 **Organisational Development Strategy**
Following the completion of a number of the initiatives under the Organisational Development Strategy, such as Office Accommodation and Flexibility Works, this was deleted as a top Cabinet risk.
- 3.7 **Sustainable Community Strategy Implementation**
In view of changes throughout the year including the likely removal of the obligation to produce a Sustainable Community Strategy and the reduction in general partnership capacity not only at NHDC, but among our partners and at the County Council, this risk initially has a reduced probability and was then deleted as a Top Risk.

NEW RISKS

There were two new risks added to the Council's Top SMT Risks in 2011/12. These were:

3.8 Procurement, Tendering and Letting of Contracts

This describes the risks to the Council from failing to adhere to good procurement practices and challenges being made by unsuccessful bidders.

3.9 New Ways of Working

The risks to the Council from new ways of working such as the Shared Service project with Stevenage Borough Council and East Herts Council and consideration of the SERCO offer for some "back office" services.

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.

3.10 Workforce Planning

In view of the unprecedented period of declining resources and growing demand/expectation for services, the probability of this risk was increased from a "1" to a "2".

3.11 Delivery of Outcomes from the Museums FSR

The impact of the risk was increased from a level 2 to a level 3. Although the quantifiable risk associated with this project did not increase, it was acknowledged that the major risks associated with it were at a critical phase in the project life cycle. The increase was partly due to the cost of the project (an impact score of "3" applies to financial losses exceeding £100,000). Additionally, as the Council is working with stakeholders to deliver the project, their expectations have risen so there is a significantly increased reputational risk if the project does not proceed.

3.12 Organisational Workload

This describes the risks to the Council from providing the expected level of service to the public within the background of diminishing resources. Various sub risks were appended to this risk in the year to reflect the pressures arising from the changes that need to be implemented from changes to government policy and associated legislation. These include:

- Localism Act – reforms to Planning System
- Universal Credit
- Council Tax Rebate
- NNDR/Resource review
- Open Public Services/transparency
- Open Data
- Health & Social Care Act (and requirements still to be confirmed under the move of Public Health staff/responsibilities into local government)
- Localism Act 2011 (including standards).

The probability of this risk increased from a level "2" to a level "3". These sub risks will be monitored particularly closely in 2012/13 due to their scope to have fundamental impacts on the authority.

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 2012, the following Cabinet Top Risks exceeded this score and have clear links to the Council's 2011/12 priorities:

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

In addition, the SMT Top Risks exceeding the score of 7 were:

- Organisational Workload
- Procurement, Tendering and letting of Contracts

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 One of the Council's previous insurers, MMI, recently lost a supreme court ruling on the interpretation of its liability insurance policy wordings in relation to asbestos related diseases. This makes it more likely that the MMI Scheme of Arrangement will be triggered. The Council has included some provision for this eventuality within the Insurance Reserve. The Council received a claim from a former employee suffering from mesothelioma in 2011/12 and this falls under the former MMI policy cover.

5.3 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 is due to be re-tendered for 1 April 2013 but it is unlikely

that any further savings will be made and indeed the cost of insurance may well increase.

6.0 REVIEWS OF THE RISK MANAGEMENT FRAMEWORK AT NHDC

- 6.1 An internal audit on Risk Management was completed by PWC on behalf of the Shared Internal Audit Service (SIAS). This provided a substantial assurance level with no high risk recommendations.

7.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2011/12

- 7.1 The following were considered key milestones for 2011/12:-

Task	By Date
To evaluate the results of the internal audit on risk management proposed in the annual audit plan	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

- 7.2 The Risk Management audit report was received in February and actions to respond to the recommendations have been developed and are included in the action plan for 2012/13.

- 7.3 Unfortunately the Covalent training session planned for the December meeting of the FAR Committee did not take place but it is now scheduled for the June 2012 meeting.

8.0 SIGNIFICANT ACTIONS FOR 2012/13

- 8.1 The development of the risk management framework at NHDC in 2012/13 and beyond will continue through the implementation of the following key actions :-

Task	By Date
The Performance and Risk Manager to ensure all risk management training will be recorded on the Council's Learning and Development system.	30/04/12
The Learning and Development system to be updated to provide service managers with the opportunity to indicate their support for a refresher course in risk management and if there is sufficient support, consideration should be given to running such a course.	30/04/12
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
To provide refresher risk management training to new members of the Finance Audit & Risk Committee including how to view risks on Covalent	30/06/12

9.0 CONCLUSION

- 9.1 The Council has continued to maintain robust risk management practices throughout 2011/12. 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.

10.0 RECOMMENDATIONS

- 10.1 The Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 10.2 Full Council to note the changes in the Council's Top Risks in 2011/12.

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 2012

PROBABILITY	3	4	7	9 Sustainable Development of the District Hitchin Town Centre Development Delivery of outcomes from the museum service FSR Managing the Council's Finances
	2	2	5 Asset Management	8
	1	1	3 Waste & Recycling service	6
		1	2	3
		Impact		

Appendix A – Top Risks – Senior Management Team – as at 31st March 2012

PROBABILITY	3	4	7 Organisational Workload	9 Procurement Tendering and Letting of Contracts
	2	2	5 The Authority's response to Climate Change Workforce Planning New Ways of Working	8
	1	1	3	6
		1	2	3
		IMPACT		