



**ANNUAL REPORT ON RISK MANAGEMENT**

**April 2012 to March 2013**

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

# **ANNUAL REPORT ON RISK MANAGEMENT**

## **2012/13**

1. Summary
2. Background
3. Significant Changes to the Top Corporate Risks
4. Risk Appetite
5. Insurance review
6. Reviews of the Risk Management Framework at NHDC
7. Achieving the Significant Actions for 2012/13
8. Significant Actions for 2013/14
9. Conclusion
10. Recommendations
11. Definitions
12. Appendix A – Risk Matrix for Top Risks as at 31<sup>st</sup> March 2013

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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 2012/13 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 2012/13
  - Propose an action plan for 2013/14 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 2012/13 financial year. Where necessary these reports were referred to Cabinet.
- 2.2 The Risk & Opportunities Management Strategy and Policy were reviewed and updated in December 2012 to reflect the new Priorities and recommendations from the internal audit completed in early 2012.
- 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 Finance Audit and Risk Committee were provided with a short refresher session 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 continued to be 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 since January 2013, provided 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 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 31<sup>st</sup> March 2013. 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 **Shared Service and New Ways of Working**  
This risk was carefully monitored throughout 2012 as the Shared Support Service project with East Herts and Stevenage Borough Council progressed, and had an increased assessment in September 2012. This risk was subsequently deleted in December as the decision was taken not to proceed. New ways of working and the exploration of shared services still remains as a option in to managing the Top Risk of Managing the Council’s Finances.
- 3.4 **The Authority’s Response to Climate Change**  
Due to the limited impact NHDC in isolation can have on climate change, this was deleted as a Top Risk. The Council does however remain committed to considering energy efficiency proposals when undertaking work to the Council’s assets where they lead to a financial saving.
- 3.5 **Open Data**  
This sub risk to the Organisational Workload risk was deleted.

#### **NEW RISKS**

There have been no new risks added to the list of Top Risks in 2012/13. However, two risks have had changes made to sub risks:

- 3.7 **Waste and Recycling Service**  
This was changed in the year to include sub risks covering the following;
- Alternative Financial Model
  - Cardboard
  - Food Waste
  - The location for a Northern Transfer Station.

### 3.8 **Organisational Workload**

A new sub risk was added to describe the risks arising from the Community Right to Bid, including the current ways this is being managed and what actions are planned to reduce the risks.

## **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 **Waste & Recycling Service**

This was increased in likelihood following the consideration of the various sub-risks referred to in 3.7.

### 3.11 **Procurement, Tendering and Letting of Contracts**

Both the impact and likelihood scores for this risk were reduced in the year.

### 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 are appended to this risk to reflect the pressures arising from the changes that need to be implemented from changes to government policy and associated legislation. The following sub risks had reduced assessments following the issue of further guidance:

- Universal Credit
- Council Tax Reduction Scheme
- NNDR/Resource review
- Open Public Services/transparency
- Localism Act 2011.

Overall, the probability of the Organisational Workload risk reduced from a level "3" to a level "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'. 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 31<sup>st</sup> March 2013, the following Cabinet Top Risks exceeded this score and have clear links to the Council's 2012/13 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 The Council received notice in November 2012 that the MMI Scheme of Arrangement will be triggered. The levy has been set at 15% which will be reviewed every 12 months and can be adjusted up or down. The amount on which the levy is to be based is yet to be confirmed. The Council had included some provision for this eventuality within the Insurance Reserve and. Based on the position as at end of September 2012, the amount of the levy is likely to be £70,142. This amount has been taken from the Reserve and put into the Provision account for 2012/13. 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. Two claims have recently been notified relating to previously employees allegedly suffering from hand arm vibration syndrome.
- 5.3 The Council's insurance was re-tendered for 1 April 2013. The Council's insurers are now:  
 Property – Travelers  
 Liability - Zurich Municipal  
 Personal Accident – ACE  
 Motor – QBE  
 The Engineering insurance with Allianz will be tendered for 1 April 2014. The insurance premiums for 2013/14 are 4.3% higher than was allowed for in the budget. In order to keep the increase at this level, some increased excesses have been taken to reduce the premium in areas of policy cover where the council makes infrequent claims. (Land Charges, Officials Indemnity and Fidelity Guarantee)

## **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) in February 2012. This provided a substantial assurance level with no high risk recommendations.

## 7.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2012/13

7.1 The following were considered key milestones for 2012/13:-

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.	Ongoing
To provide refresher training to members of the Finance Audit & Risk Committee on how to view risks on Covalent	30/06/12

7.2 Work is ongoing to meet with Senior Managers to undertake a thorough review of the risks held on Covalent. This has resulted in a 23 risks being deleted and 48 new risks being added (this includes sub risks). These are monitored by the Risk Management Group.

7.3 The FAR Committee were provided with a refresher briefing session on viewing risks on Covalent prior to the start of the main business for the June 2012 meeting.

## 8.0 SIGNIFICANT ACTIONS FOR 2013/14

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
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

## 9.0 CONCLUSION

9.1 The Council has continued to maintain robust risk management practices throughout 2012/13. 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**

- 9.1 The Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 9.2 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:-

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 31<sup>st</sup> March 2013

PROBABILITY	3	4	7 Waste & Recycling service	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	6
		1	2	3
		Impact		

Appendix A – Top Risks – Senior Management Team – as at 31st March 2013

PROBABILITY	3	4	7	9
	2	2	Procurement Tendering and Letting of Contracts 5 Workforce Planning Organisational Workload	8
	1	1	3	6
		1	2	3
		IMPACT		