



**ANNUAL REPORT ON RISK MANAGEMENT**

**April 2014 to March 2015**

**A progress report on Risk Management at Hertsmere  
Borough Council**

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**2014/15**

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## **ANNUAL REPORT ON RISK MANAGEMENT** **April 2014 to March 2015**

### **1.0 SUMMARY**

1.1 To provide the Audit Committee with an annual report on risk and opportunities management at Hertsmere Borough Council (HBC) during the financial year 2014/15 as outlined in the Council's Risk Management Strategy.

1.2 This report aims to:-

- Confirm the Council's ongoing commitment to the management of risks to the achievement of our corporate goals, projects, service delivery and performance management
- Summarise significant changes to the Strategic Risks in the year
- Summarise the achievements against the risk management action plan for 2014/15
- Propose an action plan for 2015/16 to ensure effective maintenance of the Council's strong risk management processes.

### **2.0 BACKGROUND**

2.1 The Audit Committee received reports on the management of the Council's Strategic risks throughout the 2014/15 financial year.

2.2 The Risk Management Strategy was reviewed and some minor changes made. This was approved at the April 2015 meeting of the Committee.

2.3 The Council's Governance Group is chaired by the Chief Executive. The Group challenges and reviews the Strategic risks facing the Council.

2.4 Throughout 2014/15 HBC has continued to share a Risk Manager with North Hertfordshire District Council. The Shared 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 risk management support is provided on a daily rate basis.

### **3.0 SIGNIFICANT CHANGES TO THE STRATEGIC RISKS**

3.1 At each meeting, the Audit Committee was provided with updates on the Council's Strategic risks. The Top Risk matrix as at 31<sup>st</sup> March 2015 is presented as Table 1.

Table 1 – Strategic Risk Matrix as at 31 March 2015

|            |   |   |                             |  |   |
|------------|---|---|-----------------------------|--|---|
| Likelihood | 4 | 7 | 11                          | 14   | 16  |
|            | 3 | 4 | 8<br>CIL                    | 12<br>Workforce Capacity   | 15<br>External Financial Pressures                          |
|            | 2 | 2 | 5<br>Section 106 agreements | 9<br>Elstree Way Corridor<br>Affordable Social Housing<br>Data Protection & Information Management | 13<br>Future Development Plans for Elstree Studios          |
|            | 1 | 1 | 3                           | 6  | 10<br>Business Continuity Management & IT Disaster Recovery |
|            |   | 1 | 2                           | 3  | 4   |
| Impact     |   |   |                             |  |   |

3.2 The following section summarises new and revised Strategic Risks that were reported in the past year.

### 3.2.1 STRATEGIC RISKS – April 2014

The following risks were notified to the Audit Committee in April 2014 as Strategic Risks for Hertsmere Borough Council

- Affordable Housing
- External Financial Pressures
- Strategic Partnerships
- Procurement
- Elstree Way Corridor
- Reclamation of the Mound
- Workforce Capacity
- Data Protection and Information Management

- Regeneration & Economic Development
- Business Continuity Management & IT Disaster Recovery

### 3.2.2 STRATEGIC RISKS - July 2014

It was noted that the likelihood of the Strategic Risk of **Affordable Social Housing** would be reduced slightly to a “3” (likely/possible –might occur at some time).

Following the successful project to clear it, the **Reclamation of the Mound** was deleted as a risk for the Council.

A new risk relating to **Section 106 agreements** was added as a Strategic Risk. this risk relates to the spending of Section 106 income and the consequent return of the funding should it fail to be used.

### 3.2.3 STRATEGIC RISKS – September 2014

A new Strategic Risk was added – **Future Development Plans for Elstree Studios**.

Two Strategic risks were deleted:-

- **Regeneration & Economic Development** – a number of mitigations actions had been completed. These included the appointment of a shared Economic Development Officer; the adoption of an Economic Development Strategy and the launch of the Business Charter. This is still being monitored as an operational risk.
- **Strategic Partnerships** – very few partnerships are considered as “strategic” for Hertsmere Borough Council. Those that are Strategic Partnerships are considered to be well managed and only minor risks arise from them. In view of this, the Strategic Risk was removed but the risks from and to the individual partnerships will be assessed and recorded as Operational Risks.

### 3.2.4 STRATEGIC RISKS – January 2015

A further amendment was made to the assessment of the **Affordable Social Housing** risk. The impact score was reduced from “4” (major) to “3” (serious).

The **Procurement** risk was removed as a Strategic Risk due to the level of support and controls in place. Risks to individual procurements and contract management are considered at an operational level.

A new Strategic Risk was added relating to the Community Infrastructure Levy (**CIL**). In view of the uncertainties surrounding the introduction of CIL, it was introduced as a strategic risk due to the potential impact this has on future infrastructure projects and needs. It is, however, anticipated that once the process has become embedded it will no longer be a Strategic Risk

## 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 At Hertsmere, any risk rated as low can be tolerated, and any risk above that level can be tolerated provided that:
- a) The Head of Service records his / her approval of this for any 'medium' rated risk in the risk register, and
  - b) The relevant Director records their decision to accept a 'high' risk in the risk register.

## **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. As of August 2015 these claims have reverted to a to a £500 excess with a proportion 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 was to be triggered and that the council would have to pay a levy on previously settled claims. Due to the level of uncertainty around the final levy rate and potential for Hertsmere's own claims for the period to increase, a provision for £297k was recommended to be included in the 2012/13 accounts. This is based on 28% of £1.11m claims paid out by MMI as at 30th September 2012, less a £50k flat excess. The council has subsequently made payment of £159k in January 2014 and maintains a provision of £138k for potential future levies. Further details are set out in report EX/13/44.
- 5.3 An internal audit on insurance will be undertaken by the Shared Internal Audit Service (SIAS) in the first quarter of 2015/16. Any recommendations arising from this will be carefully considered and, where agreed, actions will be developed.
- 5.4 Following tender of the councils insurance contracts in July 2014 The Council's insurers are as follows:
- Property - ACE
  - Liability - Zurich Municipal
  - Personal Accident - Zurich Municipal
  - General Motor - Summit at Lloyds
  - Refuse Fleet – Summit at Lloyds
  - Engineering – Royal & Sun Alliance

## **6.0 REVIEWS OF THE RISK MANAGEMENT FRAMEWORK AT HBC**

- 6.1 An internal audit on Risk Management was completed by the Shared Internal Audit Service (SIAS). This provided a substantial level of assurance and only one recommendation for improvement was made.

## 7.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2014/15

7.1 The following were implemented in 2014/15:-

| Task  | Completed By Date |
|---|-------------------|
| Annual review of Risk Management Policy and Strategy and Guide                                    | April 14          |
| Annual report to be taken to Audit Committee  | July 14           |
| Quarterly updates on Strategic risks to be considered by the Governance Group and Audit Committee | March 2015        |
| 1:1 training/support to Senior Managers on risk management and training on Covalent as requested  | March 2015        |
| Risk Management to be added to induction checklist for Senior Managers                            | March 2015        |

## 8.0 SIGNIFICANT ACTIONS FOR 2015/16

8.1 The development of the risk management framework at HBC in 2015/16 and beyond will continue through the implementation of the following key actions :-

| Task  | Due Date       |
|---|----------------|
| Heads of Service to identify and put in place any mitigating actions for risks arising from the Strategic Partnerships identified on the Partnerships Register. | September 2015 |
| To participate in the joint review organised by SIAS on risk management benchmarking  | March 2016     |

## 8.0 CONCLUSION

9.1 The Council has maintained its risk management practices throughout 2014/15 as evidenced through the substantial level of assurance provided in the internal audit on Risk Management completed as part of the 2014/15 audit plan. The outcome from the Council's risk management framework is to have a better understanding of the risks it faces and how they can be best managed or exploited. Employing these techniques ensures the Council is risk aware rather than risk averse.

## 10.0 RECOMMENDATIONS

10.1 The Committee notes the improvements in the processes of the risk management framework at HBC that supports the Council's governance framework.

### Definitions

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

| <b>Severity of Impact Guide</b> |  |  |                       |                           |  |  |
|---------------------------------|--|--|-----------------------|---------------------------|--|--|
| <b>Score</b>                    | <b>Failure to provide statutory duties or meet legal obligations</b> | <b>Personal safety</b>   | <b>Financial loss</b> | <b>Service Disruption</b> | <b>Personal Privacy Infringement</b>                     | <b>Embarrassment or Reputation</b>               |
| <b>1<br/>Minor</b>              | Minor injury or discomfort to an individual or several people        | Litigation, claims or fines for a section or unit of up to £5k             | Up to 5% of budget    | 1 day                     | Isolated individual detail compromised or revealed       | Contained within section or unit                 |
| <b>2<br/>Moderate</b>           | Severe injury to an individual or several people                     | Litigation, claims or fines for a section or unit of between £5k and £10k  | Up to 10% of budget   | 2-3 days                  | Some individual personal details compromised or revealed | Local public or press aware                      |
| <b>3<br/>Serious</b>            | Major injury to an individual or several people                      | Litigation, claims or fines for a section or unit of between £10k and £50k | Up to 25% of budget   | 3-5 days                  | Many individual personal details compromised or revealed | National public or press aware                   |
| <b>4<br/>Major</b>              | Death of an individual or several people                             | Litigation, claims or fines for a section or unit of over £50k             | Over 25% of budget    | 5+ days                   | Many individual personal details compromised or revealed | Head of Service or Director resignation required |

**Likelihood:**

| <b>Likelihood Matrix</b> |   |                                |
|--------------------------|---|--------------------------------|
| <b>Score</b>             | <b>Explanation</b>  | <b>Likelihood of occurring</b> |
| 1<br>Remote              | Rare/may occur in exceptional circumstances               | 0% to 15%                      |
| 2<br>Unlikely            | Could occur at some time                                  | 15% to 55%                     |
| 3<br>Likely/Possible     | Might occur at some time                                  | 55% to 90%                     |
| 4<br>Very Likely         | Almost certain/is expected to occur in most circumstances | 90%+                           |