

**TITLE OF REPORT: REFERRAL FROM PERFORMANCE, AUDIT & REVIEW COMMITTEE – 5 JUNE 2008 – RISK MANAGEMENT UPDATE**

*The following is an extract from the Draft Minutes of the Performance, Audit & Review Committee meeting held on 5 June 2008.*

**6b. REFERRAL FROM THE AUDIT AND RISK PANEL: RISK MANAGEMENT UPDATE**

The Head of Financial Services advised the Committee that the Audit and Risk Panel, at its meeting held on 21 May 2008, had considered an update report on Risk Management and had made a recommendation to the Performance, Audit and Review Committee in respect of the Annual Report on Risk Management (Minute 7 refers).

**RESOLVED:** That the Annual Report on Risk Management (as presented at Appendix B to the report) be agreed.

**RECOMMENDED TO CABINET:** That, in accordance with the Risk Management Strategy of NHDC, the Annual Report on Risk Management (as presented at Appendix B to the report) be recommended to Council for approval.

**REASONS FOR DECISION:**

To comply with the requirements of the NHDC Risk Management Strategy.

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***The following is the report considered by the Performance, Audit & Review Committee at its meeting held on 5 June 2008.***

## **TITLE OF REPORT: RISK MANAGEMENT UPDATE**

### **REPORT OF THE HEAD OF FINANCIAL SERVICES**

#### **1. SUMMARY**

- 1.1 To provide the Panel with an update on the management of the Strategic/Corporate risks owned by the Corporate Management Team (CMT) and Cabinet.
- 1.2 To provide the Panel with an update on progress with business continuity management arrangements at the Council.
- 1.3 For the Panel to review and recommend the annual report on Risk Management to PARC, Cabinet and Council.

#### **2. FORWARD PLAN**

- 2.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

#### **3. BACKGROUND**

- 3.1 The Audit and Risk Panel received a quarterly report on the Top Corporate/Strategic Risks at its March 2008 meeting.
- 3.2 The Corporate Management Team reviewed and challenged the Top Risks at its meeting on 13th May 2008.
- 3.3 As part of the Council's Assurance Framework, Heads of Service have been completing Assurance Statements for 2007/08 which have been used for the compilation of the Annual Governance Statement. Each Head of Service has confirmed that the risk register for their service area is up to date and includes projects, partnerships, performance management, financial planning and policy making and review. The risk register and any relevant Top Risks are used as evidence to support the production of the Assurance Statement.

#### **4. TOP RISKS**

- 4.1 The risks have been reviewed and where appropriate changes have been made to the scope of the risk and updates made to progress against the mitigating actions.
- 4.2 The Corporate Management Team have requested that the Risk Management Group reviews the assessment of the Top Risk of Promoting Equality and Diversity and the outcome of this will be reported at the next Audit & Risk Panel meeting.

#### **5. ANNUAL REPORT 2007/08 ON RISK MANAGEMENT TO COUNCIL**

- 5.1 The third annual report for Council is enclosed in Appendix B.
- 5.2 The Report aims to:

- Confirm the Council's ongoing commitment to the management of risks to ensure the achievement of Strategic objectives, projects, service delivery and performance management
- Summarise significant changes to the Top Risks in the year
- Advise on progress on Business Continuity Planning
- Report the outcome of the Audit Commission's Use of Resources KLoE 4.1 review
- Summarise achievements against the risk management action plan for 2007/08
- Detail the proposed action plan for 2008/09 to ensure continuous improvement and embedding of risk management

## **6. BUSINESS CONTINUITY MANAGEMENT**

- 6.1 The Emergency Planning Officer has provided a full report on compliance with the Civil Contingencies Act 2004 including arrangements for Business Continuity to the Corporate Management Team in March 2008.
- 6.2 A number of training sessions have been held over the past year. Further testing of Business Continuity Plans was completed by end of March 2008 and further training will be provided in the summer..

## **7. LEGAL IMPLICATIONS**

- 7.1 No legal implications arise from Top Risk updates to the Audit and Risk Panel.

## **8. FINANCIAL AND RISK IMPLICATIONS**

- 8.1 Any additional resources to complete risk management actions should be included in the Corporate Business Planning process. There are no direct financial implications from this report. Following the identification of key financial risks identified by each Head of Service and cross referenced to the risk register, risks that ,should they arise, might impact on the General Fund have been considered and built into the General Fund balance for 2008/09.
- 8.2 The Risk Management Strategy requires the Audit & Risk Panel to consider regular reports on the Council's Top Risks.

## **9. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 9.1 There are no direct Human Resource or Equalities implications arising from this report.

## **10. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 10.1 Consultation has been undertaken with the CMT, Heads of Service, the Emergency Planning Officer and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion').

## **11. RECOMMENDATIONS**

It is recommended that the Panel :

- 11.1 Notes there have been amendments to the Top Risks.
- 11.2 Refers the Annual Report on Risk Management to PARC for onward referral to Cabinet and Council.

## **12. REASONS FOR RECOMMENDATIONS**

- 12.1 The recommendations in paragraph 10.1 are presented in accordance with the Council's risk management strategy. These changes have previously been scrutinised by the Corporate Management Team.
- 12.2 In accordance with the Risk Management Strategy the annual report should be presented to Council.

## **13. APPENDICES**

- 13.1 Appendix A – Risk Matrix
- 13.2 Appendix B – Risk management report

## **14. CONTACT OFFICERS**

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CABINET RISKS - RISK MATRIX MAY 2008

APPENDIX A

PROBABILITY	3	4	7	9	Sustainable Development of the District  Hitchin Town Centre Development
	2	2	5	8	Organisational Development  Local Area Agreement  Office Accommodation and Asset Management Service@North-Herts Sustainable Community Strategy Waste management
	1	1	3	6	Business Continuity Plans  Delivery of the Corporate Plan  Financial Management
		1	2	3	Impact

CORPORATE MANAGEMENT TEAM RISKS - RISK MATRIX MAY 2008

PROBABILITY	3	4	7 Development of Town Centre Strategies	9
	2	2	5 Delivery of outcomes from the museum service FSR  Workforce Planning  Procurement  Contributing to the Community Safety Partnership  Promoting Equality & Diversity  Tackling climate change	8
	1	1	3	6 Full compliance with Health & Safety legislation
		1	2	3
			IMPACT	



**ANNUAL REPORT ON RISK MANAGEMENT**

**April 2007 to March 2008**

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

**ANNUAL REPORT ON RISK MANAGEMENT**  
**2007/08**

1. Summary
2. Background
3. Significant Changes to the Top Corporate Risks
4. Risk Appetite
5. Business Continuity Management
6. Reviews of the Risk Management Framework at NHDC
7. Achieving the Significant Actions for 2007/08
8. Significant Actions for 2008/09
9. Conclusion
10. Recommendations

**ANNUAL REPORT ON RISK MANAGEMENT**  
**April 2007 to March 2008**

## **1.0 SUMMARY**

- 1.1 To provide Council with an annual report on risk management at NHDC during the financial year 2007/08 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 Strategic objectives, projects, service delivery and performance management
  - Summarise significant changes to the Top Risks in the year
  - Advise on progress on Business Continuity Planning
  - Report the outcome of the Audit Commission Use of Resources KLoE 4.1 review (2007)
  - Summarise the achievements against the risk management action plan for 2007/08
  - Detail the proposed action plan for 2008/09 to ensure continuous improvement and further embedding of risk management.

## **2.0 BACKGROUND**

- 2.1 PARC and then the Audit and Risk Panel received reports on the management of the Council's Top Corporate risks at its meetings on 21<sup>st</sup> June 2007, 27<sup>th</sup> September 2007, 10<sup>th</sup> January 2008 and 12<sup>th</sup> March 2008.
- 2.2 Both the Risk Management Strategy and Policy were reviewed in January 2008 to follow recommended best practice from the Audit Commission's Use of Resources Key Lines of Enquiry (KLoE) 4.1, "*The council manages its significant business risks*", and the outcomes of the peer review that was reported to PARC in May 06. The revised Strategy and Policy were approved by Cabinet on 19<sup>th</sup> February 2008 (minute number 113).
- 2.3 Further work was undertaken in 2007/08 to train and test staff on Business Continuity Management to fulfil the requirements of the Civil Contingencies Act 2004. An annual report on Emergency Planning and Business Continuity was presented to the Corporate Management Team by the Emergency Planning Officer in March 2008.
- 2.4 Ongoing training was offered to new members in September 2007 and to officers throughout the year. The Audit and Risk Panel were invited to attend

the Risk Management Group to see how the group monitors risks facing the Council at a Strategic level and an operational level.

- 2.5 The Portfolio Holder for Finance, in his role as member 'Risk Management Champion', has continued to be a regular attendee at the Risk Management Group.
- 2.6 The Council's Risk Manager has been a member of ALARM, the National Forum for Risk Management in the Public Sector for 15 years and has been the Chairman for the East Anglia region. 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 At each meeting, the Audit & Risk Panel are provided with updates on the assessment and management of the Council's Corporate risks ("Top Risks"). The following section summarises the changes that were reported in the past year.

#### **DELETED RISKS**

- 3.2 Following the successful partnership working with the County Council a Social Enterprise took on responsibility of the meals service. This meant that the risk of 'The Future of the Meals Service' could be deleted.

#### **NEW RISKS**

- 3.3 At the Audit & Risk Panel meeting in January 2008, a new Corporate Management Team risk of "Tackling Climate Change" was included.

#### **RISKS WITH AMENDED ASSESSMENTS**

- 3.4 The probability score for Town Centre Strategies increased from a "2" to a "3" during 2007/08. This is mainly due to the extensive areas to be developed in Letchworth Garden City and the resourcing of the complex negotiations required to assist the development.
- 3.5 The impact assessment for Hitchin Town Centre has increased from a "2" to a "3". This has increased due to the ongoing negotiations and the potential increase in the scheme value and time scale of the development. The definition of a "3" impact assessment includes risks that will have a significant impact on the public and may lead to a major financial loss exceeding £100,000.
- 3.6 Town Centres are a priority in 2008/09 and it likely that the focusing of resources in this area will mitigate the risks of Town Centre Strategies and Hitchin Town Centre.
- 3.7 The risk of Financial Management has, as in previous years, followed a cycle of increased and decreased assessments. The cyclical changes depend

upon where the Council is in the corporate business planning process in the financial year.

- 3.8 Following the successful introduction of alternate weekly waste collections and improved domestic recycling across the district, the risk relating to Waste Management had its probability score decreased. At the end of 2006/2007, it had a risk matrix score of an '8'.
- 3.9 The probability score for the risk of Contributing to the Community Safety Partnership has increased to a "2" (revised matrix score of an 5). There has been some uncertainty on the level of funding for the Community Safety Officer posts at NHDC following a proposal to change the delivery of LAA pooled grant. This is now likely to come into effect from 2009. Furthermore the cessation of the Police Authorities Initiative Fund and the threat to discontinue the police BCU fund will have an impact on the funding for a number of joint projects.
- 3.10 The risk of "Full Compliance with Health and Safety Legislation" has had the probability reduced to a "1" to give an overall risk matrix score of a "6". Additionally, the risk has been reduced from Cabinet level to CMT level.
- 3.11 The risk of "Recruitment and Retention" changed its title to become "Workforce Planning". At the same time this risk has now become a CMT risk having previously been considered at Cabinet level.
- 3.12 Office Accommodation and Asset Management has been increased from CMT level to Cabinet level as the Council progresses with its plan to reduce expenses on office accommodation.

#### **4.0 RISK APPETITE**

- 4.1 Whether the Council is prepared to accept or 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 risks to the Council's Strategic Objectives/Projects are recorded and mitigated as far as possible, the Council becomes more confident about recognising the risks that accompany new objectives and opportunities.
- 4.2 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 2008, the following Top Risks exceeded this score:-
- Sustainable Development of the District
  - Waste Management
  - Service@North-Herts
  - Sustainable Community Strategy
  - Hitchin Town Centre Development
  - Office accommodation and asset management
  - Development of Town Centre Strategies

For some of these risks, service@north-herts being a good example, the Council has accepted that some risk has to be taken as the opportunities that this project brings exceed the identified risks.

For other risks though, for example Sustainable Development of the District, to reduce the risk to a more acceptable level, the Council should ensure that the mitigating actions are resourced and prioritised. This is one of the priority areas for NHDC for 2008/09.

## **5.0 BUSINESS CONTINUITY MANAGEMENT**

- 5.1 Throughout 2007/08 work continued on embedding business continuity management. Plans were reviewed, and training and testing provided.
- 5.2 To strengthen the links with risk management, the Emergency Planning Officer has attended the risk management group to provide progress updates which are then reported to CMT and the Audit & Risk Panel.
- 5.3 Business Continuity Management was included in the Statement on Internal Control (SIC) for 2006/07 and formed part of the SIC action plan that was monitored by the Audit & Risk Panel. Following the assurances provided by the Heads of Service for the Annual Governance Statement this has not been identified as an area for improvement in 2008/09
- 5.4 The Use of Resources KLoE 4.2.8 relates to business continuity (level 2). This requires the Council to demonstrate that it has a business continuity plan in place which is reviewed and tested on a regular basis.

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

- 6.1 The Audit Commission reported in their Annual Audit and Inspection letter that the Council has improved its score against the Use of Resources KLoE 4.1 which assesses 'how the Council manages its significant business risks'. We have now achieved a level 3 score for this Key Line of Enquiry.
- 6.2 The Council aspires to achieve level '4' for risk management in 2008 and an action plan has been developed to achieve/satisfy the Use of Resources KLoE 4.1. This has been fed into the Financial Service's service plan and individual objectives for 2008/09. To achieve this will however mean that the Council has to prove that its risk management has notable practice and evidencing this may not be an efficient use of resources.
- 6.3 In September 2007, the Audit & Risk Panel received an internal audit report on the effectiveness of the risk management framework (minute 8). The report provided a substantial level of assurance.

## **7.0 ACHIEVING THE SIGNIFICANT ACTIONS FOR 2007/08**

- 7.1 The following were considered key milestones for 2007/08:

**APPENDIX B**

<b>Task</b>	<b>By date</b>
Delivery of risk management training to all new members	July 07
Work with the new Audit Panel to enhance member involvement in the Council's risk management processes	Sept 07
For the Risk Manager and Emergency Planning Officer to work with Heads of Service and their Teams to review <ul style="list-style-type: none"> <li>• Business Impact Analysis</li> <li>• Provide overview training</li> <li>• Review the plan</li> </ul>	Sept 07
To hold a meeting of the BCP recovery team	Sept 07
Review the effectiveness of the risk management framework	Sept 07
Review of Risk Management Strategy and Policy to maintain best practice	Nov 07
To implement any key actions arising from the internal audit review of risk management	March 08

7.2 Although there was some slippage all of these key milestones were achieved in the year.

7.3 In addition to achieving these key milestones, other improvement work was completed in the year

- to strengthen links to performance management by ensuring risks were considered in the Rescue Recovery Plans for performance indicators.
- to risk assess the impact that any risks arising in 2008/09 may have on service budgets and the general fund balance as part of the business planning process.

## **8.0 SIGNIFICANT ACTIONS FOR 2008/09**

8.1 The development of the risk management framework at NHDC in 2008/09 will continue through the implementation of the following key actions :-

<b>Task</b>	<b>By date</b>
To evaluate the short-listed performance and risk IT systems	May 08
Delivery of risk management training to all new members	September 08
Review of the Risk Management Strategy and Policy	January 09
To implement any key actions arising from the internal audit review of risk management	March 09
To oversee the population of the risk component of the selected performance & risk IT system	March 09

## **9.0 CONCLUSION**

9.1 All in all, 2007/08 was a successful year demonstrating that risk management is embedded in the practices at the Council. All the key milestones reported on last year were achieved. This improvement is validated by the internal audit review of the effectiveness of the risk management framework and the improvement in the Use of Resources score for the Key Line of risk management, level 3. This is confirmed by the comment in the Annual Audit and Inspection letter (see paragraph 6.1 above).

**10.0 RECOMMENDATIONS**

- 10.1 The Council notes the continuing embedding and development of the risk management framework at NHDC.
- 10.2 For Council to approve the risk treatment measures that were undertaken in 2007/08.