

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 13 JUNE 2013 – RISK MANAGEMENT UPDATE

The following is an extract from the Draft Minutes of the Finance, Performance and Risk Committee meeting held on 13 June 2013.

6. RISK MANAGEMENT UPDATE

The Risk and Performance Manager (RM) presented the report of the Head of Finance, Performance and Asset Management. The RM advised the Committee that this was an update on the management of Strategic and Corporate Risks owned by Senior Management Team (SMT) and Cabinet and to present to the Committee the Annual Report on Risk Management.

The RM confirmed that Top Risks had been reviewed and changes noted by the SMT on 14 May 2013 with change to one of the Top Risks and the introduction of one new SMT Top Risk. The RM referred the Committee to Tables 1 and 2 which detailed all the Top Risks for Cabinet and SMT respectively.

The RM proposed that there should be a reduction in the probability score for Hitchin Town Centre Development Cabinet Top Risk from a '3' to a '2' and that a full description of the risk was presented at Appendix A. The RM next proposed that the SMT sub risk of Organisational Workload of Community Right to Bid should have its probability assessment reduced from a '3' to a '2' and advised that this suggestion did not impact on the overall assessment of the full Organisational Workload Risk. The RM advised the Committee that following the presentation of a final report on Churchgate at the meeting of Council it was very likely that there would be a new risk for Hitchin Town Centre Development involving a new assessment of actions required and the Strategic Director for Finance, Policy and Governance (SD) confirmed that all of the previous actions and activities associated with the Churchgate Project would be removed from the risk description.

With regard to SMT Top Risks the RM confirmed that there was a new SMT Top Risk that related to the replacement payroll system/payroll service which had to be implemented in a short timescale as Midland had given notice on the Trent system for 1 April 2014 and the risk description was presented at Appendix B.

The RM concluded her presentation by referring the Committee to Appendix C which was the Annual Report that summarised the Risk Management Framework and changes made to the Top Risks in the Financial Year 2012 – 2013. The Committee noted that the NHDC Risk and Opportunity Strategy required that Cabinet and Council should agree and endorse this Annual Report.

The Chairman thanked the Risk and Performance Manager for the update on changes to risks owned by the SMT and Cabinet and invited comments and or questions from the Committee.

With regard to the cessation of the support for the current payroll system the SD confirmed that there were three options for consideration and the risk assessment would be amended subject to the continuation with the current supplier or a new provider. In response to a question on insurance risks the RM advised that there was ongoing liability for long term illness.

RESOLVED:

- (1) That the proposal to reduce the probability assessment of Hitchin Town Centre Development be agreed;
- (2) That the proposal to include a new SMT Top Risk applicable to the replacement Payroll System/Payroll Service be agreed;
- (3) That the changed assessment of the SMT Organisational Workload sub risk of Community Right to bid be agreed
- (4) That the Annual Risk Management Report as presented at Appendix C be agreed.

RECOMMENDED TO CABINET:

- (1) That Cabinet be requested to accept the recommendation that the proposal to reduce the probability assessment of Hitchin Town Centre Development (Appendix A) be agreed;
- (2) That Cabinet be requested to accept the recommendation for the approval of the Annual Risk Management Report (Appendix C) and forward to Council for adoption.

REASON FOR DECISION:

- (1) That Cabinet was responsible for ensuring the management of the risks of the Hitchin Town Centre Development;
- (2) That the Finance, Audit and Risk Committee was responsible for the monitoring of the Senior Management Team Top Risks;
- (3) That the Risk and Opportunities Management Strategy stipulated that an Annual Risk Management Report was presented to Council.

The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 13 June 2013.

TITLE OF REPORT : RISK MANAGEMENT UPDATE

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT

1. SUMMARY

- 1.1 To provide the Committee with an update on the management of the Strategic/Corporate risks owned by the Senior Management Team (SMT) and Cabinet.
- 1.2 To provide the Committee with an Annual Report on Risk Management for referral to Cabinet and then Council.

2. RECOMMENDATIONS

- 2.1 That the Committee notes the reduction in the probability assessment of Hitchin Town Centre Development and refers this to Cabinet.
- 2.2 That the Committee notes the addition of a new SMT Top Risk relating to the replacement Payroll System/Payroll Service.
- 2.3 That the Committee notes the changed assessment of the SMT Organisational Workload sub risk of Community Right to Bid.
- 2.4 That the Committee refers the annual risk management report to Cabinet for onward referral to Council.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The responsibility for ensuring the management of the risks of Hitchin Town Centre Development is that of Cabinet.
- 3.2 SMT Top Risks are monitored by this Committee.
- 3.3 The Risk and Opportunities Management Strategy stipulates that an annual Risk management report is taken to Council.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options that are applicable.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion').

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Finance, Audit and Risk Committee received an update report on the Top Corporate / Strategic Risks at its March 2013 meeting. The Committee noted:
- An overall reduction in the assessment of the Organisational Work load risk;
 - Removal of Authority's Response to Climate Change as a Top Risk;
 - The current arrangements for Financial Risks and the recommendation that no changes were required to the current arrangements.
- 7.2 The Top Risks have been reviewed and the changes noted by SMT on 14 May. This report outlines the changes made to the overall assessment of one the Top Risks and the introduction of a new SMT Top Risk. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2.

8. AMENDMENTS TO TOP RISK ASSESSMENTS

- 8.1 It is proposed that the Cabinet Top Risk of Hitchin Town Centre Development has a reduction in the assessment of the probability score. This has been reduced from a "3" to a "2" (the event will occur on more than one occasion (2-3) in the next 12 months). The full description of the risk showing its current assessment is enclosed in Appendix A.
- 8.2 The sub risk of the Organisational Workload risk of Community Right to Bid has had the probability assessment reduced from a "3" to a "2". This does not impact on the overall assessment of the full Organisational Workload risk which the Committee may recall is comprised of the sub risks of:
- Localism Act – reforms to Planning System
 - Council Tax Reduction Scheme
 - Universal Credit
 - NNDR/Resource Review
 - Open Public Services
 - Health & Social Care Act
 - Localism Act 2011
 - Community Right to Bid
- 8.3 SMT have a new Top Risk which relates to the replacement payroll system/payroll service which has to be implemented in a short timescale. This is because Midland have given notice on the Trent system and a new system needs to be in place by 1 April 2014. The risk description is attached as Appendix B.
- 8.4 The revised Top Risks as described in paragraphs 8.1 to 8.3 are summarised on the risk matrices in Tables 1 and 2.

Table 1: Risk Matrix – Cabinet Risks

likelihood	3 high	4 Waste & Recycling Service 7	Sustainable Development of the District 9 Delivery of Outcomes from the Museum FSR Managing the Council's Finances
	2 medium	2 Asset Management 5	Hitchin Town Centre Development ↓ (9) 8
	1 low	1 3	6
		1 Low	2 Medium
		Impact	
		3 High	

Table 2 – SMT Top Risks

likelihood	3 high	4 7	<i>Replacement payroll system / payroll service</i> 9
	2 medium	2 Procurement, Tendering & Letting of Contracts 5 Workforce Planning Organisational Workload	8
	1 low	1 3	6
		1 Low	2 Medium
		Impact	
		3 High	

9. ANNUAL REPORT

- 9.1 An annual report summarising the risk management framework and changes made to the Top Risks in the financial year 2012/13 is attached as Appendix C.
- 9.2 The Risk and Opportunities Management Strategy stipulates this should be referred to Cabinet and then to Full Council.

10. LEGAL IMPLICATIONS

- 10.1 No legal implications arise from Risk Management updates to the Finance, Audit and Risk Committee. The Committee's Terms of Reference make it responsible for monitoring the effective development and operation of risk management and corporate governance in the council

11. FINANCIAL IMPLICATIONS

- 11.1 Any additional resources to complete risk management actions are included in the Corporate Business Planning process. There are no direct financial implications from this report.

12. RISK IMPLICATIONS

- 12.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Top Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Top Risks are being managed.

13. EQUALITIES IMPLICATIONS

- 13.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 13.3 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner. This then fulfils the council's obligations arising from the Public Sector Equality Duty.

14. SOCIAL VALUE IMPLICATIONS

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 13.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct Human Resource implications arising from this report but it should be noted that there is a separate Top Risk relating to Workforce Planning

16. APPENDICES

- 16.1 Appendix A – Hitchin Town Centre Development.
- 16.2 Appendix B – Replacement Payroll system/payroll service.
- 16.3 Appendix C – Annual report.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 None other than the risks held on Covalent the Council's Performance and Risk Management IT system.