

**FINANCE, AUDIT & RISK COMMITTEE**  
**8 December 2011**

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**RISK MANAGEMENT UPDATE**

**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.

**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 Committee received an update report on the Top Corporate / Strategic Risks at it's September 2011 meeting. The following was noted by the Committee :-
- Reduction in the assessment of the Cabinet risk Implementing the Sustainable Community Strategy
  - Increased assessment of the SMT Workforce Planning risk
  - Deletion of the Cabinet Corporate Plan / Priorities for the District risk
  - Deletion of the Cabinet Office Accommodation risk
  - Reduction in the SMT Business Continuity Management and Implementing Town Centre Strategies risks to a Risk Register entry
  - The addition of two new SMT risks of New Ways of Working and Procurement, Tendering and Letting of Contracts.
- 3.2 At the September meeting, the Committee were concerned about the level of probability and impact for two large projects that the Council were currently managing: North Herts Museum and Community Facility at Hitchin Town Hall and the redevelopment of Howard Park and Gardens, Letchworth. The Committee considered that recent delays to these projects enhanced the risk factor where contract dates had not been met and consequently due consideration should be given to increasing both projects to a high level risk until both projects had made a good advance against the project work schedule. The Committee's concerns have been considered by the Lead Officers for these risks.

3.2 The Senior Management Team have had the opportunity to review and challenge the Top Risks in November 2011.

#### **4.0 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. Full details of the risks can be viewed by the Committee on Covalent (the Council's Performance & Risk Management software), otherwise, they are summarised in Appendix A.

4.2 The redevelopment of Howard Park and Gardens is not considered to be a Top Risk for the Council. It is however, considered as a Risk Register entry and has a Project Risk Log. It has both a high assessment level for impact and likelihood giving an overall "9" score. Since the last meeting of the Committee, Officers have worked successfully to reduce the major risks. The current risk score of 9 reflected the worst case scenario and in reality the risk is significantly lower. The project will be completed on budget or within the Project Manager's approved budget tolerance albeit slightly later than originally planned.

#### **Changed Assessment**

4.3 The Top Risk of the Delivery of Outstanding Outcomes from the Museum Service FSR has an amended assessment (increased impact) score. The assessment of the risk was carefully considered by the Strategic Director of Customer Services. The increase is partly due to the cost of the project (an impact score of "3" applies to financial losses exceeding £100,000). Additionally, as we have been 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. Although the quantifiable risk associated with this project has not increased, it is acknowledged that the major risks associated with it are at a critical phase in the project life cycle.

#### **5.0 REVIEW OF THE RISK & OPPORTUNITIES MANAGEMENT POLICY & STRATEGY**

5.1 In December 2010 the Audit & Risk Committee approved the Risk and Opportunities Management Policy and Strategy for 2010-13. The Strategy and Policy were covered for a three year period unless any significant changes occur in the meantime that require it to be updated sooner. A cursory check of the document has identified that there are no fundamental changes in the way risk and opportunities are managed at NHDC. The only changes required are superficial changes to some of the titles such as CMT becoming SMT and the Audit and Risk Committee becoming the Finance, Audit and Risk Committee. These changes will be made next year as the documents will need to be changed to reflect the new Council priorities for 2012/13 and the Risk Management Strategy and Policy support the delivery of these.

## **6.0 FINANCIAL RISKS 2012/13**

- 6.1 The Financial Risks referred to in the Budget report have been identified by Heads of Service/Corporate Managers and they were supported in this process through a review of the risks on Covalent.

## **7.0 LEGAL IMPLICATIONS**

- 7.1 No legal implications arise from Risk Management updates to the Finance, Audit and Risk Committee.

## **8.0 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/Corporate Manager and cross referenced to the risk register, risks that ,should they arise, might impact on the General Fund were considered and built into the General Fund balance for 2011/12.
- 8.2 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Top Risks.

## **9.0 HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 9.1 There are no direct Human Resource implications arising from this report.
- 9.2 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation which created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011.
- 9.3 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give **due regard** to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not (this can mean removing or minimising disadvantage; meeting people's needs; taking account of disabilities; encouraging participation in public life).
  - Foster good relations between those people who share a protected characteristic and those who do not (such as tackling prejudice and promoting understanding).
- 9.4 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.

## **10.0 CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

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

## **11.0 RECOMMENDATIONS**

It is recommended that the Committee :

- 11.1 Notes there have been amendments to the Top Risks and specifically refers the increase in the impact assessment to a "3" of Delivery of the Outstanding Outcomes from the Museum FSR to Cabinet.

## **12.0 REASONS FOR RECOMMENDATIONS**

- 12.1 The recommendations in section 4 of this report are presented in accordance with the Council's Risk & Opportunities Management Strategy. These have previously been scrutinised by the Senior Management Team.
- 12.2 The Cabinet are the owners of the risk relating to Delivery of the Outcomes from the Museum Service FSR.

## **13.0 APPENDICES**

- 13.1 Appendix A – Risk Matrix

## **14.0 CONTACT OFFICERS**

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