

**FINANCE, AUDIT AND RISK COMMITTEE
1 MARCH 2012**

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

6

TITLE OF REPORT: RISK MANAGEMENT UPDATE

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND 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 its December 2011 meeting. The increase in probability for the risks relating to the Delivery of Outcomes from the Museums FSR was noted by the Committee and referred to Cabinet.
- 3.2 During the debate on the report, the Committee found the title of the Financial Management risk to be unclear and required further assurance on the risk around Implementing the Climate Change Strategy.
- 3.3 An internal audit on risk management has been completed by an auditor from PWC on behalf of the Shared Internal Audit Service (SIAS).
- 3.4 Heads of Service and Corporate Managers will be providing assurance on risk management in their service area in the Assurance Statements for 2011/12.
- 3.5 The Senior Management Team have had the opportunity to review and challenge the Top Risks in February 2012.

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. 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.

Risks no longer considered as Top Risks

- 4.2 It is suggested that the Top Risk of Organisational Development is now deleted. Some initiatives from the Organisational Development Strategy, such as Office Accommodation and Flexibility works have been completed. The risks from the remaining initiatives are included in the Organisational Workload risk which is included in Appendix B.
- 4.3 The current indications are that the obligation to produce a Sustainable Community Strategy will be removed. The actions arising from the Strategy have been refined and reduced; these changes reflect the general reduction in partnership resources, both within NHDC and external partner agencies, that there is no funding allocated toward LSPs and their agreed actions, and in readiness for the removal of the statutory duty in 'lifting the burdens'. In light of this, the risk of Sustainable Community Strategy Implementation is no longer of sufficient significance to be considered a Top Risk to the authority.

Changed Assessment

- 4.4 The risk of Climate Change Strategy Implementation has been revised, renamed "The Authority's Response to Climate Change" and is enclosed in Appendix C for information. This reflects changes required to encompass the Nottingham Declaration 2 to be formalised shortly, which has changed the impetus for Council's to do what they can 'within their power' to adapt to climate change. Actions by NHDC will also only be completed to mitigate CO2 emissions if it can be shown these lead to cost savings.
- 4.5 The Top Risk of Organisational Workload has had details of the risks arising from current Government Policy Initiatives attached as sub-risks and this is attached as Appendix B. Additional sub-risks relating to the remaining impact of the Localism Act (aside from planning) and the Public Health and Social Care Bill, subject to further parliamentary amendment recently, will also be added shortly. The assessment of the sub-risks is indicating that the probability of this Top Risk should be increased to a level 3. Clearly there are a number of changes and uncertainty around the implementation of these initiatives and overall this will have a cumulative affect on Organisational Workload particularly in the next 12 months. The SMT have agreed that the probability of this risk is increased.

Title change

- 4.6 In view of the Committee's comments it is proposed to rename the Financial Management risk "Managing the Council's Finances". Due to the uncertainty over funding for 2013/14 this remains one of the highest risks facing NHDC. The external audit completed by Grant Thornton that reviewed the arrangements for securing financial resilience provides assurance that this risk is being effectively managed by the Council.

5. RISK MANAGEMENT INTERNAL AUDIT

- 5.1 The audit was carried out in a concentrated three day period by the auditor from PWC who was acting on behalf of SIAS. During the course of the audit the Heads of Leisure and Environment and Policy and Community Services were interviewed as well as two service managers.
- 5.2 The audit provides a substantial level of assurance for risk management which is an important part of our governance arrangements. One “medium” and four “merits attention” recommendations were made.
- 5.3 The medium recommendation was based on the finding that some risks have not been reviewed within the timescale required (this is 6 months in the Risk & Opportunities Management Strategy). Not all risks need to be reviewed every six months (for example some of the service risks relating to Climate Change) whereas others need to be reviewed more frequently. The Strategy will be amended to reflect this at the next review. Heads of Service/Corporate Managers have been reminded that the Risk Registers for their service should be up to date for them to sign off their risk management controls as effective.

6. LEGAL IMPLICATIONS

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

7. FINANCIAL AND RISK IMPLICATIONS

- 7.1 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.
- 7.2 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council’s Top Risks.

8. HUMAN RESOURCE IMPLICATIONS

- 8.1 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.

9. EQUALITIES IMPLICATIONS

- 9.1 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 8.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 9.2 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.
- 9.3 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.

10. 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. RECOMMENDATIONS

It is recommended that the Committee :

- 11.1 Notes the deletion of the Top Risks of Organisational Development and Sustainable Community Strategy Implementation and refers this to Cabinet.
- 11.2 Notes the Organisational Workload SMT Top Risk has an increased probability score of a "3" giving this an overall risk matrix score of a "7".
- 11.3 Notes the renamed SMT risk "The Authority's Response to Climate Change" and the reduction in the probability score.

12. 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 risks titled the Sustainable Community Strategy Implementation and Organisational Development.

13. APPENDICES

13.1 Appendix A – Risk Matrix

13.2 Appendix B – Organisational Workload and sub risks

13.3 Appendix C – The Authority’s Response to Climate Change

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