

FINANCE, AUDIT AND RISK COMMITTEE
13 June 2013

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

6

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 | 3 High |
| | | Impact | | |

Table 2 – SMT Top Risks

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

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.