

**FINANCE, AUDIT AND RISK COMMITTEE**  
**19 MARCH 2014**

**\*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.

**2. RECOMMENDATIONS**

- 2.1 That the Committee notes and refers the changed assessments for the risks of Managing the Council's Finances and Delivery of the Outstanding Outcomes from the FSR of the Museum Service to Cabinet.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of the risks referred to in Section 2.1 of this report is that of Cabinet.

**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'). Lead Officers discuss these risks with the relevant Portfolio Holder.

**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 Risks at its December 2013 meeting. The Committee recommended changes in the Waste and Recycling risk and the updated Risk & Opportunities management Strategy to Cabinet.
- 7.2 The Committee noted the deletion of the Organisational Workload risk but noted a new SMT risk of Welfare Reform. The Committee suggested that the likelihood assessment of this risk was too high. It was assessed as a “2” (the event will occur on more than one occasion (2 to 3 times) within the next 12 months). It was recommended (Minute 42) that the Head of Revenues Benefits and IT reviewed the assessment of the risk, and the Housing Service included more information on the ways in which the risk is being managed.
- 7.3 During discussions at the December Committee meeting, it was suggested that the assessment of the Churchgate and Surrounding Property area might be too low and the Replacement payroll System/ Payroll service too high.
- 7.4 The Top Risks have been reviewed and particular scrutiny has been given to the assessment of the risks described in 7.2 and 7.3 of this report. The changes and the comments made by the Lead Officers regarding the assessment of their risks have been reviewed and agreed by SMT. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2. Members are able to view the current risk descriptions on Covalent, the Council’s performance and risk management software.

## 8. AMENDMENTS TO TOP RISKS

### 8.1 Delivery of the Outstanding Outcomes from the Museums FSR.

- 8.1.1 Due to the current stage of the construction phase in the North Herts Museum and Community Facility project, the likelihood assessment of the risk has been reduced to a “2”. Within the description of the risk, the possibility of Hitchin Town Hall Ltd failing to mobilise resources to operate the building has been added. The risk is attached in Appendix A.

### 8.2 Managing the Council’s Finances

- 8.2.1 The likelihood assessment of the risk has been reduced to a “1” (the event is unlikely to happen in the next 12 months). This follows on from the agreement to the Council’s budget for 2014/15 and the continuing success the Council has had in bridging the budget gap. The risk is attached in Appendix A

### 8.3 Churchgate and the Surrounding Area

- 8.3.1 The Project Board have reviewed the description and assessment of the risk. No change has been made to the assessment, but the risk description has been amended to reflect the risk of possible challenges from other parties.

### 8.4 Welfare Reforms



- 8.4.1 Both the Heads of Housing & Public Protection and Revenues, Benefits & IT have considered the risk on Welfare Reforms, but have not proposed a reduction in the assessment of the risk. This is because there remains a degree of uncertainty on the impact of the reforms and hence on their service areas.
- 8.4.2 The impact of any interest rate increase on the public could result in a negative impact on debt and housing advice provided. In view of this, this has been included in the title of the risk and the risk description.

8.5 **Replacement Payroll System/Service**

8.5.1 Although the project is progressing well, there are a number of risks that can still arise in the implementation of the new system and service. The Committee may recall this project was referred to as a significant governance issue in the 2012/13 Annual Governance Statement as it is a key control system. This supports the high profile and assessment of this risk.

8.6 Tables 1 and 2 illustrate the current and proposed changes to the Top Risks.

**Table 1: Risk Matrix – Cabinet Risks**

<b>likelihood</b>	<b>3</b> high	4	<b>Waste &amp; Recycling Service</b> <b>7 Sustainable Development of the District</b>	9  Local Plan
	<b>2</b> medium	2	<b>Asset Management</b> <b>5 Office Accommodation</b>  <b>Churchgate and the surrounding area</b>	<div style="background-color: red; height: 15px; width: 100%;"></div> <b>Delivery of Outcomes from the Museum FSR (9)</b>  <b>8</b>
	<b>1</b> low	1	3	<b>6</b> <b>Managing the Council's Finances (9)</b> 
		<b>1</b> Low	<b>2</b> Medium Impact	<b>3</b> High

**Table 2 – SMT Top Risks**

<b>likelihood</b>	<b>3</b> high	4	7	<b>Replacement payroll system / payroll service</b> 9
	<b>2</b> medium	2	5 <b>Procurement, Tendering &amp; Letting of Contracts</b>  <b>Workforce Planning</b>  <i>Welfare Reform and Interest Rates</i>	<b>8</b>
	<b>1</b> low	1	3	6
		<b>1</b> Low	<b>2</b> Medium Impact	<b>3</b> High

**9. LEGAL IMPLICATIONS**

9.1 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

**10. FINANCIAL IMPLICATIONS**

10.1 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.

**11. RISK IMPLICATIONS**

11.1 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.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> 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.
- 12.2 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.
- 12.3 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.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 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 12.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 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

## **15. APPENDICES**

- 15.1 Appendix A – The Top Risks of Managing the Council's Finances and the Delivery of Outcomes from The Museums FSR.

## **16. CONTACT OFFICERS**

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**17 BACKGROUND PAPERS**

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