

 <b>FINANCE &amp; AUDIT SCRUTINY</b> <b>15 APRIL 2014</b>		<b>Agenda Item No. 4</b>
<b>Title</b>	Review of Finance Risk Register by Finance & Audit Scrutiny Committee	
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<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	7 January 2014 – Finance & Audit Scrutiny Committee 11 January 2012 – Executive	
<b>Background Papers</b>	WDC risk management policy & guidelines	
<b>Contrary to the policy framework:</b>	No	
<b>Contrary to the budgetary framework:</b>	No	
<b>Key Decision?</b>	No	
<b>Included within the Forward Plan? (If yes include reference number)</b>	No	
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A: no direct service implications	

<b>Officer/Councillor Approval</b>		
With regard to report approval all reports <i>must</i> be approved as follows		
<b>Title</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	2 April 2014	Chris Elliott
Head of Service	Co-author	Mike Snow
CMT		
Section 151 Officer	Various dates	Mike Snow (through Richard Barr)
Monitoring Officer	2 April 2014	As Deputy Chief Executive
Finance	Various dates	As S151 Officer
Portfolio Holder(s)	Various dates	Councillor Mobbs
<b>Consultation &amp; Community Engagement</b>		
None other than consultation with members and officers listed above.		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 **SUMMARY**

- 1.1 This report sets out the process for the review by Finance & Audit Scrutiny Committee of the Finance Risk Register.

## 2 **RECOMMENDATIONS**

- 2.1 That Finance & Audit Scrutiny Committee should review the Finance Risk Register attached at Appendix 1 and make observations on it as appropriate.

## 3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 To enable members to fulfil their role in managing risk (see section 7, below).

## 4 **POLICY FRAMEWORK**

- 4.1 The Finance Risk Register is part of the Council's corporate risk management framework. The Register reflects the Council's corporate priorities and key strategic projects that are contained in Fit for the Future.

## 5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.
- 5.2 The risk register sets out when the realisation of risks might have financial consequences. One of the criteria for severity is based on the financial impact.

## 6 **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 7 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 7.1 In its management paper "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;

- approve the council’s policy on risk (including the degree to which the council is willing to accept risk);
- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness: and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the Chief Executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the Chief Executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility.”

## 8 **BACKGROUND**

8.1 Executive agreed on 11<sup>th</sup> January 2012 that:

- (a) Portfolio Holders should review their respective Service Risk Registers quarterly with their service area managers.
- (b) Portfolio Holder Statements should include each service’s top three risks.
- (c) Executive should note the process for the review by Finance & Audit Scrutiny Committee of service risk registers.
- (d) The relevant Portfolio Holders should attend the Finance & Audit Scrutiny Committee meetings at which their respective service risk registers are reviewed.

8.2 The full framework endorsed by Executive at that meeting is set out as Appendix 3.

8.3 Risk registers are in place for all significant risks facing service areas in the provision of their services. In addition to service risk registers for all service areas there is the Significant Business Risk Register that contains the organisation’s corporate and strategic risks (the latest version of this being presented to the January Executive meeting). Also, across the organisation, there are risk registers for specific projects such as the Clarendon Arcade.

## 9 **FINANCE RISK REGISTER**

### 9.1 **Introduction**

- 9.1.1 The latest version of the Finance Risk Register is set out as Appendix 1 to this report.
- 9.1.2 The scoring criteria for the risk register are subjective and are based on an assessment of the likelihood of something occurring, and the impact that might have. Appendix 2 sets out the guidelines that are applied.
- 9.1.3 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

### 9.2 **Overview of Finance Risk Management**

- 9.2.1 The Finance Risk Register is owned and managed by the Finance Management Team and the Portfolio Holder. It is reviewed at Management Team meetings on a quarterly basis, with the Portfolio Holder normally attending these meetings. The Head of Service meets with the Portfolio Holder on a regular basis where risks facing the service and the Council's finances are discussed. Specific risks will be discussed more frequently as they arise.
- 9.2.2 Members of staff within the service are made aware of the register and have input through team meetings where risks are regularly discussed.
- 9.2.3 The risk register is reviewed and updated to reflect changes within the Council and the Service, for example the Finance Service Re-design in 2013, and external changes, for example the Welfare Reforms. The Risk Register now formally includes actions need to be completed, these being monitored as part of the Risk Register reviews.
- 9.2.4 The functions of Finance include support for Risk Management across the Council, led by the Audit and Risk Manager. The Finance risk register includes risks that are "generic", i.e. they may apply to Services across the Council, and risks that are specific to Finance.
- 9.2.5 Included within the Significant Business Risk Register are the following risks:-
  - 6. Risk of insufficient finance to enable the council to meet its objectives (including insufficient reduction in operational costs).
  - 7. Risk of additional financial liabilities.
  - 8. Risk of significantly reduced income.
  - 9. Risk of improper procurement practices and legislative requirements not being complied with.

Whilst Finance plays a significant part in managing these risks, these are regarded as high profile corporate risks and so feature on the Significant Business Risk Register under the responsibility of the Executive, and being managed by the Senior Management Team.

### 9.3 **Finance Service Risks**

9.3.1 In common with other Service Risk Registers, risks have been grouped into Generic and Service-Specific.

9.3.2 The three main risks at the time of writing are considered to be:

#### Resources

The services provided by Finance are dependent upon ICT, staff and finance (money/budget) for their continued provision, with each of these risks featuring individually within the Finance Risk Register. Any failure, shortage or not having the suitable resource will reduce or stop the provision of the services from Finance. Each of these resources feature within the Finance Risk Register, and is proactively managed in accordance with Council policies and procedures.

#### Provision of incorrect information/advice

Finance provide information to external and internal customers. External customers here include benefit claimants, tax payers and suppliers. Wrong information here may affect someone's benefit or what they are due to pay in council tax. Staff are developed to ensure they have the right and up to date knowledge so that they can carry out their duties, and provide correct advice to customers. As much of the advice to external customers is provided through the Customer Service Centre and the One Stop Shops, close workings with these teams seek to ensure they are adequately skilled to help customers.

Internal customers include Councillors, Heads of Service and officers across the Council. It is important that decisions made across the Council are based on sound financial advice.

In providing information and advice, Finance is dependent upon its staff and financial systems. As part of providing information, it is equally important that information is not wrongly provided, e.g. in contravention of Data Protection requirements.

#### Benefits and Welfare Reforms

With all the changes coming from the Government's Welfare Reforms, the Benefits regime has been changing and will continue to change in forthcoming years. Council Tax Benefit has been replaced with Council Tax Reduction, with local authorities having to determine their own schemes, and bear the financial risk. Housing Benefit recently changed for the Spare Room Subsidy. Further changes are planned as Universal Credit is rolled out across the country and encompasses many other benefits. The continued risks here include:-

- Impact on customers as they manage the change in their support.
- Impact on funding as the Council ceases to have direct responsibility for the current housing benefits.

- Impact upon staff as the DWP subsumes housing benefit within Universal Credit, whether they will have a role with the Council or with DWP.
- Uncertainty as to what the Council's future role will be in supporting Universal Credit in the future.

To date, the information provided to local authorities relating to Universal Credit have been very limited with there still being no definitive plan for its roll-out.

9.3.3 Finance provide support to projects across the Council. Specific current projects under Finance's control include the Bank Tender and Council Tax Reduction. In line with good project management, these projects have their own risk register that are monitored as part of the project.

#### 9.4 **Review of Risk Register by Members**

9.4.1 It is proposed that Members should review the risk register set out as Appendix 1, confirming that risks have been appropriately identified and assessed and that appropriate measures are in place to manage the risks effectively. Members may wish to challenge the Portfolio Holder and the Finance Management Team on these aspects and assure themselves that their risk register is a robust document for managing the risks facing the service.