

NORTH HERTFORDSHIRE DISTRICT COUNCIL



9 June 2023

Our Ref Finance, Audit and Risk Committee/21
June 2023
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To: Members of the Committee: Sean Nolan (Chair), Terry Tyler (Vice-Chair), Terry Hone, Chris Lucas, Tom Plater, Mandi Tandi, Tamsin Thomas and John Cannon

Substitutes: Councillors Matt Barnes, Clare Billing, Sam Collins, Adam Compton, Juan Cowell and Daniel Marsh

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON
ROAD, LETCHWORTH GARDEN CITY, SG6 3JF**

On

WEDNESDAY, 21ST JUNE, 2023 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

****MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL
AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION
ON YOUR TABLET BEFORE ATTENDING THE MEETING****

Agenda

Part I

Item		Page
1. APOLOGIES FOR ABSENCE	Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
2. MINUTES - 8 MARCH 2023	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 8 March 2023.	(Pages 5 - 14)
3. NOTIFICATION OF OTHER BUSINESS	Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4. CHAIR'S ANNOUNCEMENTS	Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5. PUBLIC PARTICIPATION	To receive petitions, comments and questions from the public.	
6. ANNUAL GOVERNANCE STATEMENT 2022/23 REPORT OF THE POLICY AND COMMUNITIES MANAGER	For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) 2022/23 including Action Plan for the year 2023/24.	(Pages 15 - 30)

- 7. SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2022/23** (Pages 31 - 58)
REPORT OF THE SHARED INTERNAL AUDIT SERVICE

To receive the SIAS Annual Assurance Statement and Annual Report 2022-2023.
- 8. REVENUE BUDGET OUTTURN 2022/23** (Pages 59 - 74)
REPORT OF THE SERVICE DIRECTOR - RESOURCES

To consider the Revenue Budget Outturn 2022/23.
- 9. INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2022/23** (Pages 75 - 106)
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the Investment Strategy (Capital and Treasury) End of Year Outturn Review.
- 10. LGA REVIEW ACTION PLAN** (Pages 107 - 128)
REPORT OF THE SERVICE DIRECTOR - RESOURCES

The Council commissioned the Local Government Association to provide peer support in relation to the impact and effectiveness of the Overview and Scrutiny Committee and the Finance, Audit and Risk Committee. The peer support process took place during 2022 and was a combination of a desktop review, watching meeting videos and talking to relevant Members and Officers. A report was provided to the Council in January 2023 with their findings and recommendations. This report considers the recommendations in relation to the Finance, Audit and Risk Committee.
- 11. FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2022/23** (Pages 129 - 142)
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the Annual Report of the Finance, Audit and Risk Committee for the 2022/23 Civic Year.
- 12. YEAR END REPORT ON RISK MANAGEMENT GOVERNANCE** (Pages 143 - 244)
REPORT OF THE SERVICE DIRECTOR – RESOURCES

A year end report on the Councils' Risk Management Governance for 22-23.
- 13. POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERON
ROAD, LETCHWORTH
ON WEDNESDAY, 8TH MARCH, 2023 AT 7.30 PM

MINUTES

Present: *Councillors: Councillor Terry Tyler (Chair), Clare Billing (Vice-Chair), George Davies, Sean Nolan and Cannon*

John Cannon (Independent Person)

In Attendance:

Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager), Reuben Ayavoo (Policy and Community Engagement Manager), James Lovegrove (Committee, Member and Scrutiny Manager) and Eleanor Hopcraft (Committee, Member & Scrutiny Officer)

Also Present:

At the commencement of the meeting approximately 1 member of the public, including registered speakers.

79 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 49 seconds

Apologies for absence were received from Councillor Terry Hone.

80 MINUTES - 25 JANUARY 2023

Audio Recording – 2 minutes 7 seconds

Councillor Terry Tyler, as Chair proposed and Councillor Clare Billing seconded, and following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 25 January 2023 be approved as a true record of the proceedings and be signed by the Chair.

81 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 52 seconds

There was no other business notified.

82 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 57 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded;

- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised for the purposes of clarification for that 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair led a Minute's silence in memory of former Councillor John Bishop, who passed away on 2 March 2023.

83 PUBLIC PARTICIPATION

Audio recording – 5 minutes 23 seconds

There was no public participation at this meeting.

84 ANNUAL GOVERNANCE STATEMENT

Audio recording – 5 minutes 29 seconds

Reuben Ayavoo, Policy and Community Manager presented the report and advised:

- The draft Annual Governance Statement (AGS) was presented to the Committee in December 2022.
- In section 5.1, there had been amendments made to principles F and G.
- There was an updated reference to the Ernst & Young external annual report.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded, and after a vote, it was:

RESOLVED: That the Committee approved the amended AGS and Action plan (Appendix A).

REASONS FOR DECISION:

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR' 2015/234).
- (2) The Committee is the legal body with responsibility for approval of the AGS.
- (3) Reviewing the AGS Action Plan during 2022-23 will provide the committee with assurances that the Council is examining and where necessary improving its governance arrangements.

85 LOCAL CODE OF GOVERNANCE

Audio recording – 8 minutes 56 seconds

Reuben Ayavoo, Policy and Community Manager, gave a verbal presentation and advised:

- The report outlined the Local Code of Governance (LCG), set out with the seven principles for approval in 2023.
- Good governance was measured against the LCG.
- Section 7.1 highlighted that it was good practice to have a LCG.
- In Section 4, the principles had been updated against the Council's objectives.
- The LCG would be revisited in 2024 unless there was a significant event which meant it must be reviewed sooner.

The following Member's asked questions:

- Councillor Sean Nolan
- Councillor Clare Billing

In response to the questions, Mr. Ayavoo advised:

- Other local authorities were looked at for evidence against good governance and learning.
- Whistleblowing was included in the report. Staff members had to complete an Annual Declaration of Anti-Fraud, Whistleblowing and other relevant policies.

The Service Director – Resources advised that the Council did pay heed to other local authorities and the governance issues they had.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded, and after a vote, it was:

RESOLVED: That the Committee approved the Local Code of Corporate Governance 2023 (Appendix A).

REASON FOR DECISION: It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

86 AUDIT RESULTS REPORT

Audio recording – 14 minutes 2 seconds

Debbie Hanson, Ernst and Young, gave a presentation and advised:

- The audit was substantially complete and this report was drafted on 24 February 2023. Not expecting to find anything that would change the Accounts.
- There were no changes to the audit scope since the December presentation.
- Performance and overall materiality had been reviewed and remained appropriate.
- Expect to issue an unqualified opinion.
- Work undertaken on Value for Money identified no significant issues.
- The Value of Money risk assessments were not fully complete but were not expected to identify any issues.
- Certificates were unable to be issued alongside the audit opinion due to ongoing authority sampling that the National Audit Office (NAO) may require.
- Have identified some audit adjustments which are outlined in the report.
- Page 72 detailed control environment recommendations in relation to the fixed asset register cash flow statement.
- The Council have already committed to take action to address these recommendations, which was positive.

In response to the question from Councillor Tyler, Ms. Hanson advised that there was no timescale on when certificates could be provided.

Rachel Merez, Ernst and Young, gave a presentation and advised:

- There were no issues identified in Misstatements to due to fraud or error and inappropriate capitalisation of Revenue spend.
- No material errors were found in valuation of Investment properties.
- PPE valuation balance identified a few issues such as a duplicate asset in the fixed asset register relating to Museum Services development valued at £5.6million.
- As this would impact the prior year's figures, would require adjustments to the comparative years too.

- The Council had identified other assets that had the same issue, but the impact was not as material and adjustments will be made.
- Revaluation reserves had identified issues. Some upward movement had gone to revaluation reserves instead of provision of services. Other assets were being queried from this issue, but there was no impact on the General Fund.
- £1.5million of other land, buildings assets needed to be reclassified to other PPE categories, which management had opted to adjust for.
- A minor disclosure point was raised which related to the Summary of Assets valued each year. Management has agreed to include this in the Statement of Accounts.
- In relation to the net pension liability value, Ernst and Young were waiting to receive the assurance letter from the pension fund auditor.
- In relation to the Net Pension Liability Value, the Assurance Letter from the Pension Fund Auditor had not been received. A draft version had one minor error and adjustment.
- The Council had received an updated actuary report which showed an increased value of pension liability by £2million which they had agreed to adjust.
- Benefits paid was included in the Assurance Letter from the Pension Fund auditor and identified a difference of £617k in net pension benefit. This did not affect the overall balance of Pension Liability.
- Growing concern work now complete and no issues found.
- Other differences in the report related to the classification of short-term creditors and grants received in advance. The difference of £2.6million did not impact the total asset balance.
- Treatment of some transactions within the cash flow statement had been adjusted by management.
- One of the investment confirmations from Santander had not been received yet. Ernst and Young as well as Council management were chasing the confirmation.

Ms. Hanson and Ms. Merez thanked the Finance Team for their support during the audit.

The Service Director – Resources advised that the Council was chasing the investment confirmation from Santander.

In response to the question from Councillor Clare Billing, the Service Director – Resources advised that the Council were looking at simplifying the Fixed Asset register and learning from error. Adjustments would also be made for other errors.

In response to the question from John Cannon, Ms. Hanson advised that the 2022/23 Audit would start just before Christmas. It was likely that the deadlines in the Accounts and Audit regulations would not be met. The longer-term aim was to complete audits in a more compressed timetable.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded, and after a vote, it was:

RESOLVED: That the Audit Results Report was noted.

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87 STATEMENT OF ACCOUNTS 2021/22

Audio recording – 31 minutes 55 seconds

The Service Director – Resources gave a verbal presentation and advised:

- The accounts were not finalised yet.
- The additional recommendation would delegate the Chair of the Committee to sign off the Accounts once the audit was complete on the basis that there were no significant changes.

- The report detailed processes and timescales for the Statement of Accounts.
- Paragraph 8.2 summarised the adjustments that the Council were looking to make.
- One adjustment related to duplicate expenditure which was primarily found in the material balance for Hitchin Town Hall and District Museum.
- When work on the building was carried out, expenditure was added to the fixed asset register to increase capital value. The asset was revalued subsequently and should have been readjusted down to the revalued total.
- Other adjustments and impacts were detailed in the report and had no impact on the General Fund.
- Paragraph 8.5 detailed that the Council was not aware of any events that had occurred since the year end that provided additional evidence of conditions or that affected the Statement of Accounts.
- The Council were planning to make changes for all items. It was unsure if adjustments would be made for the minor error on the Pension Fund.

In response to questions from John Cannon, the Service Director – Resources advised in Local Authority accounting the depreciation charge was charged to the service line and then removed to unusable reserves. In relation to the Control Frameworks, the Council would keep aware of the CIFA guidance.

Councillor Sean Nolan proposed, Councillor Clare Billing seconded and after a vote, it was:

RESOLVED:

- (1) That the Committee noted the 2020/21 Annual Statement of Accounts (addendum version), as set out in Appendix A (addendum).
- (2) That the Committee noted the audit work completed to date, the findings from that work and the resultant changes made to the Statement of Accounts.
- (3) That, subject to the final audit work not requiring any substantial changes to the Statement of Accounts, the Committee delegated to the Chair of the Committee the final approval of the 2021/22 Annual Statement of Accounts. This will include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISIONS:

- (1) To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

88 SAFS PROPOSED ANTI-FRAUD PLAN 2023/24 AND PROGRESS WITH DELIVERY OF 2022/23 AUDIT PLAN

Audio recording – 42 minutes 44 seconds

Nick Jennings, Head of the Shared Anti-Fraud Service (SAFS) , gave a verbal presentation and advised:

- The report should have covered two areas, but there is not a written report to cover the current year progress. So covering that as a verbal update.
- The final report in summer 2023 would look over the delivery of the plan over 2022/23.
- Following the last update at the December meeting, anti-money laundering training was given to Officers in line with the Council's policy. Also delivered other fraud awareness training.

- There were 76 allegations of fraud affecting Council services, with 32 reports from staff. 41 cases were live subject to investigation, with an estimated potential fraud loss of £154k.
- 36 investigations were closed at the end of February, with 26 identifying fraud error or irregularity. These totaled over £100k in losses.
- SAFS were working with the Legal team to bring prosecutions on 2 cases.
- Section 3 and 8 referred to guidance and best practice from organisations such as the Local Government Association, DLUHC, CIPFA, CIFAS and others.
- The plan had been devised to meet the recommendations of the Fighting Fraud and Corruption Local Strategy.
- The plan identified Officers and Members who had a role in delivering plan.
- The Appendix listed activity and actions for next year to protect against fraud.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded, and after a vote, it was:

RESOLVED:

- (1) That the report was noted.
- (2) That the Committee reviewed and approved the Anti-Fraud Plan 2023/24.

89 AUDIT PLAN 2023/24

Audio recording – 50 minutes 23 seconds

Chris Wood, Head of the Shared Internal Audit Service (SIAS), gave a verbal presentation and advised:

- In the Local Governance Statement, the SIAS shared learning on governance issues.
- The role of SAFS should be reflected in the Code of Governance.
- The audit plan has been approved by the leadership team before coming to the audit committee.
- The planned use of 260 days in the Audit Plan was laid out in Appendix A.
- Section 3 detailed performance indicators, there was no change in indicators this year.
- There was one extra technical audit.
- There was a small reserve list laid out in a dynamic plan.

The following Members asked questions:

- Councillor Sean Nolan
- John Cannon

In response to the questions, Mr. Wood advised:

- BDO had been appointed to cover additional resilience on a 4 year tender. Resources had been procured from other firms
- There was a risk for Churchgate which SIAS would cover. Guidance may be needed around technical requirements.

Councillor Terry Tyler proposed and Councillor Clare Billing seconded and after a vote, it was:

RESOLVED: That the Committee approved the proposed North Herts Council Internal Audit Plan for 2023/24.

90 Q3 2022/23 AUDIT UPDATE REPORT

Audio recording – 58 minutes 41 seconds

Chris Wood, Head of SIAS, gave a verbal presentation and advised:

- The performance statistics in paragraphs 2.11 and 2.12 showed that 83 audit days in the plan and 63% of projects had been delivered.
- At least 24 audits would be delivered at the year end.
- It was anticipated that over 80% of audits would be delivered in year, with 100% of the plan being delivered when the Annual Assurance opinion is delivered.
- There was a significant number of final audit reports that had come through.
- The climate emergency report was released after the Update Report was prepared.
- The business continuity plan was a limited assurance report one with one new high priority recommendation.
- The climate emergency report was a limited assurance report and there was a high priority recommendation within it.
- Paragraph 2.6 detailed the requirement to report implementation dates and high priority recommendations to the Committee.
- There were three high priority recommendations made in the Revenues and Benefits system technical team audit, with implementation dates at the end of March 2023.
- The Careline Operations high priority internal audit recommendation had been implemented.
- One proposed amendment to the audit plan is that the Strategic Planning audit would be deferred to the 23/24 plan, and was replaced with the community lottery audit.

Councillor Sean Nolan proposed and Councillor Clare Billing seconded, and following a vote it was:

RESOLVED:

- (1) Noted the SIAS Progress Report for the period to 17 February 2023.
- (2) Approved the plan amendments to the 2022/23 Internal Annual Audit Plan.

91 THIRD QUARTER REVENUE BUDGET MONITORING 2022/23

Audio recording – 64 minutes 6 seconds

The Service Director – Resources gave a verbal presentation and advised:

- This was the standard quarterly report on the revenue budget position.
- This report covered quarter 3, which covered up to the end of December.
- Table 3 highlighted variances reported at this time. Some were in relation to staffing, where there had been issues in staff recruitment.
- Agency staff had been used to cover, which could be expensive.
- Interest investment income was increasing as the base rate had continued to increase throughout the year.
- Co-mingled recycling material processing costs market. At the start of the year, there was a big movement in terms of increased income, which is now off-set by a movement the other way.
- The budget for next year was still sound as it was based on the original budget and not the previously recalculated budget.
- Paragraph 8.2 detailed staffing and the recommendation for Cabinet to consider in relation to the carry forward of some staffing underspend and staffing resourcing for next year.
- Money would be used on a short-term basis only to help the Council achieve its priorities and help manage staff workloads.
- Tables 4 and 5 detailed performance indicators in relation to finances and supporting data.

- Table 6 detailed the General Fund impact. The forecast for the General Fund balance at the end of the year was more positive than it was, as a result of the current year underspend.
- The recommendation requests a carry forward of £549k as covered in Table 2, so this would be the spending of some of the additional General Fund balance.
- The general release of the Mausoleum reserves was a transfer between reserves.
- In future, there was potential for Government funding cuts and two contracts up for renewal. Therefore, having a healthy General fund balance was needed as cover for those significant risks.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded and following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.3, a £1.090 million decrease in net expenditure.
- (3) That Cabinet approves the charges to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £549k increase in net expenditure.
- (4) That Cabinet approves the use of £140k of salary budget carry-forward for additional Service Director capacity for an 18- month period, and that the allocation of the remainder (if needed) will be delegated to the Managing Director (as Head of Paid Service), in consultation with the Leader, Deputy Leader and Executive Member for Finance and IT.

REASONS FOR DECISIONS:

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process

92 THIRD QUARTER 2022/23 INVESTMENT STRATEGY (CAPITAL AND TREASURY)

Audio recording – 71 minutes 36 seconds

The Service Director – Resources presented the report entitled Third Quarter 2022/23 Investment Strategy (Capital and Treasury) and advised:

- This report was a combination of the capital position and Treasury position for the year.
- Capital position was covered in the first half of Section 8 and Table 2.
- Table 3 covered the use of Section 106 money and that the capital allocation for the North Hertfordshire Museum platform lift was no longer required.
- In relation to Treasury position, more interest was being generated on treasury investments.
- In terms of splits in investments, there was a high proportion of the Council's money with government.
- The DMO were paying good interest returns in general and provide flexibility over investment periods.
- As there was an unlimited capacity to invest in government under the Treasury Strategy, the DMO would continue to be used.
- The Council were looking to maintain a spread of investments.
- Towards the end of the year, the Council were looking to make sure there were a spread of maturity dates and investments as interest rates would start to move down again.

- The table in Section 8.13 detailed all Investments at the end of the Third Quarter and the returns.

In response to the question from Councillor Sean Nolan, the Service Director – Resources advised that it was common for local authorities to borrow and invest money from each other. As they were paying reasonable rates, it was likely that there would be more local authorities that the Council would lend to in the next quarter.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded and after a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £8.370M in 2022/23 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2022/23 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2023/24 by £1.554M.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- (4) Cabinet is asked to note the position of Treasury Management activity as at the end of December 2022.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

93 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

This item was not considered at the Committee.

The meeting closed at 8.49 pm

Chair

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FINANCE, AUDIT & RISK COMMITTEE 21 June 2023

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2022/23

REPORT OF: POLICY AND COMMUNITIES MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: PEOPLE FIRST/SUSTAINABILITY/A BRIGHTER FUTURE TOGETHER

1. EXECUTIVE SUMMARY

- 1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) 2022/23 including Action Plan for the year 2023/24.

2. RECOMMENDATIONS

- 2.1 That the Committee is recommended to review and comment on the draft AGS Action Plan for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval after the External Audit has been completed.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 No prior consultation has taken place, although a copy of the draft AGS will be sent to the Shared Internal Audit Service (SIAS), Ernst & Young (External Auditors) and the Shared Anti-Fraud Service (SAFS). Account will be taken of any comments made by them and this Committee on the draft AGS before it is finalised for the September Committee approval process.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹.
- 7.3 The draft AGS has been prepared following an in-depth review/ input and scoring of arrangements by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance²). The Leadership Team reviews and provides details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
 - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
 - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
 - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
 - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.
- 7.5 Members will note at this stage, that a key element of the review of effectiveness, detailed in the draft AGS, includes the Head of Internal Audit's Annual report/ Opinion on arrangements. The 2022 SIAS Annual Assurance Statement report was presented to the June meeting and has been incorporated into the AGS.
- 7.6 Members are reminded that the AGS must be approved before the Statement of Accounts, and it must be published alongside them. The Council will include the 2022/23 AGS with the Statement of Accounts (as it has in previous years).

8. RELEVANT CONSIDERATIONS

- 8.1 The Leadership AGS self-assessment, external organisation and Committee's review of the draft AGS (in preparation for finalising the AGS) provides the Council with an

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further reinforced.

- 8.2 The draft AGS for 2022/23 is attached as Appendix A for review and comment. The Leadership Team AGS self-assessment will be available on the Corporate Governance webpage after all comments have been received as per paragraph 5.2 and 8.4 as detailed under background documents.
- 8.3 At the time of writing the Leadership Team are to follow the process as outlined at 7.3. The self-assessment document proposes an assurance level as assessed against the 2016 Principles as Substantial. Any further comments will be incorporated prior to September Committee meeting. Actions were included to address any perceived weaknesses, and these have been detailed in the draft AGS Action Plan (final page to Appendix A). The detailed (117 pages) self-assessment document has not been appended. It will, however, following comments from SIAS and advice from CIPFA be loaded on the Council's Corporate Governance internet pages.

9. LEGAL IMPLICATIONS

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Amendment Regulations 2021) the 2022/23 AGS should be approved by this Committee by 20th September, alongside the approval of the Statement of Accounts. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay. The Council's External Auditors will consider the AGS when conducting their audit, so it is good practice to approve the AGS at the same time as the Statement of Accounts, even if it is ready before the Statement of Accounts have been audited and are ready for approval. Other legal implications are set out under section 7 above.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" This review of the draft AGS therefore falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

- 10.1 The final AGS is to be approved in advance of the Statement of Accounts, and would then be published alongside the approved Statement of Accounts. Presenting the draft AGS to this Committee gives a chance to raise any points that may need to be addressed, before seeking final approval of the AGS at the September meeting. The audit work by Ernst and Young is currently expected to commence in November 2023 with the audited Statement of Accounts hopefully approved and published by March 2024.

11. RISK IMPLICATIONS

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

12. EQUALITIES IMPLICATIONS

- 12.1. 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy team undertake an Annual Cumulative Equality Impact Assessment of these and publishes them on the internet.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff.

16. APPENDICES

- 16.1. Appendix A - draft Annual Governance Statement (AGS) for 2022/23.

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18. BACKGROUND PAPERS

- 18.1 The Leadership AGS self-assessment will be placed on the Corporate Governance Page following the process in 8.4: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The draft AGS also contains links to relevant documents.

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Introduction

North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

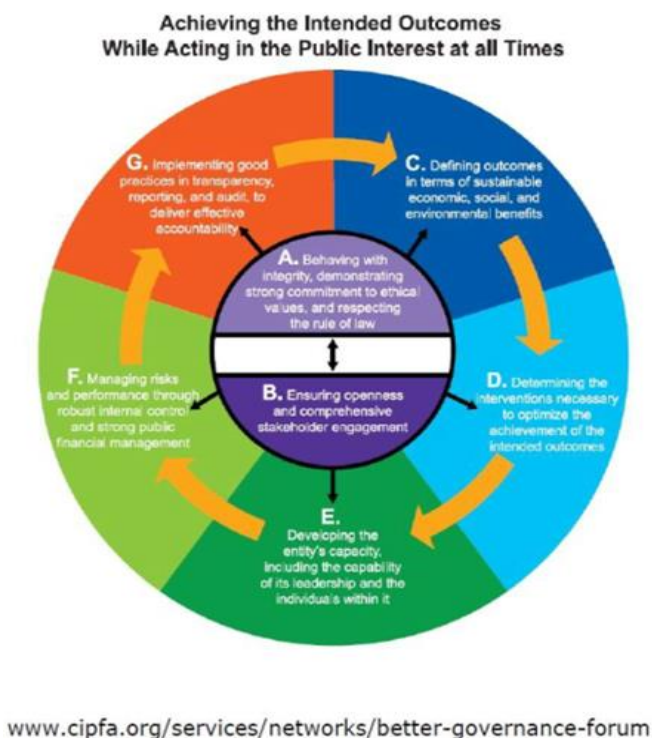
In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance:

The Governance Framework comprises of systems, processes, culture and values, by which the

authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Strong Leader model that provides leadership, develops, and sets policy.
- ❖ A decision-making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by the Leadership Team and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ The Council has a strategic officer leadership team which meets weekly. This includes the Head of Paid Service (Managing Director) and Directors (which includes all statutory officers). The statutory Officers also meet quarterly.

How the NHDC complies with the 2016 Governance Framework:

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2022 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance.

Set out below is a summary of **some of the central ways** that NHDC complies with the 2016 Framework Principles. The detailed arrangements, and examples are described / links provided in the Leadership AGS self-assessment document on the [Corporate Governance](#) page.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

❖ **What NHDC has or does:**

❖ Operates Codes of Conduct for Members (refreshed LGA model adopted in April 2021 and effective after the 2021 election) and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training usually takes place following elections.

❖ The Council has a Member Training Protocol which sets out which elements of training are compulsory. The training will be reviewed as part of the post induction process and in anticipation of the 'run out' elections which will take place in 2024.

Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/ Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person Panel, Employment Committee and Full Council).

❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The 3 Independent Persons (IP) are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provided an annual report to Full Council in September 2022. This is designed to promote shared values with Members, employees, the community and partners.

❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees, and decision-making practices are outlined. The Council's Constitution is typically reviewed annually, though several amendment reports were also taken to full council in the 2022/23 year. In 2022, an annual review report was presented to Full Council at the July meeting. Constitutional amendment reports were taken to full Council in September 2022, January 2023, and April 2023, with various amendments being approved.

❖ The Council's Fraud Prevention Policy, which includes the Anti-Money Laundering, Anti-Bribery, Anti-Fraud and Tax Evasion. In addition, the Whistleblowing Policy, are kept under review and are available on the internet.¹ Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Fraud Prevention Policy.

❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.

❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Managing Director and Chief Finance Officer (CFO) the MO has a statutory duty/ power to

report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. The MO/ or Legal advisor attends Full Council, Cabinet, and regulatory Committees - such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed and reports directly to the Head of Paid Service. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.

❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012, and equality and environmental implications requirement); part 1 reports are published and available for inspection as per the statutory requirements. Committee Member Overview & Scrutiny Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and dispatch agendas and reports in advance of the meetings and take and dispatch minutes and decision sheets after the meetings. Delegated decisions are retained by them and are available on-line.

¹ <https://www.north-herts.gov.uk/fraud-prevention>

❖ Planning training was provided to members in-house via relevant officers during the 2022/23 year. They will be provided training by the Planning Advisory Services (PAS), an independent organisation who advises central and local government on planning issues, later in 2023.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

❖ **What NHDC has or does:**

❖ The Council's vision and relevant documents are made available on the Council's website with a Council Delivery Plan that show how the Objectives will be delivered in practical terms [[Council Plan Page](#)].

❖ Open Data is published on the NHDC website and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data sets on NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].

❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities. We are awaiting the 2022-23 report. [[Annual Monitoring Reports](#)]

❖ NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region through the Air Quality Annual Status Report [[Air Quality Annual Status report 2022](#)]

❖ There is a Committee administration process in place so that all Council meeting agendas, reports,

minutes are available for inspection, and these, together with public meeting recordings are available online and through the Modern.gov system [[Council meetings page](#)].

❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements² apply. Report authors consider such matters with the designated Constitutional "Proper Officer". Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website [[Public Registers and Delegated Decisions](#)] and Planning Applications/decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions³ are on the Council's website [[Delegated Decisions](#)].

❖ The Constitution also sets out what information is available to the public and how to engage with the Council [[Constitution](#)]

❖ The Council's Consultation Strategy 2022-2027 [[Consultation Strategy 2022-2027](#)] was adopted in 2022. It sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to

consultation.

❖ A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement – Adopted July 2020](#)]. The SCI was adopted in July 2020 following a public [consultation](#). A draft updated SCI was published in March 2023 and consultation opened.

❖ The Council conducts a District Wide Survey every two years, though the 2021 Survey was delayed due to the pandemic. The latest is therefore the 2022 survey and the final report can be found here: [[District Wide Survey 2022 Final Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council's Citizens Panel, which is used for consultation.

❖ The Council also has an internal Staff Consultation Forum, a [Joint Staff Consultative Committee \(JSCC\)](#) and a Staff Consultation Policy.

❖ The Council convened an Inclusion Group, which is designed to bring together staff to understand the experiences of staff mainly but not exclusively in relation to protected characteristics and to input into the future direction of the organisation with regards to inclusion and diversity. The Group are able to make recommendations to Leadership Team.

❖ The Council has an Equality, Diversity, and Inclusion Strategy 2022-27.

❖ The Council's Customer Care Standards aims to put people first [[Customer Care Standards](#)]. The

² Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

³ Made under The Openness of Local Government Bodies Regulations 2014/2095

Communications Strategy 2019-23 and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on-line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges. It has assisted with the renewals of the 3 Business Improvement Districts (Hitchin, Letchworth and Royston).

❖ The Council is also a member of the Hertfordshire Growth Board (alongside the other 10 districts and borough councils and Local Enterprise Partnership). The [Growth Board](#) is the vehicle in which the county is working together to manage future growth and support economic recovery.

❖ In response to the COVID-19 pandemic, North Hertfordshire District actively supported the most impacted/vulnerable by the outbreak of the virus. When the country went into full scale lockdown on the 24th March, the council quickly set out its support by signposting residents and businesses to the Council's and central Government's package of guidance and support measures including grant funding awards. The Council's website established multiple pages with information and links, and these have also been heavily publicised on various social media platforms.

❖ Since the pandemic, Committee meetings are

streamed live to YouTube from the Council chamber, and remain on the Council's YouTube channel afterwards which has increased accessibility to members of the public.

❖ As a result of the pandemic, Councillor Surgeries, Town Talks, Area Committees and Environment Panel meetings were held virtually via Zoom. We have since trialled a hybrid town talk meeting and have retained virtual Environment Panel meetings due to the environmental benefits. Monitoring reports of viewing figures of council meetings have tracked the wider engagement. [Virtual and Physical Meeting Attendance by members of the public 2019 to 2021.pdf \(north-herts.gov.uk\)](#)

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

❖ *What NHDC has or does:*

❖ The Council has a Council Plan approval / review process, and its vision is based on partnership aspirations. The Priorities of the plan are People First; Sustainability; A Brighter Future Together. These provide the foundations for the Service planning process, and officers are required to indicate on their reports which priority the report relates to. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ [The Council Delivery Plan](#) supports the delivery of the Council Plan. It is set in March each year and then monitored and reviewed quarterly. It sets out the key projects the Council is looking to carry out during the year and shows key risks and performance indicators.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council's vision of equality and diversity [[Equality and Diversity page](#)]. The Strategy was revised in December 2022.

❖ The Climate Change Strategy contains objectives and actions which guide the council's approach to dealing with climate and sustainability issues. The overarching objectives relate to Net Zero targets for the council's operations and the district, and ensuring council services as well as the district are resilient to the impacts of climate change.

❖ The Council's process for assessing Environmental and Equality Impacts. Report templates include sections on Equality and Environmental Implications which officers must consider and comment on. Where significant implications are considered likely, a fuller Impact Assessment form must be completed to understand the impacts in more detail and plan for mitigative action. Equality and environmental issues are therefore monitored through the report / decision making process and an Annual Cumulative Impact Assessments 2022/23 which can be found on the Equality and Diversity webpage, and on the [Climate Change webpage](#).

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

❖ *What NHDC has or does:*

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officers). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an 'options' appraisal called "Alternative options considered" and risk

analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council's agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk Management Framework - Strategy \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/risk-management-framework). These are recorded on the Risk Register and monitored through the Council's Pentana performance/risk management system available to Councillors and staff. Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet. Corporate risks are reported to the Overview and Scrutiny Committee on a quarterly basis. The [Finance Audit and Risk Committee](#) receive reports to provide assurance over risk management processes.

❖ The Council's Financial Regulations [\[Constitution webpage – see Section 19\]](#) are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium- Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5-year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan / business planning process. Budget workshops are provided to Political groups prior to budget setting/ budget approval, and this helps to optimise achievements.

❖ From 2019, the Investment Strategy replaced the Capital Programme and Treasury Strategy, and was

considered by Finance, Audit, and Risk in January 2022 and approved by Full Council on 10th February 2022.

❖ The Council's Procurement Strategy has been revised and puts in place the aspirations for the district as they relate to the Council Plan, including taking a focus on achieving community benefits through emphasis of the Go Local policy and a widening of the scope of this to incorporate Community Wealth Building.

❖ The Council has a Community Grants Policy and during 2022/23 gave grants to organisations working around food provision, arts and culture, mental health, physical wellness, children's activities and support, support for older residents, education, and green issues. The Assessment Criteria ensures that funding is allocated to projects or activities and areas that will have the most beneficial impact on the residents of North Hertfordshire

❖ The Council has an Investment Plan for the Shared Prosperity Fund which sets out proposals around improving town centres, supporting local businesses, and developing health and wellbeing initiatives, and capacity developing in the VCFSE sector amongst other things.

❖ The Council has allocated government funding for [homelessness prevention services and interventions](#).

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

❖ **What NHDC has or does:**

❖ The Council recognises the importance of employees, planning recruitment and development. Following the pandemic, the focus of HR strategy

work has been on adapting to new ways of working and making this work for the Council and for staff. Issues around employee engagement and retention have also increased. To help address that we are looking at our staff benefits and our recruitment processes.

❖ A Recruitment Process form has replaced the Vacancy Control process to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management qualifications.

❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.

❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control', and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter, during the pandemic (currently dormant).

❖ The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing director/ Leader Briefings. Political Liaison Board (PLB) meetings are held, and opposition Member/ shadow Member briefings provided by the managing Director / Service Directors and other senior officers.

❖ Weekly Leadership meetings are held where ongoing issues are discussed and during monthly business meetings, Policy, Projects, Performance

and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.

- ❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service directors convene monthly briefings with relevant Executive Members.
- ❖ Following an LGA Corporate Peer Challenge assessment, an [Action Plan](#) has been developed to ensure benefits of the CPS process are realised, through thorough Organisational Development. This has been further developed to provide peer support to the Overview & Scrutiny and Finance and Audit Committee.
- ❖ The Council has a Transformation Project which seeks to improve our services to residents using Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.
- ❖ The Shaping Our Future Group provided an important forum to consider the culture of the organisation and how it needs to adapt in order to continue to achieve its priorities. It included staff and leadership development; work on equality, diversity and inclusion; moving towards a more commercial culture; digital transformation. A work programme has been developed and is being delivered.
- ❖ The Inclusion Group considers staff experiences and looks to drive forward the equality, diversity, and inclusion agenda within the Council. It also receives feedback from HR on the gender pay gap. HR look to monitor and implement recommendations around the pay gap following the 2022 report.
- ❖ Staff Learning and Development sessions have

been instituted on the morning of every first Friday of each month. These are a mixture of themed and non-themed sessions to enable them to be used by teams or individuals to focus on an area of development most useful for them.

- ❖ In response to Covid-19, the Council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. The board last met in April 2022 and are due to receive communication regarding closure.
- ❖ The Values of the organisation were revised in 2022. The new values shape how we aim to act as an organisation. They are:

TOGETHER: We work together and support

LISTENING: We listen to and consider the views

of each other, our partners and our customers

LEARNING: We learn from others and are open to change

ADAPTABLE: We are adaptable in finding solutions for each other, our partners and our customers.

INCLUSIVE: We are inclusive and value diversity

- ❖ The Recruitment & Selection Policy was last reviewed and updated in 2020/21 as part of the policy review process. This is currently under review.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

❖ What NHDC has or does:

- ❖ The Council has extensive mechanisms in place to manage risk and performance, for example, through the Risk Management Team/Group/Member Champion and the [Risk Management Policy Statement](#), [Risk Management Framework – Strategy](#), the [Risk Management Framework Policy](#) and operational guide. The Pentana system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant 'ownership'. These are reported to Leadership Team and O&S Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Risk Management Strategy is reviewed regularly and most recently was revised and approved by Cabinet in December 2020.

- ❖ SIAS' review of Financial and Non-financial systems during 2020/21, delivered in their [June 2022 report](#) to Finance, Audit, and Risk Committee provided overall Reasonable level of assurance. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance.

- ❖ The council maintains a [Data Sharing Statement](#) to ensure that information is handled and dealt properly when collected, recorded and used. This data handling is treated lawfully, correctly and adheres to the Data Protection Act. The Council has a Data Sharing Protocol which provides a framework for the Partner Organisations for the regulation

working practices between Partner Organisations and is in accordance with the ICO's data sharing code of practice.

❖ Certain Service areas have their external emails encrypted by default (Housing, Revenues and Benefits, Systems Technical (Revenues and Benefits), Cashiers and Careline). Encryption occurs automatically when sending emails to certain domains, and the list of domains included on this list is reviewed regularly. Employees/ Members are instructed to encrypt an email if sending private, sensitive or confidential information to an external email address.

❖ The Council has a designated data protection (DPA) officer – the Revenues Manager and Data Controller is the Service Director - Customers [DPA - website Contacts information](#)

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Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

❖ **What NHDC has or does:**

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's [website](#). It contains information about the Council's services and events. The Autumn Outlook– Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each civic year outlining the work undertaken in the previous civic year. On an annual basis SIAS

is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). [Annual Assurance Statement and Annual Report 2021-22 presented in June 2022](#). The report found that SIAS generally conformed to the required standards; and that the external quality assurance assessors also held that SIAS conforms with the standards. An external review is required at least once every five years and this last took place in June 2022 and was reported at the December FAR meeting.

❖ In terms of performance SIAS narrowly missed targets on plan days and plan projects at 91 and 92% respectively; this was nevertheless a good outcome in view of an organisational restructure that impacted auditors. The last [Internal Audit Progress Report](#) of 2022/23 was delivered in March 2023 and reported that as of 17th February 2023 73% of the Internal Audit Plan Days had been delivered.

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom for each year and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/Audit completion certificate and Annual Audit Letter).

Review of Effectiveness:

❖ The Council uses a number of ways to review and assess the effectiveness of its governance

arrangements. These are set out below:

Assurance from Internal and External Audit

❖ One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken. From 1 April 2021, SIAS have adopted the CIPFA assurance definitions (previously SIAS have used their own definitions). During [21/22 SIAS](#) reported on 24 areas of which 5 received a Substantial assurance, 6 a Reasonable assurance, 1 a limited assurance, 8 not assessed and 4 not finalised. The limited assurance opinion related to Resilience in Revs and Bens Systems and Technical Team and there were three high priority recommendations made and implemented. All key financial/ risk systems/ contract management were also reviewed and a Reasonable assurance opinion overall on financial systems was concluded. Recommendations are detailed in the [June 2022 SIAS Annual Assurance Statement](#).

❖ SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Recommendations are in the process of being actioned and outstanding ones will be taken forward and monitored through reports to FAR Committee. A review of FAR committee was not undertaken for 2021/22, as there was due to be a peer review during 2022.

❖ The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Following the national impact of Covid-19, Ernst & Young added all new Covid related risks for all councils. The last Annual Audit Letter was presented to the FAR Committee in January 2021

and was generally very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources. This did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion. [NHDC Annual Audit Letter 2019-20]. The External Audit Update report issued in June 2020 [External Audit plan for year ending 31/3/20] indicated the addition of new risks – all Covid-19 related and in line with other local authorities. The [External Audit Annual report](#) for the year ended 31st March 2021 was presented at the June 2022 Finance, Audit, and Risk meeting. The report stated that Ernst and Young expected to issue an 'unqualified' opinion on the Council's financial statements.

Assurance from self-assessment

The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director is responsible for producing their own assurance statements and where relevant for mitigating identified risks and governance weaknesses as part of the Service Planning process. The areas of governance reviews include but is not limited to: legislative compliance, project management, training and development, performance management, and conflicts of interest. [The Council Delivery Plan](#) highlights key projects to support achievement of our Council Plan.

❖ Leadership Team is chaired by the Managing Director respectively, includes the MO, CFO and key senior managers. It follows the CIPFA/SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016

Framework Principles/sub-principles guidance examples. This is usually undertaken during March - June and so as Leadership can confirm satisfaction that appropriate and overall Substantial 2016 Framework governance arrangements are in place. The detailed AGS self-assessment is available on the Corporate Governance page⁴.

Assurance from Risk Management

Projects, risks, and performance indicators have been amalgamated into the Council Delivery Plan which is taken to Overview & Scrutiny Committee each quarter. This is to ensure a more integrated corporate approach. As reported to the December 2022 meeting of O&S, the top risks (scoring a 9 on the risk matrix) for the Council were Local Plan Implementation (noted as complete as of November 2022 following adoption); Financial Sustainability; Response to Government Resources and Waste Strategy; the Churchgate project. Other risk scoring highly on the matrix (8s and 7s) are: Health Inequalities, increasing accommodation for single homeless people, and the resource required for vital additional actions.

❖ Delivery of the **Local Plan** remained a top risk up to its adoption. The Planning Inspector published the Main Modifications arising from the Local Plan examination process in November 2018. These were reported to Cabinet in December 2018, when approval was granted for consultation on the proposals. The Council concluded consultation on the Main Modifications in April 2019. Following the consultation on the Main modifications in January 2020, the Inspector arranged for further hearing sessions for March 2020. During 2020-21 consultation upon the Inspector's proposed Further Main Modifications to the Plan and documentation produced under delegated authority was undertaken. Following receipt of the Inspectors

report and consideration this was recently adopted by Full Council on 8 November 2022. Following this completion, it's risk score was downgraded from 9 to 6 on the risk matrix.

❖ **Financial Sustainability** is an ongoing top risk which is reported through the Council Delivery Plan. The MTFS, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

❖ **The Churchgate project** refers to plans to regenerate a shopping centre and the surrounding areas. It is a top-rated risk, with the risk relating to the affordability of the regeneration, and the possibility of failing to meet the expectations of stakeholders.

❖ A top risk relates to **Response to Government Resources and Waste Strategy**. The project is around the service design for the new contract process with the risk focused on confirmation of government strategy and legislation, cost uncertainty, reduction in resident satisfaction with new service, lack of suppliers, and impact on council reputation amongst other things.

Assurance from Complaints outcomes Local Government Ombudsman (LGO):

❖ The Council reports complaints to Leadership and O&S. The summary for the full period 2022/2023 was presented at the June 2023 Overview and Scrutiny meeting. The summary indicated that the number of complaints received by both the Council and our contractors decreased from 423 in 21/22 to 417 in 22/23. Of the total 417, 232 (56%) relate to services delivered by our key contractors. The LGO received 13 complaints during this period. These cases are shown in the LGO's Annual Review Letter. 5 of the 13 were upheld by the LGO, however 2 of

⁴ <https://www.north-herts.gov.uk/corporate-governance>

the 5 had already been remedied by the council.

Standards complaints involving Councillors

❖ A detailed update on Member complaints was given to the Standards Committee in a report delivered by the Service Director for Legal and Community in March 2023. During the 2022 calendar 30 complaints against members were received. This was a reduction compared to 2021, where 52 complaints had been received. At the point of the report, it was noted that 2 complaints had been received so far during 2023.

Whistle Blowing Complaints

❖ In line with the published Whistleblowing Policy, we did not receive any complaints / concerns during the 2022-23 period.

Information Commissioner's Office (ICO)

❖ The Review time limit supplements the statutory time for handling requests (20 working days) and during 2022 calendar year, the Council only failed to handle 4.31% of the 653 FOIs/EIRs requests within that period. There were 10 reviews, 3 of which were successful and the information released, 2 of which was partially successful, and 5 of which were unsuccessful.

❖ In respect to requests for information under the Data Protection Act - 220 Data Protection cases (including 16 Subject Access Requests) were received in the 2021 calendar year, of which 90% were successfully answered within the 40-calendar day deadline.

❖ During the 2022 calendar year there were no complaints lodged at the ICO.

Conclusion:

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2022/23 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan. Implementation will be monitored through the Finance Audit and Risk Committee.

Cllr Elizabeth Dennis, Leader of the Council

Anthony Roche, Managing Director

Action Plan 2023/24

1. Increase uptake of ethical awareness training - increase staff/member uptake of the Anti-bribery and Fraud Awareness e-learning modules, noting uptake levels through the Civic year. (Leadership Team; Learning & Development; Committee Services)
2. Review and further develop a Member training programme for commencement after the May 2024 local election. (Leadership Team; Committee Services; Learning and Development)
3. The Inclusion Group to establish a procedure for developing recommendations and delivering these to Leadership Team. (Inclusion Group; Human Resources; Policy)
4. Develop greater scrutiny of performance against the gender pay gap action plan (Human Resources; Inclusion Group; Leadership Team; Joint Staff Consultative Committee)
5. To monitor trends and circumstances around Local Government Ombudsman (LGO) complaints via the review of quarterly reports (Leadership Team)
6. Implement the action plan, once agreed with the relevant Committees and Cabinet, which is being proposed to Overview & Scrutiny and Finance, Audit, and Risk Committees from June 2023. (Leadership Team / Overview & Scrutiny and Finance, Audit and Risk Committees to monitor).

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ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2022/23

**NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
JUNE 2023**

RECOMMENDATIONS

Members are recommended to:

- Note the Annual Assurance Statement and Internal Audit Annual Report
- Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Approve the SIAS Audit Charter for 2023/24
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23

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 - 2.10 Assurance Opinion on Internal Control
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3. Overview of Internal Audit Activity at the Council in 2022/23
4. Performance of the Internal Audit Service in 2022/23
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- B Definitions of Assurance Recommendation Priority Levels
- C Position against Public Sector Internal Audit Standards as of May 2023
- D Internal Audit Charter 2023/24

1. Purpose and Background

Purpose of Report

1.1 This report:

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's audit plan.
- e) Presents the 2023/24 Audit Charter for approval.

Background

- 1.2 A key duty of the Chief Audit Executive (the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.3 The assurance opinion in this report is based on the 2022/23 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2023/24 before the Audit Committee report deadline.
- 1.4 The audit plan remained dynamic during the year, with plan changes made during the financial year to reflect the changing risks of the Council, or pace of transformation or change that would impact on the value of audits originally included in the plan. All plan changes during 2022/23 were communicated to, and approved by, the Audit Committee with the quarterly SIAS progress reports.
- 1.5 SIAS is grateful for the co-operation and support it has received from client officers during 2022/23.

2. Annual Assurance Statement 2022/23

Context

Scope of responsibility

- 2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used

economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

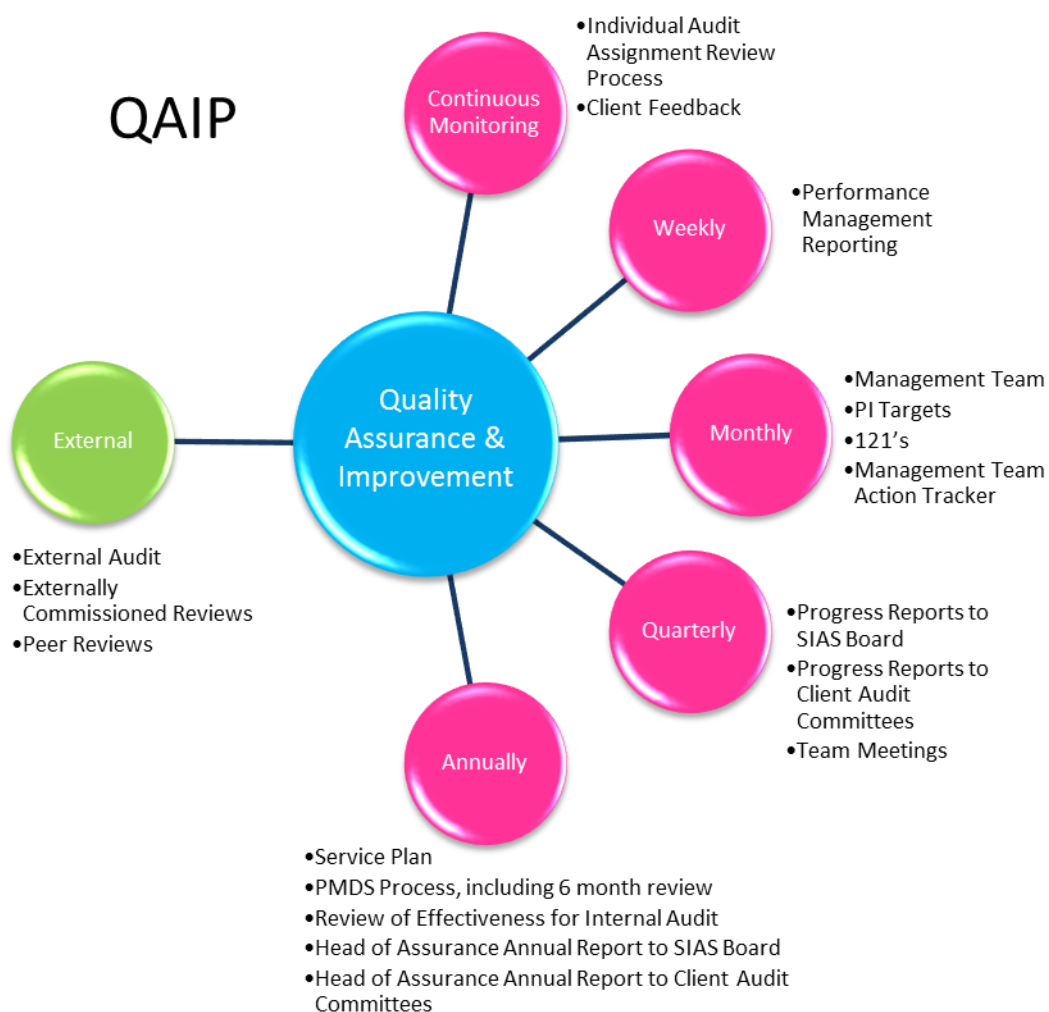
Control environment

- 2.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

Review of effectiveness

- 2.3 The Client Audit Manager must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.4 As part of our Quality Assurance and Improvement Programme, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They also highlight the importance of robust, independent, and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.5 The PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Finance, Audit and Risk Committee in December 2021.
- 2.6 Based on the results of the 2022/23 PSIAS self-assessment, the Head of Assurance has concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies, and processes assessed as conformant to the Standards and is consequently effective.
- 2.7 The self-assessment identified two areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.

- 2.8 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



Confirmation of independence of internal audit and assurance on limitations

- 2.9 The Client Audit Manager confirms that during the year:
- No matters threatened SIAS's independence; and
 - SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2022/23

Assurance opinion on internal control

- 2.10 Based on the internal audit work undertaken at the Council in 2022/23, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.



Assurance opinion on Corporate Governance and Risk Management

- 2.11 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2022/23 and the specific coverage of governance and risk management arrangements related to the areas included within the approved internal audit plan. A specific Risk Management audit completed within the Internal Audit Plan had a reasonable overall assurance opinion.

Chris Wood
Chief Audit Executive (Client Audit Manager)
June 2023

3. Overview of Internal Audit Activity at the Council in 2022/23

- 3.1 This section summarises work undertaken at the Council by SIAS in 2022/23. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2021/22 data in brackets).

Assurance Level	Number of reports 2022/23 (2021/22 data in brackets)	Percentage of reports 2022/23 (2021/22 data in brackets)
Substantial	2 (5)	7% (21%)
Reasonable	15* (6)	56% (25%)
Limited	2 (1)	7% (4%)
No	0 (0)	0% (0%)
Not Assessed	3 (8)	11% (33%)
Unqualified	5 (0)	19% (0%)
Not Complete	0 (4)	0% (17%)
Total	27 (24)	100% (100%)

* One report included in the total is at draft report stage, but it is not anticipated that the assurance opinion for this audit will change.

Recommendation Priority Level	Number of recommendations 2022/23 (2021/22 data in brackets)	Percentage of recommendations made 2022/23 (2021/22) data in brackets)
Critical	0 (0)	0% (0%)
High	4 (3)	6% (14%)
Medium	36 (9)	49% (41%)
Low / Advisory	33 (10)	45% (45%)
Total	73 (22)	100% (100%)

- 3.3 **The Reasonable overall assurance opinion** has been concluded from nineteen audits where assurance opinions were provided. Two received Substantial assurance, fifteen received Reasonable assurance and two received Limited assurance. This generally indicates that the Council has satisfactory systems of internal control for a wide range of areas. Four high priority recommendations and thirty-six medium priority recommendation were made across these audits. Whilst the issues raised

in the High priority recommendations and Limited assurance reports (see paragraph 3.9) are significant, the audit conclusions on their own are insufficient to reduce the overall annual assurance opinion for the Council.

- 3.4 There were three projects with an opinion of 'Not Assessed' that provided consultancy advice on the planned control environment, but an assurance opinion for the work was not provided. No material or significant observations or issues arose from these three consultancy projects, and the outcomes informed the overall assurance opinion.
- 3.5 Five further projects all received Unqualified opinions and contributed to the overall assurance opinion. These consisted of three grants audits and two audits of charitable trust accounts run through the Council's bank accounts, both of which certified that the accompanying final accounts presented an accurate picture of the activities and transactions undertaken through the account and of the financial position at the end of the year.
- 3.6 One audit was at draft report stage at the time of writing this Annual Report, with a management response awaited. This audit (Safeguarding) has been included as part of the overall assurance opinion for 2022/23 as the assurance opinion contained therein is not anticipated to change during the finalisation process. Two audits (Health and Safety of Lone Workers (EH and Housing) and Future Ways of Working) from 2021/22 which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2022/23.
- 3.7 SIAS has previously provided separate overall assurance opinions on the financial and non-financial systems at the Council. With only the Centros Financial System and Revenues Discounts and Exemptions audits fulfilling the criteria of financial systems audits within the 2022/23 Internal Audit Plan, the number of projects is deemed too small to warrant a separate assurance opinion on financial systems. The Public Sector Internal Audit Standards require only that the Chief Audit Executive provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control, and makes no specification around separate opinions for financial and non-financial systems as SIAS have previously provided.

Critical and High Priority Recommendations

- 3.8 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.9 Four high priority recommendations were made within work carried out during 2022/23, these arising from the Climate Emergency, Business Continuity Planning, Risk and Performance Management and Careline

Operations audits. Finance, Audit and Risk Committee Members have received copies of these final audit reports and will continue to receive updates on the implementation progress of critical and high priority recommendations through the SIAS quarterly progress reports to the Committee.

4. Performance of the Internal Audit Service in 2022/23

Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2022/23 targets set by the SIAS Board.

Indicator	Target 2022/23	Actual to 31 March 2023	Actual to 7 June 2023
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	97% (246.5 / 255 days)	100% (255 / 255 days)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	93% (25 / 27 audit projects)	100% (27 / 27 projects)
3 SIAS Annual Plan – presented to the March Finance, Audit and Risk Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Yes	N/A
4 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	71% (5 out of 7 received back)	N/A
5 Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Finance, Audit and Risk	Deadline met	Yes	Yes

Annual Assurance Statement and Internal Audit Annual Report - North Herts Council

Committee meeting of the financial year			
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Service Developments

4.2 During 2022/23 the main service and development activities for SIAS included:

- a) **Recruitment and Retention** – during 2022/23 several staff have left the Service to pursue new career opportunities or retirement. The current market is widely recognised as very challenging, however the Service has successfully recruited two new Trainees, an Auditor, an Assistant Client Audit Manager (starting in June 2023), as well as Internal promotions for two staff members.
- b) **Training and Development** – given the current challenging recruitment market, SIAS are focusing on a ‘grow your own’ strategy. As part of this a full review of the approach to training and development has been undertaken. This included the introduction of dedicated quarterly training events for staff, and all team members being provided with personalised plans to support their development of skills for future career progression.
- c) **Ways of Working** – given the promotion of hybrid working practices across the Council, the service looked at ways to ensure that team working, bonding and information sharing continues, as this is key to the success of any team. Working with team members, SIAS have introduced an “Office Wednesday”, with all team members encouraged to attend the office to ensure that collaboration and support can continue to be in place in the times of more remote working.
- d) **Data Analytics** – SIAS continue to progress the adoption of data analytics into the audit process where this is deemed feasible. Data analytics is a powerful tool which can be incorporated into the audit process and enhances the ability to carry out whole population testing and continuous auditing. This in turn can enhance the assurance provided on the management of risk and controls. The above is being supported through close collaboration with our colleagues in the Local Authority Chief Auditors Network, our co-sourced audit partner (BDO) and training and development for our audit staff.

5. Audit Charter 2023/24

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the

partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.

- 5.3 The Audit Charter is reviewed annually. The review in May 2023 did not result in any material changes and the 2023/24 Charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE 2022/23 INTERNAL AUDIT PLAN

North Herts Council Audit Plan – 2022/23

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
High Priority							
Centros Financial System	Reasonable	0	0	1	1	12	Final Report Issued*
Climate Emergency	Limited	0	1	1	3	12	Final Report Issued
Business Continuity Planning	Limited	0	1	2	0	15	Final Report Issued
Risk and Performance Management	Reasonable	0	1	3	1	12	Final Report Issued*
Procurement	Reasonable	0	0	1	1	12	Final Report Issued**
Careline Operations	Reasonable	0	1	0	0	12	Final Report Issued
Waste Contract	Reasonable	0	0	3	0	6	Final Report Issued*
Medium Priority							
Revenues Discounts and Exemptions	Reasonable	0	0	1	2	8	Final Report Issued
Compliance Contract	Reasonable	0	0	2	1	11	Final Report Issued
Handling Difficult Customers Policy	Substantial	0	0	0	0	10	Final Report Issued
Leisure Services	Substantial	0	0	0	1	11	Final Report Issued*
Temporary Accommodation	Reasonable	0	0	3	4	8	Final Report Issued*

APPENDIX A – FINAL POSITION AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Safeguarding	Reasonable	0	0	2	5	8	Draft Report Issued**
Parking Strategy	-	-	-	-	-	0	Audit Cancelled
Community Lottery	Reasonable	0	0	1	2	10	Final Report Issued*
Project Management	Not assessed***	0	0	0	0	8	Final Report Issued*
Certifications							
King George V Playing Fields	Unqualified	-	-	-	-	1	Final Report Issued
Workman's Hall and Gym	Unqualified	-	-	-	-	1	Final Report Issued
COMF Response	Unqualified	-	-	-	-	1	Final Report Issued
Test and Trace Support Payment Scheme	Unqualified	-	-	-	-	2	Final Report Issued
Green Homes Grant (Park Homes) – LAD1B	Unqualified	-	-	-	-	2	Final Report Issued
Certification Contingency	N/A	-	-	-	-	0	
IT Audits							
Cyber Risk	Reasonable	0	0	4	0	15	Final Report Issued*
Phishing	Reasonable	0	0	3	2	10	Final Report Issued*

APPENDIX A – FINAL POSITION AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
IT Hardware	Reasonable	0	0	3	0	10	Final Report Issued*
Consultancy							
Impact of Ways of Working on the MSU	Not assessed***	0	0	0	0	5	Final Report Issued*
Strategic Planning						0	Consultancy deferred to 2023/24 Plan
Shared Learning and Joint Reviews							
Shared Learning	-	-	-	-	-	2	Complete
Joint Review	Not assessed***	0	0	0	7	2	Final Report Issued
Contingency							
Contingency	-	-	-	-	-	15	
Client Management – Strategic Support							
Chief Audit Executive Annual Opinion Report	-	-	-	-	-	3	Complete
Audit Committee	-	-	-	-	-	6	Complete
Performance Monitoring	-	-	-	-	-	8	Complete
Client Liaison	-	-	-	-	-	8	Complete

APPENDIX A – FINAL POSITION AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Audit Planning 2023/24	-	-	-	-	-	8	Complete
SIAS Development	-	-	-	-	-	5	Complete
2021/22 Projects Requiring Completion							
2021/22 projects Requiring Completion	-	-	-	-	-	2	Complete
Future Ways of Working	Reasonable	0	0	4	3	9	Final Report Issued
Health and Safety of Lone Workers - EH and Housing	Reasonable	0	0	2	0	0	Final Report Issued
Total		0	4	36	33	270	

* At Draft Report stage on 31 March 2023, Final Report issued after year end.

** Draft Report issued after year end

*** Not Assessed means an assurance opinion was not required based on the nature of the work being performed.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

2022/23 Definitions of Assurance and Recommendation Priority Levels

Assurance Level		Definition
Substantial		A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable		There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Priority Level		Definition
<div> <div>Corporate</div> <div>6</div> <div>94</div> </div>	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX C – POSITION AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2023 – ACTION PLAN

Section A: Conformance - All areas apart from those identified in Section B below were conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	Purpose, Authority and Responsibility Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) and the Head of Assurance (HCC)?	The Head of SIAS, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE. This is as provided for in the governance of the Shared Internal Audit Service	Non-conformance No further action proposed. The current arrangements are considered appropriate given that SIAS operates as a partnership.
3.1c	Purpose, Authority and Responsibility Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	The performance appraisal is carried out by the Head of SIAS (HCC).	Non-conformance No further action proposed. The appraisal process was carried out by the Head of SIAS (HCC). The current arrangements are considered appropriate given that SIAS operates as a partnership.



Audit Charter 2023/2024

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. Statutory Basis of Internal Audit

- 2.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 Officer relies, amongst other sources, upon the work of internal audit.

3. Role

- 3.1. SIAS internal audit activity is overseen by North Herts Council's committee charged with fulfilling audit committee responsibilities, herewith referred to as

the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.

- 3.2. SIAS may undertake additional consultancy activity requested by management. The Client Audit Manager will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Audit Committee.

4. Professionalism

- 4.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the PSIAS be identified, the Client Audit Manager will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical property, and personnel as required to carry out an engagement. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client

organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

6. Organisation

- 6.1. The Client Audit Manager and their representatives have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive, the Chair of the Audit Committee and the External Auditor. The Client Audit Manager will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit Committee has free and unrestricted direct access to both the Client Audit Manager and the Council's External Auditor.
- 6.3. The Client Audit Manager is line managed by the Head of SIAS who approves all decisions regarding the performance evaluation, appointment, or removal of the Client Audit Manager, in consultation with the SIAS Board.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of Assurance (HCC), working with the Head of SIAS, both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
 - hiring, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
- 7.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Client Audit Manager to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports.
- 7.3. The Audit Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Audit Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.

- 7.5. The Client Audit Manager is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee, in a format agreed with these relevant parties.
- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS and reporting to the Audit Committee its findings, including:
- resourcing and financial performance
 - operational effectiveness through the monitoring performance indicators
 - the overall strategic direction of the shared service.

8. Independence and Objectivity

- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Client Audit Manager will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Client Audit Manager may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Client Audit Manager and Head of SIAS will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Client Audit Manager will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

9. Conflicts of Interest

- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Client Audit Manager in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Client Audit Manager will investigate and report on the matter to appropriate parties.

10. Responsibility and Scope

- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
 - consistency of operations or programs with established objectives and goals, and effective performance
 - effectiveness and efficiency of governance, operations and employment of resources

- compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
 - safeguarding of assets
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.
- 10.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures, control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

11. Role in Anti-Fraud

- 11.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
- 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
- 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
- 11.4. The Client Audit Manager should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.

12. Internal Audit Plan

- 12.1. Following discussion with appropriate senior management, the Client Audit Manager will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by the Section 151 and Deputy Section 151 Officers and Management

Board and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.

- 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

13. Reporting and Monitoring

- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Client Audit Manager to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 13.4. In consultation with senior management, the Client Audit Manager will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a

summary of the work that supports the opinion. Hertfordshire County Council's Head of Assurance will also make a statement of conformance with PSIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the PSIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

14. Periodic Assessment

- 14.1. PSIAS require Hertfordshire County Council's Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least every five years.
- 14.2. Hertfordshire County Council's Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

15. Review of the Audit Charter

- 15.1. The Client Audit Manager will review this charter annually and will present to the first audit committee meeting of each financial year, any changes for approval.
- 15.2. The Client Audit Manager reviewed this Audit Charter in May 2023. It will next be reviewed in May 2024.

Glossary of Terms

Finance, Audit and Risk Committee	<p>The PSIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Finance, Audit and Risk Committee operates in accordance with its terms of reference contained in North Herts Council’s Constitution.</p> <p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at NHC.</p>
Audit Plan	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
Board	<p>The PSIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged</p>

	<p>with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the PSIAS shall be North Herts Council’s Finance, Audit and Risk Committee. All references to the Finance, Audit and Risk Committee in the SIAS Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>The PSIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the PSIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the PSIAS shall be NHC’s Client Audit Manager. All references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Public Sector Internal Audit Standards (PSIAS)	<p>These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the</p>

	professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent, and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.
Shared Internal Audit Service (SIAS)	SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.
SIAS Board	The Board that comprises officer representatives from the partner authorities and that is responsible for the governance of the SIAS partnership.

Note:

For readability, the term 'internal audit activity' as used in the PSIAS guidance has been replaced with 'SIAS' in this Charter.

CABINET
27 June 2023

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2022/23

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure as at the end of the financial year 2022/23. The net outturn of **£15.820million** represents a **£918k** decrease from the net working budget of £16.738 million. The significant variances are detailed and explained in table 4. There are corresponding requests to carry forward £184k of unspent budget to fund specific projects that will now take place in 2023/24. There is a further forecast impact on the 2023/24 base budget of a £31k decrease.

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of **£918k** in the 2022/23 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of **£15.820million**.
- 2.3. That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £153k increase in net expenditure.

That Cabinet recommends to Council

- 2.4. That Council approves the net transfer from earmarked reserves, as identified in table 9, of £5.274million.

3. REASONS FOR RECOMMENDATIONS

- 3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- 3.2. Changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 21st of April 2023.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2022/23 of £18.198million in February 2022. At the end of the financial year, the working budget has decreased to £16.738million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2022/23 approved by Full Council	18,198
Quarter 3 2021/22 Revenue Budget Monitoring report – 2022/23 budget changes approved by Cabinet (March 2022)	238
2021/22 Revenue Budget Outturn Report – 2022/23 budget changes approved by Cabinet (June 2022)	179
Quarter 1 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (September 2022)	(559)
Quarter 2 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (December 2022)	(270)
2023/24 Revenue Budget report – leisure investment bids brought forward to spend in 2022/23 approved by Council (February 2023)	42
Quarter 3 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (March 2023)	(1,090)
Current Working Budget	16,738

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the original net direct budget allocations for 2022/23.

Table 2 – 2022/23 Service Directorate Budget Allocations

	Managing Director	Customers	Enterprise	Legal & Community	Place	Regulatory Services	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Original Budget	3,422	3,866	(148)	2,281	4,720	1,407	2,650	18,198
Q3 2021/22	104	10	(4)	50	(15)	43	50	238
Outturn 2021/22	135	52	0	(9)	(51)	52	0	179
Q1 2022/23	(2,201)	371	(113)	61	770	535	18	(559)
Q2 2022/23	(386)	(69)	27	51	(217)	302	22	(270)
Budget 2023/24	0	0	0	0	42	0	0	42
Q3 2022/23	(449)	(37)	(132)	(41)	293	(667)	(57)	(1,090)
Other Changes	(268)	152	131	108	96	(80)	(139)	0
Current Budget	357	4,345	(239)	601	5,638	1,592	2,544	16,738

8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2022/23 of **£15.820 million** (recommendation 2.2). This is a net decrease of **£918k** on the working budget of £16.738million. Table 3 below confirms the net expenditure for each Service Directorate and the variance with the current working budget. The major changes reported during the year are recorded at Appendix A.

Table 3 - 2022/23 Revenue Outturn by Service Directorate

Directorate	Net Direct Working Budget	Net Direct Outturn*	(Under) / Overspend
Managing Director	357	250	(107)
Customers Directorate	4,345	3,808	(537)
Enterprise Directorate	(239)	(298)	(59)
Legal & Community Directorate	2,501	2,395	(106)
Place Directorate	5,638	5,604	(34)
Regulatory Services Directorate	1,592	1,576	(16)
Resources Directorate	2,544	2,485	(59)
TOTAL	16,738	15,820	(918)

* Directorate outturn totals exclude year-end finance lease accounting entries. These entries have a net zero impact on the Council's General Fund, but their inclusion would distort the Directorate performance indicated in the table.

- 8.2. Table 4 below highlights and explains the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2023/24) budget.

Table 4 - Summary of significant variances at Outturn

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Managing Director External Audit Fees	75	101	+26	Overspend variance is indicative of both estimated additional fees for the 2021/22 final accounts audit, which is not yet complete, and increases in the fees incurred in respect of the Housing Benefit claim certification. The estimated ongoing impact reflects the £9k increase to the base audit scale fee, as confirmed by the PSAA, and an increase in the unit price for testing undertaken in respect of the Housing Benefit certification.	0	13
Government Grant Income	0	(22)	(22)	Redmond Review Local Audit fees grant of £21.5k was received to support the increase in 2022/23 audit fees associated with the implementation of the Redmond Review recommendations.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Managing Director Strategic Priorities Fund	83	0	(83)	This fund was created to enable short-term investments in Council priorities, including testing out new ideas and where there is an invest-to-save opportunity. There are amounts committed in future years to cover community engagement software, improving automation of waste charging and implementing a Social Value Portal.	83	0
Managing Director Interest Income	(1,277)	(1,310)	(33)	Investment interest rates have continued to rise, with the Bank of England base rate increasing from 3.5% to 4% and then again to 4.25% during the quarter. The average interest rate return on all outstanding investments at the end of Q4 therefore rose to 4.19%, compared to 3.21% at the end of Q3. There is no ongoing impact as increases in interest rates to around this level were already factored in to the calculation of the interest income anticipated in 2023/24 in the budget estimates presented to Council for approval in February.	0	0
Customers IT Support and Maintenance	192	139	(53)	The underspend relates to the £53k investment budget for the scanning of Planning micro-fiche records included in the budget total. This investment budget was not required as the work, completed in March, has instead been fully funded from Covid Outbreak Management Fund (COMF) grant money. This reflects that the records can now be accessed electronically and without the close support required to use the micro-fiche machine.	0	0
Customers Careline Installation and Maintenance Costs	287	116	(171)	The non-complex needs installation and maintenance service was brought in-house part way through the year, which has resulted in a saving compared to the previously outsourced contract. The estimated ongoing saving was presented as an efficiency proposal in compiling the revenue budget for 2023/24.	0	0
Customers New Burdens Grant from Government	(65)	(207)	(142)	Additional New Burdens grants have been received from DLUHC this year for the administrative burden of delivering both the Council Tax rebate scheme and Covid-19 business grant schemes respectively. These were delivered within existing resource and hence the grant amounts received have not been required to meet additional costs. It is requested that the unspent grant is transferred to reserve to finance developments within the Revenues and Benefits service in the coming years, which will improve operational efficiency and enhance the customer experience.	0	0
Transfer to Earmarked Reserve	13	155	+142		0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Customers Council Tax & NNDR Summons Income	(178)	(260)	(82)	This is due to an increase in the number of summons issued compared to the previous year, with a total of 4,421 in 2022/23 compared to 2,874 summons issued in 2021/22. The increase is mainly due to a return to business-as-usual after the pandemic.	0	0
Customers Covid Grant Income	0	(39)	(39)	The Department for Business, Energy and Industrial Strategy (BEIS) carried out a supplementary reconciliation process back in June 22 and have provided another payment to North Herts to reimburse grant payments made to businesses. As these were payments that had originally been paid incorrectly by the Council, due to either businesses providing the wrong bank details or input error, it had been assumed that these payments would not be reimbursed by BEIS and as such the payments were charged as a cost to the General Fund in 2021/22.	0	0
Customers Net housing benefit payments	305	336	+31	Increase in net cost compared to the working budget estimate is primarily due to a reassessment of certain central benefits by the DWP during the year. This resulted in the backdated removal of housing benefit subsidy reimbursement for housing benefit payments made under the local war disablement / war widows' scheme.	0	0
Housing Benefit Overpayments Income	TBC	TBC	TBC		TBC	TBC
Enterprise Net Income from Churchgate Shopping Centre	(143)	(281)	(138)	This is the additional net income receivable following the Council's acquisition of the head leasehold interest last summer. This is in addition to the rental income that we previously received from owning the freehold. As set out in the Revenue Budget report 2023/24, the surplus income is requested to be set aside in a reserve to support the planning and delivery of the Churchgate regeneration project.	0	0
Transfer to Earmarked Reserve	0	138	+138		0	0
Enterprise Burymead Storage Survey	30	0	(30)	This investment budget is for the temporary storage costs associated with the building of a new museum storage facility. A developer has not yet been appointed as options are still being reviewed. It is therefore requested that the budget is carried forward to fund the activity in next year.	30	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Legal & Community Area Committees	51	39	(12)	The carry forward of £12.3k of unspent Area Committee budgets is requested. This total is comprised of £5.1k for Hitchin, £4.1k for Baldock, £2.2k for Southern Rural, £0.8k for Royston and £0.1k for Letchworth. The Hitchin carry forward balance includes £1.4k for grants that were awarded at the March meeting but could not be paid before the year end.	12	0
Legal & Community District ward boundary proposals Consultant Costs	31	21	(10)	The Council's response to the Local Government Boundary Commission for England second consultation on draft proposals for the district ward boundaries has been submitted. The response from the Boundary Commission has however been delayed as they are seeking legal advice and, depending on the outcome, there is a possibility that a third consultation by the Commission may be conducted on all or part of the proposals. The services of the consultant will be required if a third consultation is undertaken and therefore a carry forward of £10k is requested to fund this work.	10	0
Place Leisure Management Contract Fee Income	(671)	(578)	+93	Overall usage of the facilities had generally recovered to pre-pandemic levels by the end of the year. As we have been operating on an open-book basis we also need to fund any reasonably incurred increases in costs. High inflation has had a particular impact on staff pay, utilities and chemical costs.	0	0
Place Garden Waste Service Income	(1,223)	(1,251)	(28)	The overachievement of income corresponds to the growing number of subscribers, as highlighted in the quarterly monitoring of the corporate financial health indicators throughout the year.	0	0
Place Shared Waste Client Team – Contribution from East Herts	(245)	(265)	(20)	Half of the cost of the Shared Client Team is invoiced to East Herts Council. The variance this year is due to the higher than anticipated staff pay award for 2022/23. The impact on the additional costs incurred has already been reflected in budget forecasts.	0	(19)
Place AFM (Alternative Financial Model) Funded Expenditure	92	56	(36)	This budget was earmarked to cover the costs of consultant work on the procurement of the new waste contract. In the event however some of these costs have been funded from underspends elsewhere in the service budget. It is requested that the unspent budget is carried forward to finance additional costs anticipated in the next financial year related to the new contract.	33	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Place Emptying Dog Bins in Green Spaces	15	0	(15)	The cost of emptying dog bins in parks and green spaces is now completely funded by contributions from the respective Parish Councils.	0	(15)
Place Green Space Maintenance Grants and Contributions Income	(20)	(80)	(60)	The overachievement of income relates to funding amounts received in prior years for specific projects and activities. As these projects have been completed and the funding conditions have been met, the income received has been charged to the General Fund.	0	0
Regulatory Town Wide Review	24	12	(12)	Request to carry forward the unspent budget to complete the Traffic Regulation Order Process following formal consultation on parking restriction options as part of the Royston Town wide review. This includes the publication of the orders and implementation of the restrictions on street.	12	0
Regulatory Air Quality New Burdens Grant from government	0	(12)	(12)	Grant was received from DEFRA at the end of March 2023 for managing and enforcing the enhanced Smoke Control Areas regulation. Work on this will happen in 2023/24, so it is requested to transfer the grant into an earmarked reserve to draw down in 2023/24.	0	0
Transfer to earmarked reserve	0	12	+12		0	0
Regulatory Ukrainian Housing Checks Grant Income	0	(72)	(72)	Grant was received from Herts County Council to contribute towards the costs of carrying out housing checks for Ukrainian refugees living with host families in the District. These checks were undertaken by the Environmental Health team without requiring additional budget. It is requested that the unspent grant money is transferred to an earmarked reserve to help manage staffing and workload pressures identified in next year, with back-dated work outstanding due to the impact of Covid or the Covid recovery requirements.	0	0
Transfer to earmarked reserve	0	72	+72		0	0
Regulatory Income from Parking Penalty Charge Notices (PCNs)	(573)	(600)	(27)	Income from PCNs has continued to increase by more than the increase in car parking income.	0	0
Contribution to PCN bad debt provision	162	236	+74	A higher level of PCNs being issued, and non-payment of them, has meant that it has been necessary to write-off some of the amounts owed and also make an increased bad debt provision for those amounts where still seeking payment to be made. The Council actively chases all PCN debts, and write-off is a last resort.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Regulatory Princes Mews Car Park Management Fee income	(5)	(35)	(30)	Increase in income results from the negotiation of a new agreement with the landlord of the car park, following the vacation of Morrisons from the premises. As this contract ends in December 2023, no ongoing additional income is assumed.	0	0
Total of explained variances	(3,040)	(3,579)	(539)		180	(21)
Other minor balances	19,778	19,399	(379)		4	(10)
Overall Total	16,738	15,820	(918)		184	(31)

8.3. Cabinet are asked to approve the estimated impact on the 2023/24 budget, an overall increase in budget of £153k (recommendation 2.3), which comprises;

- £184k of budget carry-forwards from 2022/23 to 2023/24 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 4 above. This will take the total budget carried forward to £1.107million, after including those reported and approved at quarter 1, quarter 2, month 8 and quarter 3.
- £31k decrease in budget to reflect the estimated net impact in 2023/24 and beyond of variances identified at Outturn. These are shown in the final column of table 4 above

8.4. The original approved budget for 2022/23 (and therefore working budget) included efficiencies totalling £606k, which were agreed by Council in February 2022. At the end of the year a net total of £1,164k of efficiencies have been achieved in 2022/23. The forecast at the end of Quarter Three was a net overachievement of £1,046k. The increase of £116k since Quarter Three relates to:

- £101k overachievement of the Careline Service efficiency, mainly due to the non-complex needs installation and maintenance service being brought in-house, as highlighted and explained in table 4 above.
- Increase of £33k in the overachievement of forecast interest income from investment of surplus cash balances, as itemised in table four above.
- £18k underachievement of the revenue saving anticipated from capitalising the purchase of new bins. This reflects that we held a stock of bins at the start of the year, which were purchased as a revenue (rather than a capital) cost. As these are provided to residents the value of the original purchase is charged to the revenue budget. This is included in the 'other minor variances' total in table 4.

8.5. The working budget for 2022/23 includes budgets totalling £712k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2021/22 but was delayed into 2022/23. At Quarter Three, it was forecast that £363k of the total budget carried forward would not be spent in 2022/23. At the end of the year, £446k of the budget carried forward has not been spent. The £83k increase in the final quarter relates to the Strategic Priorities Fund, as explained in table 4 above.

8.6. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2022/23. Table 5 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that

income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.






- 8.7. At the end of the year, three of the indicators are green and three of the indicators are red. The summary indicators are therefore unchanged from that reported at Quarter Three.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Outturn £k	Variance £k
Leisure Centres Management Fee	Red	(857)	(578)	279
Garden Waste Collection Service Subscriptions	Green	(1,139)	(1,251)	(112)
Commercial Refuse & Recycling Service Income	Green	(1,113)	(1,142)	(29)
Planning Application Fees (including fees for pre-application advice)	Red	(1,006)	(735)	271
Car Parking Fees	Red	(1,999)	(1,761)	238
Parking Penalty Charge Notices (PCNs)	Green	(573)	(600)	(27)

- 8.8. Table 6 below indicates activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 6.

Table 6 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance 2022/23	Performance 2021/22	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,465,319	858,655	+70.7%	
Garden Waste Collection Service	Number of bin subscriptions	28,928	27,871	+3.8%	
Commercial Refuse & Recycling Service	Number of customers	1,012	1,044	-3.0%	
Car Parking Fees	Car park tickets sold / average ticket price sold	1,128,375 / £1.65	1,067,999 / £1.58	+5.7% / +4.4%	
Parking Penalty Charge Notices	Number of PCNs issued	13,775	14,098	-2.3%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2022 of the amount of New Homes Bonus, Lower Tier Services Grant and Services Grant it could expect to receive in 2022/23 and planned accordingly. In February 2023 the Government also announced the allocations for the distribution of the business rates levy account surplus to be received in 2022/23.
- 8.10. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax and Business Rates Collection Fund deficits for the prior year, as estimated in January 2022. As reported previously, this has meant a contribution from the General Fund of £2k to the Council Tax Collection Fund and £5.345m to the Business Rates Collection Fund in 2022/23.
- 8.11. The Council's share of the Council Tax Collection Fund at the end of the year is a surplus balance of £116k. This represents a reduction of £22k on the forecast surplus of £138k estimated in January. The deterioration in the position in the final quarter will be incorporated in the calculation of the surplus/deficit position for 2023/24 and hence impact the level of Council Tax funding available in 2024/25. It is the forecast surplus amount of £138k that will be transferred from the Collection Fund to the General Fund in 2023/24 and therefore increase the amount of funding available, as was shown in Appendix C to the Revenue Budget 2023/24 report.
- 8.12. The Council's share of the Business Rates Collection Fund at the end of the year is a surplus balance of £1.729million. This represents an increase of £1.276million on the estimated surplus of £453k declared in the NNDR1 return submitted to Government in January. The increase in the surplus at the end of the year is primarily due to a reduction in the calculated provision required at the end of the year for the impact of business rates appeals. The reduction in the appeals provision follows the announcement from Government during the final quarter that the 31st March 2023 would be the deadline for businesses to submit appeals against the 2017 business rates listing. This has allowed the Council to release entirely the provision held for appeals not yet lodged against the 2017 listing, of which the Council's share was £1.3million at the end of the last financial year. This was not anticipated when the estimated surplus was prepared in January. As explained in the report at quarter 3, it is the forecast surplus amount of £453k that will be transferred to the General Fund in the next financial year.
- 8.13. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2022/23 the Council is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, referred to as the 'pooling gain', though this would be dependent on the actual level of rates collected across the Pool authorities. Based on draft business rate returns submitted to Government at the end of April, the Council has accrued an amount of £273k for the cost of the levy contribution for 2022/23. If the accrued amount is ultimately the final amount payable, this would represent a pooling gain of £638k on the £911k levy that would have been due to government if the Council was outside the business rates pool. The accrued levy contribution has been funded from the grant held in earmarked reserve and therefore has had a net zero impact on the General Fund balance at the end of the year.

- 8.14. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The total grant amount receivable for 2022/23 was £4.457million, which included an amount of £279k received as compensation for the Government's decision to freeze the business rates multiplier for 2022/23. The multiplier compensation is included in the funding total in table 7 below, with the rest of the grant transferred to reserve to fund the repayment of business rate collection fund deficits recorded. Some of the amount held in reserve has therefore been used to fund the £5.345m deficit repayment required in this year and a further £3m has been used to top up the business rates income charged to the General Fund in 2022/23 to the baseline funding amount anticipated when the budget was set.
- 8.15. The Council did not receive non-ringfenced emergency grant funding from government in 2022/23 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2022/23 Revenue Budget Report presented to Full Council in February 2022, a central provision of £1.740m was included in the budget for 2022/23. The budget provision was fully allocated, with £1.190m used to mitigate forecast adverse variances reported at Quarter One and a further £550k was unused. The experience in this year was used to refine the central provision amount required for 2023/24, as detailed in the Revenue Budget 2023/24 report.
- 8.16. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should be noted however that the Statement of Accounts for 2022/23 is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit

Table 7 – General Fund impact

	Working Budget	Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2022)	(10,607)	(10,607)	-
Net Expenditure	16,738	15,820	(918)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant, 2022/23 Services Grant, Business Rates Levy Surplus)	(15,843)	(15,843)	0
Release of the balance held in the earmarked Special Reserve	(640)	(640)	0
Release of Cemetery Mausoleum earmarked reserve	(175)	(175)	0
Contribution to Collection Fund	5,345	5,345	0
Funding from Reserves (including Business Rate Relief Grant)	(5,888)	(5,888)	0
Carried Forward balance (31st March 2023)	(11,070)	(11,988)	(918)

- 8.17. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,808k, and at the end of the year a total of £433k has come to fruition. The identified risk realised in the final quarter relates to:

- Increase in external audit fees exceeding the amount of additional related government grant funding; £4k (as highlighted in table 4 above)

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,808
Known financial risks realised in Quarter 1	(41)
Known financial risks realised in Quarter 2	(303)
Known financial risks realised in Quarter 3	(85)
Known financial risks realised in Quarter 4	(4)
Remaining allowance for known financial risks	1,375

EARMARKED RESERVES

8.18. The Council has a number of earmarked reserves, which have been used to fund revenue expenditure during the year. These are detailed in Table 9 below. A total of £5.331 million has been contributed to the reserves in 2022/23 and a total of £10.605million has been transferred out of the reserves to the General Fund.

Table 9 – Earmarked Reserves

	Balance at 1 April 2021	Contributions to reserve	Transfers out of reserves	Balance at 31 March 2022
	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	175	0	(175)	0
Childrens Services Reserve	46	1	0	47
Churchgate Development Reserve	0	138	0	138
Climate Change Grant Reserve	21	0	(2)	19
DLUHC Grants Reserve	9,367	4,198	(9,211)	4,354
Elections Admin Grant Reserve	0	19	0	19
Environmental Health Grants Reserve	0	84	0	84
Growth Area Fund Reserve	32	5	(13)	24
Homelessness Grants Reserve	502	0	(150)	352
Housing & Planning Delivery Reserve	1,016	34	(163)	887
Information Technology Reserve	23	0	0	23
Insurance Reserve	34	0	0	34
Land Charges Reserve	36	0	(24)	12
Leisure Management Maintenance Reserve	68	0	0	68
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	120	0	(5)	115
Paintings Conservation Reserve	11	0	0	11
Shared Prosperity Fund Grant Reserve	0	17	0	17
Special Reserve	640	0	(640)	0
Street Name Plates	16	0	0	16
Syrian Refugee Project	566	61	(8)	619
Taxi Licences Reserve	7	4	0	11
Town Centre Maintenance	69	8	0	77
Traffic Regulation Orders	381	0	(5)	376
Waste Reserve	836	0	0	836
Waste Vehicles Reserve	1,341	509	0	1,850
Welfare Reform Grants Reserve	614	253	(209)	658
Total Revenue Reserves	15,935	5,331	(10,605)	10,661

9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.
- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 9.4. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.
- 9.5. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer.
- 9.6. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

10. FINANCIAL IMPLICATIONS

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2. The Fund balance of £11.988million (table 7) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

11. RISK IMPLICATIONS

- 11.1. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1. 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” policy do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.1. Appendix A - 2022/23 Significant Revenue Budget Variances

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18. BACKGROUND PAPERS

- 18.1. None.

Appendix A - 2022/23 Significant Revenue Budget Variances

Directorate	Significant Service Area Variances	Net Original Direct Budget	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Managing Director	Treasury Investments Interest Income	(119)	(1,310)	(1,191)	Increase primarily due to the changes to the Bank of England base rate. Original budget based on bank rate of 0.25% at the start of 2022, increased incrementally to 4.25% by the end of the financial year.	Q1, Q2, Q3 & Outturn 2022/23
	Covid-19 Central Provision	1,740	0	(1,740)	Contingency budget mitigated impact on General Fund of around £1.2m of Covid impacts identified, including the leisure, parking and AFM income shortfalls itemised below. Approximately £0.5m was not required.	Q1 & Q3 2022/23
	Other budgets with variances under £100k	1,801	1,560	(241)		
	Directorate Total	3,422	250	(3,172)		
Customers Directorate	Customers Directorate Staffing Costs	3,658	3,847	189	The pay award for 2022/23 was an increase of £1,925 to every pay point. The assumption in the original budget for 2022/23 was a pay offer of 2%.	Q1 2022/23
	Net Housing Benefit Expenditure	324	479	155	Shortfall in Housing Benefit subsidy income primarily due to housing benefit payments in respect of temporary accommodation not being eligible for full reimbursement through the subsidy.	Q1 & Outturn 2022/23
	Careline Installation and Maintenance	300	116	(184)	The non-complex needs installation and maintenance service was brought in-house part way through the year, resulting in a saving compared to outsourced contract.	Outturn 2022/23
	Other budgets with variances under £100k	(416)	(634)	(218)		
	Directorate Total	3,866	3,808	(58)		
Enterprise Directorate	Commercial Property Income	(1,335)	(1,471)	(136)	Conclusion in this financial year of two rent reviews that had been ongoing for some time. Outturn includes the back-rent due.	Q1 2022/23
	Other budgets with variances under £100k	1,187	1,173	(14)		
	Directorate Total	(148)	(298)	(150)		
Legal & Community Directorate	Directorate Total (all budgets have variances under £100k)	2,281	2,395	114		
Place Directorate	Domestic Waste & Recycling and Street Cleansing Contract Expenditure	5,594	5,945	351	The budget for 22/23 assumed a contract indexation of 3.7%, based on the respective indices at that time. Subsequent increase in inflation indices resulted in actual indexation rate for 22/23 of 9.9%.	Q1 2022/23
	AFM Income	(421)	(125)	296	Greater levels of residual waste generated across Hertfordshire increased the overall costs of disposal incurred by HCC and reduced the total AFM amount shared with collection authorities.	Q1 2022/23
	Leisure Centre Management Contracts Fee Income	(857)	(578)	279	Increase in income compared to prior year indicative of continued recovery in usage through the year. Additional income from growth in demand partly offset by cost pressures.	Q1, Q2 & Outturn 2022/23
	Other budgets with variances under £100k	404	362	(42)		
	Directorate Total	4,720	5,604	884		
Regulatory Services Directorate	Supplementary Planning Documents	167	0	(167)	The new Local Plan was subject to significant delays before being adopted in November 2022. A programme of work for the supporting SPDs is now being prepared.	Month 8 2022/23
	Planning Applications Income	(1,006)	(735)	271	Introduction of masterplanning procedures displaced pre-application income on large schemes. General slowdown in the construction sector as a result of economic uncertainty.	Q2 2022/23
	Car Parking Fees Income	(1,999)	(1,761)	238	Income receipts at approximately 90% of the level observed prior to the Covid-19 pandemic. Plateau in recovery indicative of one or both of; a long-term shift to working from home; the increase in the cost-of-living deterring journeys into town centres for leisure activities and shopping.	Q1 2022/23
	Car Parking Season Tickets Income	(320)	(183)	137	Income shortfall attributed to greater levels of home working adopted in response to the pandemic.	Q1 & Q3 2022/23
	Other budgets with variances under £100k	4,565	4,255	(310)		
	Directorate Total	1,407	1,576	169		
Resources Directorate	Directorate Total (all budgets have variances under £100k)	2,650	2,485	(165)		
Overall TOTAL		18,198	15,820	(2,378)		

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CABINET
27 June 2023

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2022/23

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 As at the end of financial year 2022/23, there is a reduction in Capital spend compared to quarter 3 of **£1.447million**. The majority of this change is due to revisions to the profile of planned project spend, with **£1.222million** that will now instead be incurred in 2023/24.
- 1.2 During the year the Council has generated **£1.310million** of interest from its investments. This is more than the budgeted total of £1.277million at Quarter 3, and significantly more than the original budget of £0.119million.
- 1.3 The Council has repaid £0.019million of borrowing during the year as it has matured. The Council has £0.367million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.
- 1.4 The Council complied with its legislative and regulatory requirements throughout the year.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of £6.923million in 2022/23 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2023/24 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in by £1.222million.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.

- | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.4 | That Cabinet approves the application of £6.300million of capital receipts/set aside towards the 2022/23 capital programme, paragraph 8.7 refers. |
| 2.5 | Cabinet is asked to note the position of Treasury Management activity as at the end of March 2023. |
| 2.6 | Cabinet is asked to recommend this report to Council and ask Council to:

1) Approve the actual 2022/23 prudential and treasury indicators.
2) Note the annual Treasury Report for 2022/23. |

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 21st April 2023.

7. BACKGROUND

- 7.1 In February 2022, Council approved the Integrated Capital and Treasury Strategy for 2022/23 to 2031/32.
- 7.2 The Medium Term Financial Strategy for 2022 to 2027 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.
- 7.3 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2022/23. The service includes:
- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
 - Information on investment counterparty creditworthiness
 - Technical updates
 - Access to a Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £124.5 million of capital assets that it currently owns (as at 31 March 2023). This has increased from £121.0 million as at 31 March 2022. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. The significant change to this during 2022/23 was the acquisition of the leasehold of the Churchgate shopping centre in Hitchin. This was assessed as part of the 2023/33 Investment Strategy.

Capital Programme 2022/23

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the actual spend from 2022/23 to 2032/33 and the funding source for each capital scheme.
- 8.3 The Outturn Capital expenditure for 2022/23 is **£6.923million**. This is a reduction of **£1.447million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into future years. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates

	2022/23 £M	2023/24 £M	2024/25 to 2032/33 £M
Original Estimates approved by Full Council February 2022	7.546	5.522	17.311
Changes approved by Cabinet in 3rd Qrt 2021/22	0.821	0	0
Changes approved by Cabinet in 2021/22 Capital Outturn report	0.980	0	0
Revised Capital estimates at start of 2022/23	9.347	5.522	17.311
Full Council approved additional Expenditure – Acquisition of Churchgate	4.350	0	0
Executive Member – Finance and I.T. approved additional Expenditure – Installation of Electric Charging Points at DCO	0.015	0	0
Executive Member – Finance and I.T. approved additional Expenditure – Shared Prosperity Fund Interventions (two separate projects at £50k and £10k each)	0.060	0	0
Changes at Q1	-1.520	2.048	0
Full Council approved additional Expenditure – NHLC Soft Play	0.250	-0.100	0
Executive Member – Finance and I.T. approved additional Expenditure - Gum Gun	0.038	0	0
Changes at Q2	-2.725	0.861	2.000
Full Council 23/24 Budget	0.045	0.184	3.740
Executive Member – Finance and I.T. approved additional Expenditure – Bancroft Café Kiosk	0.020	0	0
Executive Member – Finance and I.T. approved additional Expenditure – Careline Laptops	0.030	0	0
Changes at Q3	-1.540	1.554	0
Changes since Q3 (as detailed in this report)	-1.447	1.222	
Outturn 2022/23	6.923	11.291	23.051

8.4 Table 2 lists the schemes in the 2022/23 Capital Programme that will start or continue in 2023/24:

Table 2: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2022/23 Working Budget £'000	2022/22 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2023/24 onwards £'000
Property Improvements	300	119	-181	<p>The underspend is due to:</p> <p>1) Some works identified by previous surveys as being required in the future have found not to be necessary by our Building Surveyor when they have been reassessed.</p> <p>2) Some works do not meet the criteria to be capitalised and consequently are funded through the revenue budget.</p> <p>3) The precise long-term future of some buildings needs to be resolved, and it is not prudent for some works to take place until that happens.</p> <p>4) Works to re-roof a flat roof at Hitchin Outdoor pool were put back to ensure better weather conditions for the type of works being undertaken.</p>	181
Environmental Improvements	187	40	-148	Quotations and works still being carried out for individual project items	148
Community Facilities Refurbishment	194	100	-94	All the capital funding has been allocated but not drawn down by the applicants. The funding will be paid when the various criteria of each award are met	94
Home Repair Assistance	120	32	-88	Due to ongoing staffing issues and the confusion over the introduction by the Government of other home improvement targeted grants schemes, there has been a reduction in the demand for assistance. During 2023/24,	88

Scheme	2022/23 Working Budget £'000	2022/22 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2023/24 onwards £'000
				it is hoped to again raise the profile of this grant scheme and signpost more people towards this assistance	
NHLC Soft Play	288	202	-86	Works complete April 23	86
Playground Renovation – District Wide 22/23	194	111	-83	Works delayed due to supply issues - works currently in progress at Smithson's Rec and are due for completion in June.	83
Thomas Bellamy House Structure	65	1	-64	Procurement of a contractor to undertake the proposed project has been delayed due to other projects having a higher priority. Two tenders have recently been received and the project is now likely to be undertaken in the 2023-24.	64
Shared Prosperity Fund	60	0	-60	This funding is for outdoor gym equipment in Royston. The equipment has been ordered and will be installed by the end of June. The delay was due to the late agreement by Government of our SPF plan, and the lead-time for equipment. The budget in 2023/24 will cover outdoor gym equipment in our other towns.	60
Leisure Condition Survey	59	0	-59	Roof repairs at Letchworth Outdoor Pool - works commenced in April but have paused until the pool closes in September.	59
Upgrade 25 Parking Machines	56	0	-56	Project to be reviewed subject to outcome of Alternative Methods of Payment Review to be progressed in 2023-24 which will include the upgrade and replacement of pay & display machines across the car parks over a 2 year period.	56
Riverside walkway Biggin Lane	53	0	-53	Agreements not in place to permit project to proceed just	53

Scheme	2022/23 Working Budget £'000	2022/22 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2023/24 onwards £'000
				yet. Working to progress the legal issues and permissions to deliver the project.	
Bury Mead Road Transfer Facility	30	0	-30	Plans to design the proposed facility upgrades are still under negotiation with the tenant of the site and with Hertfordshire County Council who are a major stakeholder in the site. It is expected the plans will be finalised in 2023-24 and the budget spent in the same period.	30
Infrastructure Hardware	28	0	-28	Staff vacancies have meant resources were not available to complete tasks within the financial year	28
Howard Gardens Splashpad	35	5	-30	The original budget allowed for replacement of the filter vessels due to their construction being fibreglass. However, our contractors were able to remove the old filter medium and replaced it with new without damaging the filter vessels themselves – resulting in an underspend. Work was undertaken in preparation for the 23/24 season which meant that it over ran into the current financial year and are now complete.	17
Total Minor (under £25k) slippage on other projects	285	107	-178		175
Total Revision to Budget Profile			-1.238		1.222

8.5 There are also changes to the overall costs of schemes in 2022/23. These changes total a net decrease of £0.225million and are detailed in Table3.

Table 3: Changes to Capital Schemes Commencing in 2022/23:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2022/23 Working Budget £'000	2022/23 Spend £'000	Difference £'000	Comments
Park Homes Insulation	341	243	-98	This was a grant funded scheme with any unspent funds to be returned. In addition to the £243K Capital spend there were £38K of Revenue costs funded from the £341K budget. The remaining £60K was returned to Government when the scheme closed.
Replacement Flood lights St Mary's	60	0	-60	Lighting repair works have been completed which restored lighting to St Mary's car park without the need to draw on this budget. A future upgrading scheme may be considered once the full extent of the Churchgate regeneration works are established.
Microsoft Enterprise Agreement	617	560	-57	Fluctuations in software costs resulted in the contract being cheaper than originally estimated a year ago.
Other minor changes			-10	
Total revision to scheme spend			-225	

8.6 The following capital schemes have been completed during 2022/23:

- Completion of all remaining works on the Playground Renovation projects for 21/22
- Gt Ashby District Park Safety
- Ramsoms Recreation Ground Footpaths and Gates
- Icknield Way Cemetery Paths
- Purchase of the Gum Cleaning Machine
- Centros Integra Upgrade
- Churchgate Acquisition
- NHLHC Sauna Steam Refurbishment
- Hitchin Swim Centre Outdoor Boiler Replacement
- Letchworth Outdoor Pool Boiler
- Replace Hot Water Calorifier at Hitchin Swim Centre
- Bancroft Kiosk
- Sprung Floor at Hitchin Town Hall
- Park Homes Insulation

Capital Programme 2022/23 Funding onwards

- 8.7 Table 4 below shows how the Council have funded the 2022/23 capital programme.

Table 4: Funding the Capital Programme:

	2022/23 Balance at start of year £M	2022/23 Additions £M	2022/23 Funding Used £M	2022/23 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	7.643	4.209	(6.300)	5.552
S106 receipts			(0.316)	
Other third party grants and contributions			(0.306)	
Revenue Contributions / IT Reserve			(0.001)	
Planned Borrowing			0	
Total			(6.923)	

- 8.8 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.
- 8.9 The Council's Capital Financing Requirement (CFR) at 31st March 2023 was negative £2.719 million (negative £4.45 million 31st March 2022). As the CFR is negative the Council does not have a need to borrow to fund capital spend. However, should the Capital programme be fully spent in 23/24 and 24/25 there will be a potential need to borrow £1.0M, which will have an impact on the General Fund by way of a Minimum Revenue Provision (MRP) and interest payments.

Treasury Management 2022/23

- 8.10 The Council has operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.
- 8.11 The Council generated £1.310M of interest during 2022/23. The average interest rate agreed on new deals during the year was 2.89%. The average interest rate on all outstanding investments at the 31st March was 4.19%.
- 8.12 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.
- 8.13 **Security Risk** – The possibility that other parties fail to pay amounts due to the Authority.

The Council's counterparty list for 2022/23 comprised UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB, non-UK banks with a credit rating greater than AA- with a AAA Country rating, other Local Authorities and Public Corporations. It also includes smaller Building Societies that do not have a credit rating.

8.14 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.

8.15 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.

Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risks of long term deals are:

- (i) The longer the time period the longer the investment is exposed to default.
- (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures.

8.16 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy, which allows no more than £18M of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council had one investment for £2M invested for longer than 365 days (commencing 20/03/23). This reflects that interest rates have continued to rise during the year and not wanting to lock in to a longer term fixed rate that was too low.

8.17 **Interest (Yield)** – The Bank of England increased Bank Rate eight times during 2022/23 starting the year at 0.75% and ending at 4.25%. With investments being kept relatively short the yield on investments increased as the year went on. £1.310million of interest was received during the year compared to £0.075million in 2021/22.

8.18 The investments outstanding at the 31 March 2023 were £50.5million. This compares to a balance of £57.5million at 31 March 2022. Investment in capital projects will continue during 2023/24 and the estimated investment interest for 2023/24 was set at £1.602million. This estimate will be revised in the 1st quarter monitoring report due to the recent increases to Bank Rate and a higher level of balances available to invest due to capital slippage.

9. LEGAL IMPLICATIONS

9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.

- 9.2 Section 151 of the Local Government Act 1972 states that:
“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 9.3 Asset disposals must be handled in accordance with the Council’s Contract Procurement Rules.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be £3.735million higher than the budgeted £34.342million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council’s capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £45k per year in interest (4.5%). The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2023 was negative £2.719million. This may turn positive in 24/25 if the capital programme is fully spent.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council’s Performance & Risk management software).
- 11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

12. EQUALITIES IMPLICATIONS

- 12.1. 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2022/23 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report. The projects at section 8.4 may have impacts that contribute to an adverse impact. As these projects go forward, an assessment will be made where necessary.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. There are no direct human resource implications.

16. APPENDICES

- 16.1. Appendix A, Capital Programme Detail including Funding 2022/23 onwards.
Appendix B, Treasury Management Update.

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18. BACKGROUND PAPERS

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)
<https://srvmodgov01.north-herts.gov.uk/documents/s18463/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>
<https://srvmodgov01.north-herts.gov.uk/documents/s18464/Final2%20Cabinet%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>

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Project	Service Directorate	Spend / Forecast Spend							Funding				
		2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	16,500	12,000	0	14,000	0	0	16,000	0	0	0	0	58,500
Access Burymean Road	Enterprise	500	0	0	0	0	0	0	0	0	0	0	500
Acquisition of Churchgate	Enterprise	4,220,200	0	0	0	0	0	0	0	0	0	0	4,220,200
Alternative to safeword tokens for staff/members working remotely	Customers	0	6,900	3,000	0	3,000	0	19,000	0	0	0	0	31,900
Avenue Park Floodlights	Place	0	14,000	0	0	0	0	0	0	0	0	0	14,000
Avenue Park Splash Park	Place	0	70,000	0	0	0	0	0	0	0	0	0	70,000
Back-up Diesel 40 KVA Generator (DCO)	Customers	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Baldock Town Hall project	Legal and Community	1,500	4,100	0	0	0	0	0	0	0	0	0	5,600
Bancroft & Priory Splash Pads	Place	0	0	35,000	0	0	0	0	0	0	0	0	35,000
Bancroft Cafe Kiosk	Enterprise	20,600	0	0	0	0	0	0	0	0	0	0	20,600
Bancroft Lighting	Place	0	45,000	0	0	0	0	0	0	0	0	0	45,000
BEIS Park Homes Insulation	Regulatory	242,900	0	0	0	0	0	0	0	242,900	0	0	0
Burymead Road Transfer Facility	Place	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Cabinet Switches - 4 Floors	Customers	0	18,000	0	0	0	0	0	0	0	0	0	18,000
Cadcorp Local Knowledge & Notice Board Software	Customers	0	5,400	0	0	0	0	0	0	0	0	200	5,200
Careline Laptops	Customers	24,900	5,100	0	0	0	0	0	30,000	0	0	0	0
Careline Servers	Customers	0	3,800	0	0	0	0	0	0	0	0	0	3,800
CCTV at DCO & Hitchin Town Hall	Customers	0	20,000	0	0	0	0	0	0	0	0	0	20,000
CCTV Replacement	Customers	0	150,000	0	0	0	0	0	0	0	0	0	150,000
Charnwood House	Enterprise	0	50,000	350,000	0	0	0	0	0	0	0	0	400,000
Conference Calling Solutions in Large Meeting Room	Customers	0	13,000	0	0	0	0	0	0	0	0	0	13,000
Council Property improvements following condition surveys	Resources	118,700	485,000	0	0	0	0	0	0	0	0	0	603,700
Cyber Attacks - Events Monitoring Software Solution	Customers	7,100	2,000	0	0	0	0	0	0	0	0	0	9,100
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	0	0	0	278,000	0	0	0
Data Switch Upgrade	Customers	0	15,000	0	0	0	0	0	0	0	0	0	15,000
DCO Electric Vehicle Charges	Resources	16,100	0	0	0	0	0	0	0	0	0	0	16,100
Disabled Facilities Grant	Regulatory	-7,600											-7,600
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	0	0	55,000	0	0	0	0	0	0	0	55,000
Email Encryption Software Solution	Customers	20,000	20,400	0	0	0	0	0	0	0	0	0	40,400
Enhancements to Hitchin Swim Centre facility	Place	0	65,000	0	0	0	0	0	0	0	0	0	65,000
Environmental Improvements	Place	40,200	147,300	0	0	0	0	0	0	0	0	0	187,500
Former Public Convenience Portmill Lane	Enterprise	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Great Ashby District Park safety and security	Place	25,800	0	0	0	0	0	0	0	0	0	0	25,800
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Resources	0	315,000	0	0	0	0	0	0	0	0	0	315,000
Gum Gun	Place	39,200	0	0	0	0	0	0	0	38,000	0	1,200	0
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	0	75,000	0	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Boiler Replacement	Place	0	0	200,000	0	0	0	0	0	0	0	0	200,000
Hitchin Swim Centre Outdoor Pool Boiler Replacement	Place	53,500	0	0	0	0	0	0	0	0	0	0	53,500
Hitchin Swim Centre Outdoor Pool Cover Replacement	Place	0	0	0	0	30,000	0	0	0	0	0	0	30,000

Project	Service Directorate	Spend / Forecast Spend							Funding				
		2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
Norton Common Letchworth Tennis Courts	Place	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Off Street Car Parks resurfacing and enhancement	Resources	8,100	209,400	0	0	0	0	0	0	0	0	0	217,500
Oughtonhead Common Footpaths	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Hitchin Weir	Place	0	400,000	0	0	0	0	0	0	0	0	0	400,000
Oughtonhead Common Signage and Interpretation	Place	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Regulatory	0	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	0	150,000	150,000	0	0	0	0	0	0	0	0	300,000
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	0	56,000	0	0	0	0	0	0	42,000	0	0	14,000
PC's - Refresh Programme	Customers	0	16,300	13,000	7,000	8,000	5,000	21,000	0	0	0	0	70,300
Playground Renovation District Wide	Place	344,500	262,500	180,000	180,000	180,000	180,000	900,000	0	0	81,100	0	2,145,900
Private Sector Grants	Regulatory	31,500	148,100	60,000	60,000	60,000	60,000	180,000	0	0	0	0	599,600
Provide housing at market rents.	Enterprise	49,200	2,500	0	0	0	0	0	0	0	0	0	51,700
Ransoms Rec Footpaths, Gates and Railing	Place	7,900	20,000	0	0	0	0	0	0	0	0	0	27,900
Refurbishment and improvement of community facilities	Legal and Community	100,000	93,800	0	0	0	0	0	0	0	0	0	193,800
Refurbishment of lifts at Lairage Car Park	Resources	-1,700	0	0	0	0	0	0	0	0	0	0	-1,700
Refuse and Recycling Bins	Place	118,400	135,000	90,000	90,000	90,000	90,000	360,000	0	0	0	0	973,400
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Resources	0	0	13,000	0	0	0	0	0	0	0	0	13,000
Renovate play area Howard Park, Letchworth	Place	1,800	4,600	0	0	0	0	0	0	0	0	0	6,400
Renovate skate park at KGV Hitchin	Place	0	250,000	0	0	0	0	0	0	0	0	0	250,000
Replace and enhance lighting at St Mary's Car Park	Resources	0	0	0	0	0	0	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	Place	300	0	0	0	0	0	0	0	0	0	0	300
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	300	0	0	0	0	0	0	0	0	0	0	300
Replacement of Newark Close, Royston	Enterprise	0	65,000	0	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Place	0	75,000	0	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	3,700	346,300	0	0	0	0	0	0	0	0	0	350,000
Riverside walkway, Biggin Lane	Place	0	53,000	0	0	0	0	0	0	0	0	0	53,000
RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change.	Place	0	0	150,000	0	0	0	0	0	0	0	0	150,000
RLC swim showers and change village toilet refurbishment	Place	0	75,000	0	0	0	0	0	0	0	0	0	75,000
Royston Leisure Centre Boiler Replacement	Place	0	0	0	0	0	100,000	0	0	0	0	0	100,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	0	0	0	0	0	0	0	0	0	0	0
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	0	0	30,000
Royston Leisure Centre extension	Place	0	0	0	1,000,000	0	0	0	0	0	168,000	0	832,000
Royston Leisure Centre Fitness Equipment Replacement	Place	0	0	0	0	150,000	0	0	0	0	0	0	150,000
Royston Leisure Centre Fitness Facility Refurbishment	Place	0	0	0	0	50,000	0	0	0	0	0	0	50,000

Project	Service Directorate	Spend / Forecast Spend							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Royston Leisure Centre Members Changing Refurbishment	Place	0	0	150,000	0	0	0	0	0	0	0	0	150,000
Royston Leisure Centre Solar Thermal Installation	Place	2,600	67,400	0	0	0	0	0	0	0	0	0	70,000
S106 Projects	Various	235,000	0	0	0	0	0	0	0	0	235,000	0	0
Security - Firewalls	Customers	12,900	7,600	16,000	0	18,000	0	18,000	0	0	0	0	72,500
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	Enterprise	0	0	163,000	0	0	0	0	0	163,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	Enterprise	0	20,000	100,000	0	0	0	0	0	120,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	Resources	0	100,000	100,000	0	0	0	0	0	200,000	0	0	0
Shared Prosperity Fund Community and Place Interventions	Resources	0	60,000	0	0	0	0	0	0	60,000	0	0	0
Solar PV installation at Hitchin Swim Centre	Place	0	142,000	0	0	0	0	0	0	0	0	0	142,000
Solar PV Installation at North Herts Leisure Centre	Place	0	338,000	0	0	0	0	0	0	0	0	0	338,000
Solar PV installation at Royston Leisure Centre	Place	0	241,000	0	0	0	0	0	0	0	0	0	241,000
St John's Cemetery Footpath	Place	0	0	40,000	0	0	0	0	0	0	0	0	40,000
Swing Time Recreation Ground Hitchin	Place	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	0	26,700	10,000	10,000	10,000	4,000	16,000	0	0	0	0	76,700
Telephony system	Customers	0	3,200	0	0	0	0	0	0	0	0	0	3,200
Thomas Bellamy House, Hitchin	Enterprise	700	64,300	0	0	0	0	0	0	0	0	0	65,000
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	0	0	4,000,000	0	0	0	0	0	0	3,200,000	800,000
Weston Hills Baldock	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Weston Hills LNR Footpath Renovation	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
WiFi Upgrade	Customers	0	0	0	40,000	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Place	8,300	15,300	10,000	0	30,000	0	0	0	0	0	0	63,600

6,922,900	11,291,000	7,427,000	9,784,000	1,311,000	622,000	3,907,000	328,300	2,171,900	891,500	3,201,400	34,671,800
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Annual Treasury Management Review 2022/23

North Herts Council
April 2023

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Annual Treasury Management Review 2022/23

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2022/23 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 11/02/2022)
- a mid-year, (minimum), treasury update report (Council 13/12/2022)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

In addition, Cabinet and the Finance, Audit and Risk (FAR) Committee have received quarterly treasury management update reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance, Audit and Risk (FAR) Committee before they were reported to Cabinet / Full Council. Members are provided with an annual training session on Local Government finance, which takes place in June each year. All members are invited, with a focus on new members attending. Members of Finance, Audit and Risk Committee are now provided with a short training session before each meeting. The content of these sessions is guided by members needs, and treasury management will be considered as a topic for 2023/24.

Executive Summary

During 2022/23, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31.3.22 Actual £000	2022/23 Original Budget £000	31.3.23 Actual £000
Capital expenditure	1.434	7.546	6.923
Capital Financing Requirement:	-4.446	-3.183	-2.719
Gross borrowing	0.387	0.367	0.367
External debt	0.387	0.367	0.367
Investments	57.500	47.280	50.500
Net borrowing	-57.133	-46.913	-50.133

Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m General Fund	31.3.22 Actual	2022/23 Working Budget	31.3.23 Actual
Capital expenditure	1.434	8.370	6.923
Financed in year	0.787	6.570	5.192
Unfinanced capital expenditure	0.647	1.800	1.731

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLb], or the money markets), or utilising temporary cash resources within the Council.

The Council's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 11/02/2022.

The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR (£m): General Fund	31.3.22 Actual £m	2022/23 Working Budget £m	31.3.23 Actual £m
Opening balance	-5.089	-4.446	-4.446
Add unfinanced capital expenditure (as above)	0.647	1.800	1.731
Less Finance Lease Repayments	0.004	0.004	0.004
Closing balance	-4.446	-2.650	-2.719

The negative closing balances mean that the Council does not have a need to borrow.

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator as all borrowing is historic and it is not economical to repay it.

	31.3.22 Actual £m	2022/23 Working Budget £m	31.3.23 Actual £m
Gross borrowing position	0.387	0.367	0.367
CFR	-4.446	-2.650	-2.719

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2022/23 £m
Authorised limit	7.1
Maximum gross borrowing position during the year	0.387
Operational boundary	2.1
Average gross borrowing position	0.378
Financing costs as a proportion of net revenue stream	2.51%

3. Treasury Position as at 31st March 2023

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2022/23 the Council's treasury position was as follows:

DEBT PORTFOLIO	31.3.22 Principal £m	Rate/ Return	31.3.23 Principal	Rate/ Return
Fixed rate funding:				
-PWLB	0.387	10.11%	0.367	10.28%
-Market	0		0	
Variable rate funding:				
-PWLB	0		0	
-Market	0		0	
Total debt	0.387	10.11%	0.367	10.28%
CFR	-4.446		-2.719	
Over / (under) borrowing	4.833		3.086	
Total investments	57.5	0.33%	50.5	4.19%
Net debt	57.113		50.133	

The maturity structure of the debt portfolio was as follows:

	31.3.22 Actual £'000	31.3.23 Actual £'000
Under 12 months	19	21
12 months and within 24 months	21	21
24 months and within 5 years	57	50
5 years and within 10 years	40	25
10 years and above	250	250

INVESTMENT PORTFOLIO	31.3.22 Actual £m	31.3.22 Actual %	31.3.23 Actual £m	31.3.23 Actual %
Treasury investments				
Banks	6.0	10	11.0	22
Building Societies - rated	4.0	7	8.0	16
Building Societies – unrated	1.5	3	0.0	0
Local authorities	25.0	43	29.0	57
DMADF (H M Treasury)	21.0	37	2.5	5
TOTAL TREASURY INVESTMENTS	57.5	100%	50.5	100%

The maturity structure of the investment portfolio was as follows:

	31.3.22 Actual £m	31.3.23 Actual £m
Investments Longer than 1 Year	0	2.0
Investments Up to 1 Year	57.5	48.5

The decrease in cash balances as at the end of 2022/23 (compared with 2021/22) is partly due to the balances that the Council was holding at 31/03/22 in relation to the Council Tax Rebate Grant that was repaid in 22/23.

4. The Strategy for 2022/23

The strategy in 2022/23 was to continue lending to UK banks, building societies, money market funds and Local Authorities and allow investments with non-UK banks with a credit rating greater than AA- with a AAA Country rating. Only UK banks that met credit rating criteria (“BBB” or above for longer term deals, and F3 or above for short term deals) were on the Council’s lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal.

4.1 Investment strategy and control of interest rate risk

Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

4.2 Borrowing strategy and control of interest rate risk

The policy of avoiding new borrowing by running down spare cash balances which has served well over the last few years continued during 22/23.

5. Borrowing Outturn

Borrowing

No new borrowing was undertaken during the year

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

£20K of PWLB loans were repaid during the year, as they became due.

6. Investment Outturn

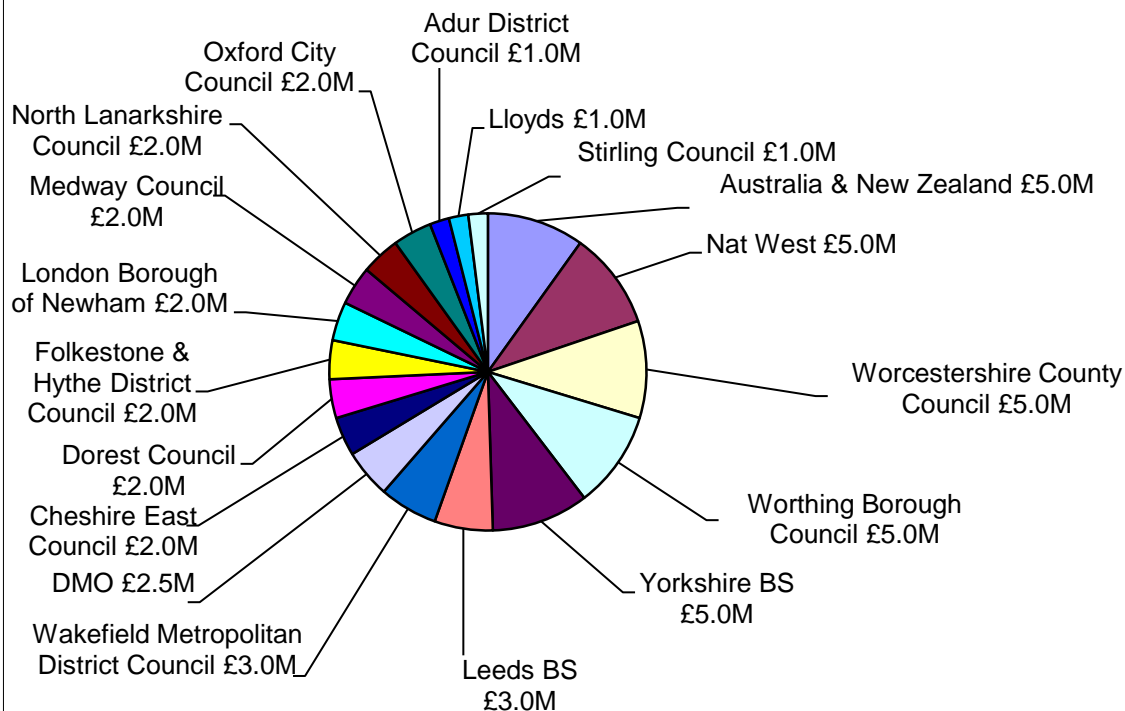
Investment Policy – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 11/02/22. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the Fitch credit rating agency for banks and asset size for building societies.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments placed by Cash Managers – the Council used an external cash manager to invest some of its longer term cash balances, where the rate achieved (after fees) was better than could be obtained by the Council directly. At the start of the year, Tradition had £3.5m of outstanding investments. This arrangement came to an end during the year when the final two investments matured. These investments generated £9.0K of interest.

The pie chart below shows the spread of investment balances as at 31 March 2022. This is a snapshot in time that demonstrates the diversification of investments.

Placement of Investments 31st March 2023

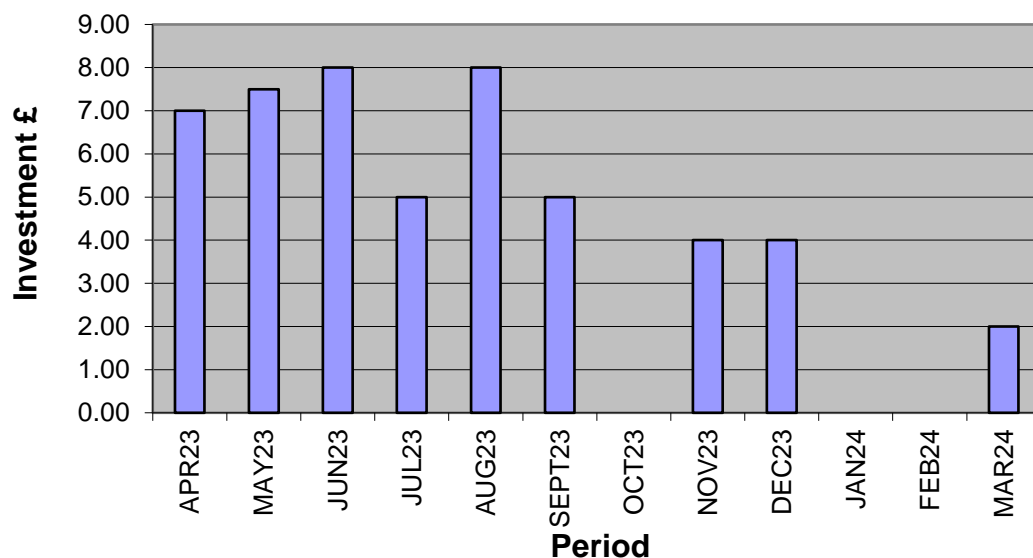


The average daily balance of investments was £60.0m with balances varying between £48.5m and £71.0m.

£1.31m of interest was generated from investments during the year. This is more than the estimated interest of £1.277m (as per Quarter 3 forecast).

The graph below shows the maturity profile of investments at 31st March 2023.

Investment Maturity 31st March 2023



The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 March. The most risky investment still has a risk of default of only around 0.044%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. All investments have been made in accordance with the Investment Strategy. The risk of default is also affected by the length of the investment.

Borrower	Interest Rate %	Principal	Days to Maturity from 31/03/22	Risk of Default %	Expected Credit Loss £
Yorkshire Building Society	3.88	2,000,000	3	0.000	7
Medway Council	3.9	2,000,000	3	0.000	0
Yorkshire Building Society	3.6	3,000,000	17	0.002	63
Wakefield Council	4.8	3,000,000	42	0.003	0
Australia and New Zealand Bank	4.14	2,000,000	45	0.006	111
DMO	3.975	2,500,000	48	0.003	0
Adur District Council	4.25	1,000,000	81	0.005	0
Worcestershire County Council	3.85	5,000,000	83	0.005	0
Cheshire East Council	4.55	2,000,000	88	0.005	0
Nat West	4.15	2,000,000	111	0.014	275

Stirling Council	3.95	1,000,000	122	0.008	0
North Lanarkshire Council	3.99	2,000,000	122	0.008	0
Leeds Building Society	4.00	3,000,000	129	0.016	479
Worthing Borough Council	3.9	5,000,000	139	0.009	0
Dorset Council	4.5	2,000,000	159	0.010	0
London Borough of Newham	4.4	2,000,000	168	0.010	0
Lloyds Bank	4.28	1,000,000	168	0.021	208
Nat West	4.4	2,000,000	234	0.029	579
Folkestone & Hythe District Council	4.4	2,000,000	244	0.015	0
Nat West	4.2	1,000,000	259	0.032	320
Australia and New Zealand Bank	4.58	1000,000	262	0.032	324
Oxford City Council	4.65	2,000,000	262	0.016	0
Australia and New Zealand Bank	4.4	2,000,000	355	0.044	878

Under IFRS 9, the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default.

FINANCE, AUDIT AND RISK COMMITTEE 21 JUNE 2023

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: PEER SUPPORT ACTION PLAN (FINANCE, AUDIT AND RISK COMMITTEE)

REPORT OF: SERVICE DIRECTOR: RESOURCES

EXECUTIVE MEMBER: LEADER OF THE COUNCIL

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Council commissioned the Local Government Association to provide peer support in relation to the impact and effectiveness of the Overview and Scrutiny Committee and the Finance, Audit and Risk Committee. The peer support process took place during 2022 and was a combination of a desktop review, watching meeting videos and talking to relevant Members and Officers. A report was provided to the Council in January 2023 with their findings and recommendations. This report considers the recommendations in relation to the Finance, Audit and Risk Committee.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee comment on the draft Action Plan, and refer it to Cabinet to be approved.
- 2.2.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council responds to the matters identified within the peer support report, ensuring that the benefits of that process are realised.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. The 'do nothing' option of not creating an action plan to follow up on the report has been discounted, as the Council committed to receive the peer support and should therefore seek to gain benefit from that process.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. The LGA Peer Committee Support report is attached at Appendix A and details the approach taken, and who was involved in the process.
- 5.2. Following the receipt of the report, Officers and Executive Members have developed an action plan. The Finance, Audit and Risk Committee are asked to consider and comment on the action plan.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The background to this report is set out in the background section of the LGA Peer Committee Support report (Appendix A).

8. RELEVANT CONSIDERATIONS

- 8.1. The table below sets out the recommendations from the LGA report, and proposed actions. In the final column, the text in bold sets the target dates for the proposed actions. In some cases the actions have already been completed, or will have been completed by the time this report is considered by the Committee.

Recommendation	Comment/ Proposed Action	Ownership	Additional information and target completion date
Put into place training for the whole council and experiment with how training could be more effective for the 2024 new intake. Including an introduction to local government finance.	Will be incorporated within the member training programme being developed.	Democratic Services Member Champions Learning + Development	7 th June 2023- member induction session covering Finance and Risk. All Councillors invited to attend. 7th June 2023 and review in determining 2024 training programme.
Consider how the provision of all committee development & training can be improved to increase knowledge transfer and support members with ongoing training needs e.g. use of one-to-one coaching, the provision of feedback from live meetings, further training to fill any gaps in knowledge and skills.	Will be incorporated within the member training programme being developed (see above). Message to go out that it is ok to ask the Service Director: Resources (Chief Finance Officer) for help with development applicable to all committees, not just FAR.	Democratic Services Member Champions Learning + Development	The regular training sessions before FAR meetings will be continued. Where there is likely to be wider interest, they will be made available to all Councillors via zoom. First one on 21 st June 2023. To be used to emphasise that additional support and advice is also available as required. 21st June onwards

Recommendation	Comment/ Proposed Action	Ownership	Additional information and target completion date
Split finance scrutiny from audit and risk. The scrutiny of finance should sit with a scrutiny committee rather than in the audit and risk committee.	<p>The reasons behind the recommendation are understood but considered to be premature.</p> <p>Given the various recommendations that need to be implemented in respect of Overview and Scrutiny Committee it is perhaps not the best time to be giving the committee additional work.</p> <p>Equally the introduction of an independent member and the various recommendations that need to be implemented in respect of Finance, Audit and Risk Committee, should improve and enhance that Committee.</p> <p>This recommendation will therefore be revisited in 18 months as part of a wider review of structures post 2024 election.</p>	<p>Leader Deputy Leader Managing Director Service Director: Legal and Community Service Director: Resources</p>	No actions currently as subject to review
After the audit and risk function had been split from the finance (scrutiny) role, the new audit committee should focus on understanding their audit role and undertake a self-assessment of the role of an effective audit committee.	To be considered as part of the wider review of structures post 2024 election.	As above	N/a, at this time

Recommendation	Comment/ Proposed Action	Ownership	Additional information and target completion date
Enhance the status of a new audit & risk committee.	<p>Though there will not be an additional Audit and Risk Committee at this time, we do need to enhance the status of the current committee. Group Leaders asked to explain importance of the role to the appointments they make to FAR.</p> <p>SD Resources to draft a form of words for the Chair to read out at the first meeting of FAR in the new civic year to explain its purpose and importance.</p> <p>Description of the committee on the website to be reviewed as currently under-sells the committee.</p>	Group Leaders SD Resources	<p>Will already have happened, but FAR members to consider the role that they can play in promoting the committee.</p> <p>21st June 2023</p> <p>Complete, updated on this FAR page under Meetings. Agendas and Minutes.</p>
Consider an easier way for members to view the risk register.	The risk register is accessible with a user name and password, however will consider different access options and re-promote to make clear it is available to all Members, not just those on the committee.	Service Director: Resources	<p>Will be promoted as part of the Finance and Risk training on 7th June 2023, and then promoted in the Members Information Service bulletin.</p> <p>30th June 2023</p>
Support members with better understanding of the council's risks.	<p>Agreed. Training on risk will take place after the May 2023 election and in advance of the first committee meetings, particularly where the issues are cross cutting.</p> <p>Thereafter will be incorporated within the member training programme being developed.</p>	Democratic Services Member Champions Learning + Development Service Director: Resources	<p>7th June 2023- member induction session covering Finance and Risk. All Councillors invited to attend.</p> <p>7th June 2023 and review in determining 2024 training programme.</p>

Recommendation	Comment/ Proposed Action	Ownership	Additional information and target completion date
Minutes to reflect the decisions of the meeting – i.e., requests for agenda items to be in the minutes and added to the forward plan.	Committee services will make sure everything is accurately captured.	Committee Services	Each FAR meeting will have a discussion of future agenda items, but mindful of the role of Overview and Scrutiny Committee. 21st June 2023 onwards
Conduct a skills audit of all members at induction training to support groups in making appropriate appointments to committees.	Agreed. For Group leaders to take forward with their groups. Will also be used to inform the member training programme being developed.	Group leaders	To form part of the first FAR training session to inform future training 21st June onwards
Ensure that every member of the community can easily access information about council meetings.	Agreed, albeit there are currently a number of ways to access information and it is not solely digitally/online. Reminder to be placed in Outlook about how to access information. Committee services to consider the issue more broadly to ensure we are not accidentally disenfranchising parts of the community.	Committee Services	TBC

- 8.2. Finance, Audit and Risk Committee are asked to consider and comment on the proposed actions, and then to refer this report (along with any comments) on to Cabinet.

9. LEGAL IMPLICATIONS

- 9.1. Cabinet's terms of reference include at paragraph 5.6.13 "To consider the reports of external review bodies on key aspects of overall service delivery".
- 9.2. It is good practice for the Finance, Audit and Risk Committee to comment on an action plan that affects them. Under the constitution 10.1.5 (v) provides that "To review any issue referred to it by the Managing Director, Statutory Officer or Service Director, or any Council body and undertake such other functions that may be delegated to it from time to time by Council."

10. FINANCIAL IMPLICATIONS

- 10.1. There are no direct financial implications arising from this report. Where additional training is provided then the cost of this will have to be considered, but the Council does have budget allocated for member training.

11. RISK IMPLICATIONS

- 11.1. The aim of the peer support process is to improve the effectiveness of the Finance, Audit and Risk Committee (and Overview and Scrutiny Committee). An effectively operating Audit Committee helps to manage the risks that the Council faces.

12. EQUALITIES IMPLICATIONS

- 12.1. 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no known equalities implications that apply to this report. Individual actions on the plan may require equalities impact assessments in due course as solutions are developed.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The tasks in the peer review follow-up action plan will be incorporated in to service plans for 2023/24, and some of the actions have already been completed.

16. APPENDICES

- 16.1 Appendix A – LGA Peer Committee Support Report

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 None

LGA Peer Committee Support

North Herts Council

January 2023

Overview & Scrutiny
Finance, Audit and Risk



Background

Following a remote meeting on 13 December 2021 between Anthony Roche and James Mehmed, North Herts Council commissioned the LGA to review the current Overview and Scrutiny Committee (O&S) and the Finance, Audit and Risk Committee (FAR) with the objective of improving both committees' overall impact and effectiveness to ensure they provide good governance and impactful decision making.

Three member peers, representing the political groups of the joint administration and inclusive of the opposition were used to undertake the review together as one team. Member peers were selected by the council for their experience and knowledge with both committees.

The review was requested to commence after the budget planning cycle had concluded circa February - March 2022. Work commenced in April following a scoping meeting to agree the approach to the review and the method of engagement.

Methodology

The methodology for conducting the review was agreed jointly between the council and member peers.

- Agree general approach in an initial scoping meeting (22 April).
- Conduct a desktop review of agreed documents, information and observing video recordings of previous committee meetings (April / May).
- Discuss the initial outcomes of the desktop review with the council as initial feedback and to clarify outstanding questions to inform the review (23 May).
- Member peers to engage in an agreed phase of virtual engagement comprising of one to ones, small groups and focus groups (9 meetings). (June – October).
- For both committees, peers to document observations, insight and make improvement recommendations and send to council for consideration. (Circa Oct / Nov 2022)
- Throughout this review we have been mindful of the four principles of effective overview and scrutiny. Provide constructive 'critical friend challenge', amplify the voices and concerns of the public, be led by independent people who take responsibility for their role and drive improvement in public services.

- The report details feedback and summary points captured during the stakeholder engagement sessions by peers. These points have not been cross-checked for accuracy or factual correctness.

Peer Team

- Cllr Sioned Mair-Richards, Sheffield City Council
- Cllr Michael Headley, Bedford Borough Council
- Cllr Lesley Clarke OBE, Buckinghamshire Council

LGA

- James Mehmed, Senior Regional Advisor

Key Reflections & Observations

Overview & Scrutiny Committee

Strengths:

- Members and officers both share a desire and willingness to see the overview and scrutiny function (O&S) operate more effectively and stated they are prepared to both consider and where agreed implement recommendations from this peer support.
- Strong community engagement through area committees, town talks and citizen panels.
- Outside partnership working was seen to be good.
- O&S committee meetings well attended by officers and portfolio holder when requested to participate.
- Chairing of O&S is conducted in a way that is politically neutral.

Areas for Development:

Engagement

- There are many ways in which the council engages with its communities, e.g. citizens panels. It is unclear how the panels work in conjunction with the O&S process.
- Area committees - there appears to be no information shared with O&S. It was unclear to peers if the information collected from these meetings was used by O&S to assist with their deliberations on the same topics.
- Does the good partnership working assist the O&S committee with their deliberations, are the outcomes / information shared with O&S? When peers asked members if there was any interaction with O&S – the response concluded there is none.
- The community groups and panels are in place to gauge the local community's / interested group/s view/s on various issues or "schematic areas" to assist with "functionality" within the council area/s.
- There appeared to be no understanding by the scrutiny committee concerning benefits groups and panels brought to the council. Thoughts were that it was to communicate with the public and these communications were primarily in place to measure responses to ongoing council policies or issues.
- Cabinet panels to be better linked into the scrutiny process, such as scrutiny having a role in considering the outcomes.
- There was agreement during a peer meeting confirming the cabinet panels did overlap with the function of O&S.
- Consideration is needed to explore whether all the various outside groups and panels are necessary to avoid duplication.
- Consideration should be given to how you ensure all parts of the community can engage with council meetings.
- Is the TOM for scrutiny being effectively used by Overview & Scrutiny and if so, what benefits does it bring? Are there other benefits to the council by using this?



Overview and Scrutiny Committee

Do members and officers really understand O&S and what it can achieve and deliver for the council if used properly?

It is important that the members who attend the O&S committee are well informed on the papers they have in front of them and there is appropriate robust questioning, if required, it appears that this is often left to the chair.

- A suggestion to improve this would be to have a series of questions drawn up between the chair and vice chair along with the lead scrutiny officer in advance of the meeting.
- An alternative approach could involve the chair of the O&S committee to have a pre-meeting, with all members of O&S, to agree who is to ask the questions. This gives the opportunity for the O&S member, themselves, to probe further into matters that then may arise from the various answers received.
- During observed scrutiny committees, questioning techniques were not well developed and can be superficial or aggressive.
- Roles are not clear enough. That is roles for scrutiny members / cabinet members / officers. Sometimes it seems more like a general discussion, rather than accountability for cabinet members. Officers should advise and not therefore be held to account for decisions owned by cabinet members.
- It was not clear who actually determines the agenda items for O&S.
- The cabinet felt that O&S were not considering the cabinet's forward plan and co-ordinating and planning agenda items to review subsequent decisions.
- It would appear that O&S are often given items on their agenda that have yet to be debated or determined by cabinet itself.
- Scrutiny is to both review pre-cabinet decisions and recommend any changes. They need to be cautious not for them to be an integral part of the decision making but to be able to make suggested changes prior to a cabinet decision.
- O&S function is also to scrutinise the decisions made by the cabinet. The O&S request those decisions to come to O&S for scrutiny are reasonable and yet there are examples where they are told that they cannot do this.

- Some members spoken to by peers felt they were perceived by officers as a nuisance; something officers have to put up with. Although this wasn't a universal view.
- Some O&S committee members report that they find it difficult to obtain background information, this point was also a concern and highlighted by a previous corporate peer challenge and appears to continue to be an unresolved issue which could be resolved by a dedicated scrutiny officer.
- A request was made that the O&S meetings should be better spaced across the municipal year, perhaps every 6 weeks rather than the current meeting pattern that is in place.
- Cabinet members in attendance with peers agreed that not all council members fully understand the role of scrutiny and what benefits it can bring to the council as a whole.
- Training for O&S members has recently been delivered. Further consideration should be given to the approach taken supporting members with development and training to ensure a targeted approach enables greater knowledge transfer and ongoing development. It was felt that O&S was not as effective or efficient as it could be and the cabinet agreed that a dedicated officer for scrutiny should be sought.
- Finance scrutiny has been left to FAR and is therefore not as effectively scrutinised as other areas.

Recommendations:

- Define what you want your scrutiny panels to achieve.
- Put into place scrutiny training for the whole council (members and officers) and experiment with how training could be more effective for the 2024 new intake. Ensure all members understand the benefits and role of scrutiny.
- Consider how the provision of all committee development & training can be improved to increase knowledge transfer and support members with ongoing training needs e.g. use of one-to-one coaching, the provision of feedback from live meetings, further training to fill any gaps in knowledge and skills.
- Urgently fund and recruit a dedicated scrutiny officer.

- Members to actively review the forward plan and invitation of cabinet members to attend O&S This could be overcome with a dedicated scrutiny officer in place.
- Proper and effective reporting onwards to council and cabinet by O&S is required.
- Establish clear meeting protocols and associated processes for questioning cabinet members.
- Officers to always facilitate the bringing forward of future agenda items requested by O&S in a timely manner.
- Training in scrutiny questioning skills (KLOE).
- Specific O&S training for the opposition too to encourage effective opposition role. There is specific scrutiny training for groups in opposition to assist with scrutiny work and assists them in being more effective throughout the council.
- Scrutiny needs to actively seek to implement the use of task & finish groups.
- It was observed by some members that the preparation for the special scrutiny meeting on the 'call to account' was beneficial and lessons learnt on how this preparation helped scrutiny should be considered in taking forward scrutiny in the future.

Cabinet

- Cabinet members should consistently and without exception be expected to attend O&S committee meetings where decisions from their area of responsibilities are being scrutinised.
- It should not be for the lead officer to attend in their place, as this shows an indifference to what O&S delivers.
- The scrutiny chair or their representative should attend all cabinet meetings to present scrutiny findings, particularly to enable the thinking and debate around the recommendations to be clearly communicated with the cabinet to maximise the impact scrutiny can have on decisions.

- Whilst it is understood that any recommendations from O&S do not have to be agreed by the cabinet, reasons for rejections should be given.
- Sometimes it is necessary to take urgent decisions and are made by the leader / cabinet members in consultation with the managing director / senior officers. Members of the committee should be reminded that existing procedures permits challenge through the 'call in' process.
- The leader arranges cabinet panels for members to review items coming to cabinet for decision and make recommendations. These panels will include cabinet members and members from across the council, including scrutiny and finance, audit and risk – there is concern that these panels duplicate work that is already within the committee structure for both O&S and FAR.
- There appears to be some confusion with members over who scrutinises finance and the budget process. There is a wide held view that it is FAR, but FAR is not constitutionally an O&S committee.
- Cabinet agreed to a suggestion that it would be more effective to split finance scrutiny from the finance, audit and risk committee, therefore leaving the audit and risk committee with a clearer role accountable to full council.
- There were mixed views on the purpose and role of the political liaison board.
- There was uncertainty why Best Value Reviews been abandoned, yet requests are made for these to happen, particularly high-profile contracts – e.g. Leisure Services, Waste. The cabinet were perplexed that this had not been put into place by O&S as they see it as a useful tool to “deep dive” on issues. However, O&S members felt they did not have the opportunity to use best value reviews.

Lead Officer and Agenda Setting

- The role of scrutiny officer is shared throughout committee services which raises the question concerning where the knowledge of the O&S committee's working comes from. It appears there is no consistency within the committee services element of the administration of the committee.
- A dedicated officer could lead to positive agenda setting / work planning with the chair and vice chair of O&S and ensure that there was cabinet member involvement.

- The process of considering an O&S agenda item is not well defined and can become a general debate, rather than an accountability mechanism. A clear process could be written to ensure there is a sequence of involvement, respecting roles. e.g. 1) Portfolio holder (PH) presents. 2) PH is questioned. 3) Officer is questioned. 4) Decision / report is debated by scrutiny members. 5) Recommendation is made by scrutiny members.
- Need more proactive agenda setting, for example through an annual workshop to set an initial proactive workplan for the year.
- Scrutiny appears to often come too late in the process to have an effective impact on pre-scrutiny decisions (same report as cabinet) and too early in the process (feeds into cabinet) to be effective at post decision scrutiny holding cabinet to account.
- It has been stated that the agendas for O&S are sent to O&S members without any recourse to the chair – if this is the case then there is likely to be an issue with democratic services understanding the chair's role, as the chair is the person who ensures members views determine items for debate.
- The officers within democratic services are new to the authority, which may be leading to an imbalance of agenda setting, which should be led by members.
- It is understood that some officers perceive O&S as a means to “catch officers out”.
- There was a concern raised that there was at least one occasion where an officer felt they had been “attacked” at O&S – it is important that meetings are organised and chaired in a way that promotes appropriate behaviour, robust but not discourteous.

Training

- The council was asked to provide details regarding the numbers of members who have attended the original O&S training and detail concerning any follow up of those that did not attend. To date no detail or information has been made available to peers.
- Training for new members is both vital and essential so that the new members do make a positive stance and take part in the scrutiny process.

Recommendations:

- Establish proactive annual programme of work and agenda setting.
- Provide O&S training in chairing skills.
- Training in scrutiny questioning skills (KLOE).
- Ensure the scrutiny committee actively follow up on all recommendations.
- Consideration should be given by the cabinet and portfolio holders on how they can carry out their role in a way that supports scrutiny being able to act as effectively as possible.
- Ensure minutes reflect the decisions of the meeting – e.g. requests for agenda items to be recorded in the minutes and added to the forward plan.
- Cabinet members should consistently and without exception be expected to attend O&S committee meetings where decisions from their area of responsibilities are being scrutinised.
- The scrutiny chair or their representative should attend all cabinet meetings to present scrutiny findings, particularly to enable the thinking and debate around the recommendations to be clearly communicated with the cabinet to maximise the impact scrutiny can have on decisions.
- Where cabinet do not accept an O&S recommendation, reasons should be given.

Finance, Audit and Risk (FAR)

Strengths:

- Financial risks are considered, but only the financial aspects of any other risk.
- FAR is involved in the budget setting process.
- Provides focus for finance trained councillors to specialise.

Areas for Development:

Membership of committees

- Training is given to the FAR membership. Members should have some interest in the committee itself and have a rudimentary understanding of local government finance.

Members should read and understand the papers sent to them in good time ahead of the scrutiny meeting to actively inform their question and scrutiny preparation.

- The finance and IT cabinet member attends the meeting as an observer and is only called upon to respond to any questions that are not fully answered by the lead finance officer.
- All other officers attend meetings virtually, which can cause problems with IT failures. Consideration should be given to attending in person.
- FAR members should actively engage in all skills audits to support the identification of any ongoing training and development requirements, to support members in being effective in their committee role.

Recommendations:

- Ensure a skills audit for all members is conducted at the beginning of the council term as part of the induction process to support groups in making the best appointments to committees.

Meeting Structure

- Consideration should be given for the audit and risk element of this committee to be a committee in its own right.

Risk

At an appropriate point, review the new process for monitoring corporate risks.

- All FAR committee members have access to the council's risk register. It would be timely to remind all members how to access the risk register, whilst reminding them officers are happy to assist as appropriate.
- Clarity is required over who chooses the risks for review that go to FAR and what criteria is used to ensure this process is transparent, clearly understood and objective. The committee should be reminded of the existing processes.
- If the risk management champion is a cabinet member how does FAR committee ensure they are being kept properly informed and updated on the risks they review?
- Risk Implications in the Annual Governance Statement – states: "The risk and opportunities management strategy require the finance audit and risk committee to consider regular report on the council's corporate risk. Failure to provide the committee with regular updates would conflict with the agreed strategy and would mean that the committee could not provide assurance to cabinet that the council's identified corporate risks are being managed.
- In para 7.2 it states that FAR recommended the changes and they were referred on to cabinet and approved – yet they were not mentioned in this agenda item, are the recommendations referred to in the minutes of the meeting of September 2021. Formal reference back should be made.
- All members should be reminded they can access the risk register by contacting democratic services.

Additional Observations

- It was suggested that those prospective FAR committee members should be given a realistic understanding of the workload and role on the committee.
- Finance scrutiny is not being undertaken in a scrutiny committee; this means that some of the holding to account functions are not being carried out in regard to the finance portfolio holder.
- FAR is experiencing a high turnover of members and is not therefore seeing the benefit of being a “specialist” committee.

Recommendations:

- Put into place training for the whole council and experiment with how training could be more effective for the 2024 new intake. Including an introduction to local government finance.
- Consider how the provision of all committee development & training can be improved to increase knowledge transfer and support members with ongoing training needs e.g. use of one-to-one coaching, the provision of feedback from live meetings, further training to fill any gaps in knowledge and skills.
- Split finance scrutiny from audit and risk. The scrutiny of finance should sit with a scrutiny committee rather than in the audit and risk committee.
- After the audit and risk function had been split from the finance (scrutiny) role, the new audit committee should focus on understanding their audit role and undertake a self-assessment of the role of an effective audit committee.
- Enhance the status of a new audit & risk committee.
- Consider an easier way for members to view the risk register.
- Support members with better understanding of the council’s risks.
- Minutes to reflect the decisions of the meeting – i.e. requests for agenda items to be in the minutes and added to the forward plan.
- Conduct a skills audit of all members at induction training to support groups in making appropriate appointments to committees.
- Ensure that every member of the community can easily access information about council meetings.



Next Steps

- Following the review of this document, at your request, peers can be assembled to discuss any aspect of their work to further explain or provide feedback relating to one or both committees as requested.
- The LGA can also advise on further support and training relating to the recommendations made by peers.

FINANCE, AUDIT AND RISK COMMITTEE 21 JUNE 2023

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2022-23

REPORT OF: SERVICE DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE FUNCTION

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

To consider the Annual Report of the Finance, Audit and Risk Committee for the 2022/23 Civic Year.

2. RECOMMENDATIONS

2.1. That the Committee consider and comment on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A,

That Finance, Audit and Risk Committee recommend to Full Council that:

2.2. The Annual Report of the Finance, Audit and Risk Committee be noted.

3. REASONS FOR RECOMMENDATIONS

3.1. To enable the Committee to consider the report before it is presented to Full Council. To provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk Committee.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. None, the constitution requires an Annual Report to be provided to Council.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. The outgoing Chair of the Committee have been consulted on the content of the report.

5.2. The current Members of the Committee have been provided with an opportunity to comment on the Report before it is presented to Full Council.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Chair of Finance, Audit and Risk Committee reports to Full Council each year providing an overview of the work that has been done over the previous Civic Year. It also provides a summary of the work planned for the forthcoming year.

8. RELEVANT CONSIDERATIONS

- 8.1 The Annual Report for 2022-23 is attached at Appendix A. The Annual Report is intended to provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk (FAR) Committee.

9. LEGAL IMPLICATIONS

- 9.1 The Constitution (4.4.1 (ee)) states that Full Council will receive an Annual Report from the Finance, Audit and Risk Committee.
- 9.2 In terms of the Statement of Accounts and approval deadlines mentioned in 10.2 of this report and the Annual report, set out under the Planned work in the 2022-23 section, this has caused concern amongst the statutory officers, regarding the failure to meet a deadline and the potential upcoming issue of being unable to meet the Accounts and Audit Regulations 2015 (as amended by Regulation 10 6B, The Accounts and Audit (Amendment) Regulations 2022) requirements to approve the 22/23 accounts within statutory deadlines. Under the Amendment Regulations 2022, this should be “*..not later than 30th September*” 2023.
- 9.3 CIPFA have sent correspondence to Chief Finance Officers to say it is down to their judgement as to whether to publish by the deadline. There is a legal duty on a Monitoring Officer, in consultation with the Chief Finance Officer, and Head of Paid Service, to report under section 5(2) & (3) Local Government & Housing Act 1989, for a non-Executive Function: “*if it at any time appears to him that any proposal, decision or omission by the authority, by any committee, or sub-committee of the authority, by any person holding any office or employment under the authority or by any joint committee on which the authority are represented constitutes, has given rise to or is likely to or would give rise to—(a) a contravention by the authority, by any committee, or sub-committee of the authority, by any person holding any office or employment under the authority or by any such joint committee of any enactment or rule of law.*” Such a contravention is anticipated and being notified accordingly to the Committee and Council as the recommended referral denotes. It will be considered further as to whether any other action is required at this stage, given the national situation and the advice of CIPFA.

10. FINANCIAL IMPLICATIONS

- 10.1 Providing Full Council with assurance over the effectiveness of the Finance, Audit and Risk Committee gives confidence that the areas of its work (including financial management) are being managed effectively.
- 10.2 The Annual Report references the delay in publishing the 2022/23 Statement of Accounts, that has been caused by not being to finalise the pension position on the

2021/22 accounts and the knock-on impact on to 2022/23. The delays in audits are a common problem across Local Government and due to a number of issues including auditor resources and increases in audit requirements (as set by the Financial Reporting Council). There is extensive communication from representative bodies (e.g. Society of District Council Treasurers) and CIPFA to highlight the concerns and impacts. The Levelling Up, Housing and Communities Committee have also launched an inquiry in to financial reporting and audit.

11. RISK IMPLICATIONS

- 11.1. Providing Full Council with assurance over the effectiveness of the Finance, Audit and Risk Committee gives confidence that the areas of its work (including oversight of risk) are being managed effectively.

12. EQUALITIES IMPLICATIONS

- 12.1. 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct HR implications arising from this report.

16. APPENDICES

- 16.1 Appendix A- Finance, Audit and Risk Committee Annual Report 2022-23.
16.2 Appendix B- LGA Peer Committee Support report

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 *Reports to and minutes of the Finance, Audit and Risk Committee during the Civic Year 2022-23*



Finance, Audit and Risk Committee
Annual Report 2022-23

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Introduction from the Chair of the Committee

I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2023.

I hope this Annual Report demonstrates the importance of the role of the Finance Audit & Risk Committee and the contribution it makes to the Council's overall governance. All meetings are open to the public and I would encourage residents to come along and see the Committee in action.

As well as elected members, the Committee is supported by the Service Director: Resources and the Accountancy Manager. The Policy and Communities Manager supports us in approving and reviewing the Annual Governance Statement. Similarly representatives from the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and our External Auditors (Ernst and Young) regularly attend the meetings of the Committee.

Councillor Terry Tyler

June 2023

Role of the Committee

The purpose of the FAR Committee is to provide independent scrutiny and assurance of finance, audit and internal control matters and to provide effective scrutiny of financial matters. This also encompasses corporate governance and risk management.

The Committee reports to Cabinet. The work of the Committee provides assurance to Cabinet and Council on the annual accounts, risk management, audit and internal control.

The full Terms of Reference for this Committee are provided in the Council's Constitution.
https://www.north-herts.gov.uk/sites/northherts-cms/files/S.10_0.pdf

Effectiveness

The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced a publication on "Audit Committees: Practical Guidance for Local Authorities and Police". This recommends that Audit Committees should consider their effectiveness and provides an self-evaluation tool to facilitate this. The Council asked the Shared Internal Audit Service (SIAS) to undertake such a review in July 2021, which was reported to Committee at the July 2021 meeting (<https://democracy.north-herts.gov.uk/documents/s16780/Appendix%20A%20-%20SIAS%20Review%20of%20the%20effectiveness%20of%20the%20Finance%20Audit%20and%20Risk%20Committee.pdf>).

The findings of the 2021 review (and progress made against the recommendations) were:

- **Independent Member (non-political appointment).** The Committee now has an Independent Member, who has attended each meeting since June 2022.
- **Forward Work Plan.** This document provides a forward work plan (see the Planned Work section). Members of the Committee are also encouraged to recommend future agenda items.
- **Learning and Development.** There is still an intention that all Members of the Committee will complete a skills self-assessment at the start of the civic year. However as it can take a while for these to be completed, the Service Director: Resources will put in place a training programme. This will mainly be delivered via a series of short learning sessions immediately prior to each meeting. The skills self-assessment will be used to shape the content of those sessions, plus any additional learning events or material.
- **Terms of Reference.** The Terms of Reference for Council now confirm that this Annual Report will be considered by a meeting of Full Council.

During 2022/23 received some peer support to look at improving the effectiveness of the Finance, Audit and Risk Committee (as well as the Overview and Scrutiny Committee). The recommendations of that process will be considered in a separate report, with the Committee asked to comment on them.

As the peer review follow-up took place during last year, the SIAS review of this committee was not included in the audit plan for this year (2023/24).

Members of the Committee

The following Members were appointed to the Committee for 2022/23:

Councillor Terry Tyler	Liberal Democrat	Chair
Councillor Clare Billing	Labour and Co-operative	Vice-Chair
Councillor George Davies	Conservative	
Councillor Morgan Derbyshire	Conservative	
Councillor Phil Weeder	Liberal Democrat	
Councillor Sean Nolan	Labour and Co-operative	
Councillor Terry Hone	Conservative	
John Cannon	Independent (non-voting)	

Substitutes:

Councillor Simon Bloxham	Conservative
Councillor Adam Compton	Conservative
Councillor Chris Hinchcliff	Labour and Co-operative
Councillor Steve Jarvis	Liberal Democrat
Councillor Nigel Mason	Labour and Co-operative

To support Members appointed to the Committee, assistance was readily available from relevant Officers.

Meetings

A work plan was set out at the start of the year, which included regular review of the following:

- Reports of the External Auditor (Ernst and Young)
- Internal Audit Reports (Shared Internal Audit Service – SIAS) to enable monitoring of the delivery of the internal audit service
- Anti-fraud reports (Shared Anti-Fraud Service- SAFS) to enable monitoring of the effectiveness of anti-fraud activity
- Risk Management Updates
- Financial monitoring including Revenue budget and the Investment Strategy (Capital and Treasury)

As and when required, the planned Agenda is supplemented by reports where the Committee has requested additional information or assurance.

The Committee met five times in the year and the following reports were presented and discussed:

	Jun 2022	Sep 2022	Dec 2022	Jan 2023	Mar 2023
Annual Governance Statement			Draft AGS 21/22		AGS 21/22 Local Code of Governance
Reports from External Auditors (Ernst and Young)	Audit Results 20/21	Annual Report 20/21	Plan for 21/22		Audit Results 21/22
Statement of Accounts	20/21 Accounts				21/22 Accounts
Internal Audit (SIAS) progress reports	Annual Report 21/22 and progress 22/23	Service Report 21/22 and update 22/23	Progress Report		Audit Plan 23/24 and 22/23 Progress
Anti-Fraud (SAFS) reports		Annual Report 21/22 and progress 22/23	Progress Report		23/24 Plan and 22/23 Progress
Budget monitoring reports	Outturn for 21/22	Q1 22/23	Q2 22/23		Q3 22/23
Risk Management	Annual Report and Update		Mid-year update		
Budget setting reports		Medium Term Financial Strategy	Draft Budget 23/24	Revenue Budget 23/24 Investment Strategy 23/24 onwards	
Other reports	FAR Annual Report 21/22	Council Tax Reduction Scheme (CTRS) 23/24	CTRS 23/24 Contract Procurement Rules		

Main Achievements

As an Audit Committee, it is important that FAR undertakes its key and regular tasks to ensure good governance.

Following the completion of required external audit work by Ernst and Young, it was pleasing to see that FAR was able to approve the Statement of Accounts for 2020/21 in June 2022. It had been hoped that the 2021/22 would also be able to be approved during the year. The final sign-off was delegated to the Chair at the March 2022 meeting, but an ongoing pension issue (that is outside the Council's control) means that approval will not be possible until at least July 2023. The Annual Governance Statement (AGS) for 2021/22 was approved, and from this year onwards the plan will be to approve the AGS much earlier in the year.

With the introduction of the Council Delivery Plan, the monitoring of strategic risks has been taken on by Overview and Scrutiny Committee. This gives the FAR Committee the opportunity to refocus on the processes that are in place to ensure effective risk management and providing governance oversight.

The Independent Member started in their role in September 2022. They have attended all of the meetings and provided a valued contribution to the Committee.

In addition to the regular topics, FAR received reports on the new Council Tax Reduction Scheme. This allowed the Committee to analyse the likely effectiveness of the new scheme, and the impact on those that may lose out through the changes.

During the year, regular training sessions were introduced. These have taken place immediately before the committee meetings and provide focused sessions on key topics. The topics so far have been fraud prevention, the role of internal audit and an overview of the Statement of Accounts.

Planned work for 2022-23

The Committee will receive the items that ensure it covers its remit. This is expected to include the following items:

	Jun 2023	Sep 2023	Dec 2023	Jan 2024	Mar 2024
Annual Governance Statement	Draft AGS 22/22	AGS 22/23 Local Code of Governance			
Reports from External Auditors (Ernst and Young)	TBC Will include the approval of the 21/22 Account, the audit plan for 22/23 and hopefully being able to approve the 22/23 accounts (depending on progress with external audit work). See below.				
Statement of Accounts					
Internal Audit (SIAS) progress reports	Annual Report 22/23	Service Report 22/23 and update 23/24	Progress Report		Audit Plan 24/25 and 23/24 Progress
Anti-Fraud (SAFS) reports		Annual Report 22/23 and progress 23/24	Progress Report		24/25 Plan and 23/24 Progress
Budget monitoring reports	Outturn for 22/23	Q1 23/24	Q2 23/24		Q3 23/24
Risk Management	Annual Report		Mid-year update		
Budget setting reports		Medium Term Financial Strategy	Draft Budget 24/25	Revenue Budget 24/25 Investment Strategy 24/25 onwards	
Other reports	FAR Annual Report 21/22		Financial Regulations Review		

The Accounts and Audit regulations require that Local Authorities complete draft accounts by the end of May (for the year ended 31st March 2023). The ongoing issue with the 2021/22 accounts has a knock-on impact on the 2022/23 accounts (as until the pension position has been resolved we cannot instruct the pension actuary on the basis to provide data for the 2022/23 accounts), and therefore we have not met the 31st May deadline. The 2022/23 accounts will be issued as soon as the 2021/22 issue has been resolved and the required resultant pension data has been received and processed. Our auditors are aware of what we are doing and have agreed the statement that we have put on our website to explain the situation. It is currently expected that we will publish the draft 2022/23 accounts by the end of July (this is likely to be in advance of the committee meeting to approve the final 2021/22 accounts). That would be in advance of the currently scheduled audit start date (November 2023) so should not impact on the completion of the 2022/23 audit work and in turn the approval of the 2022/23 accounts. It is therefore hoped that the 2022/23 final accounts can be approved by the March 2024 meeting.

Members of the Committee can also make recommendations of other topic areas that they would like to discuss/ be reported on.

The training sessions immediately prior to each meeting will continue. The focus of the first session will be on the role of FAR as an Audit Committee and how it supports effective governance.

All Members of the Committee are encouraged to take advantage of the various offers of training and development that will be made by Officers, as well as any relevant external courses that are available. All Members are also able to contact the Service Director: Resources for any support that they require.

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FINANCE AUDIT AND RISK COMMITTEE 21 June 2023

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL REPORT ON RISK MANAGEMENT GOVERNANCE

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: ALL

1. EXECUTIVE SUMMARY

To provide the Committee with an update on the effectiveness of the Risk Management Governance arrangements at North Herts Council

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and provide comments to Cabinet on the Annual Risk Management update, for referral on to Full Council.
- 2.2. That Finance, Audit and Risk Committee provide comments to Cabinet on the review of the Risk Management Framework.
- 2.3. That Finance, Audit and Risk Committee comment on the type of Risk Management Training they would like to see going forward.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2. This Committee has responsibility to monitor the effective development and operation of Risk Management.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation has been undertaken with Leadership Team and the Risk and Performance Management Group (RPMG). The Executive Member for Finance and IT (as Risk Management Member Champion), the Chair of Finance, Audit and Risk Committee and

the Chair of Overview and Scrutiny are all invited to RPMG, as well as key Officers.. Lead Officers discuss risks with the relevant Executive Member.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 21 April 2023.

7. BACKGROUND

- 7.1 In March 2022, Cabinet agreed that risks impacting on the delivery of the Council Plan and linked projects would be reported to the Overview and Scrutiny (O&S) Committee, along with details of projects and associated performance indicators. This forms part of the new Council Delivery Plan along with performance monitoring arrangements. This Committee will focus on its role (as set out in the Constitution) of “monitor[ing] the effective development and operation of risk management”. To achieve this, the Committee now receives a mid-year (in December) and end of year (in June) report. The June report will focus on the Annual Report of Risk Management, which will also go to Full Council.
- 7.2 The Executive Member for Finance and IT in their role as the Member Risk Management Champion was a regular attendee at the quarterly RPMG meetings. The items discussed at these meetings informed the content of the committee reports.
- 7.3 The RPMG is chaired by the Service Director – Resources, the Officer Champion for Risk Management, who is responsible for the risk management function at a strategic and operational level. This function is delivered by the Controls, Risk and Performance Manager and the Performance and Risk Officer, including the provision of training and support to Officers and Members. The terms of reference for the group were reviewed in November 2022 and are included as Appendix F.
- 7.4 Hertfordshire County Council (HCC) delivers the Council's insurance services and their Risk and Insurance Manager attends RPMG meetings. This enables the Council to obtain an insight into emerging risks and issues at both HCC and other Hertfordshire local authorities. The SIAS Client Audit Manager also attends RPMG meetings, helping to inform the group's understanding of wider risk issues.
- 7.2 The intention is for the six-monthly reports to provide a wider commentary on Risk, the broader risks and mitigations, and to provide assurance that risk governance arrangements are working, and that effective risk management processes are in place. Detailed review of specific risks can be requested on an ad hoc basis and provide the opportunity to bring the risk owner's expertise into the room.

8. RELEVANT CONSIDERATIONS

8.1 RISK MANAGEMENT GOVERNANCE

- 8.1.1 The Councils Risk Management Framework (RMF) requires us to

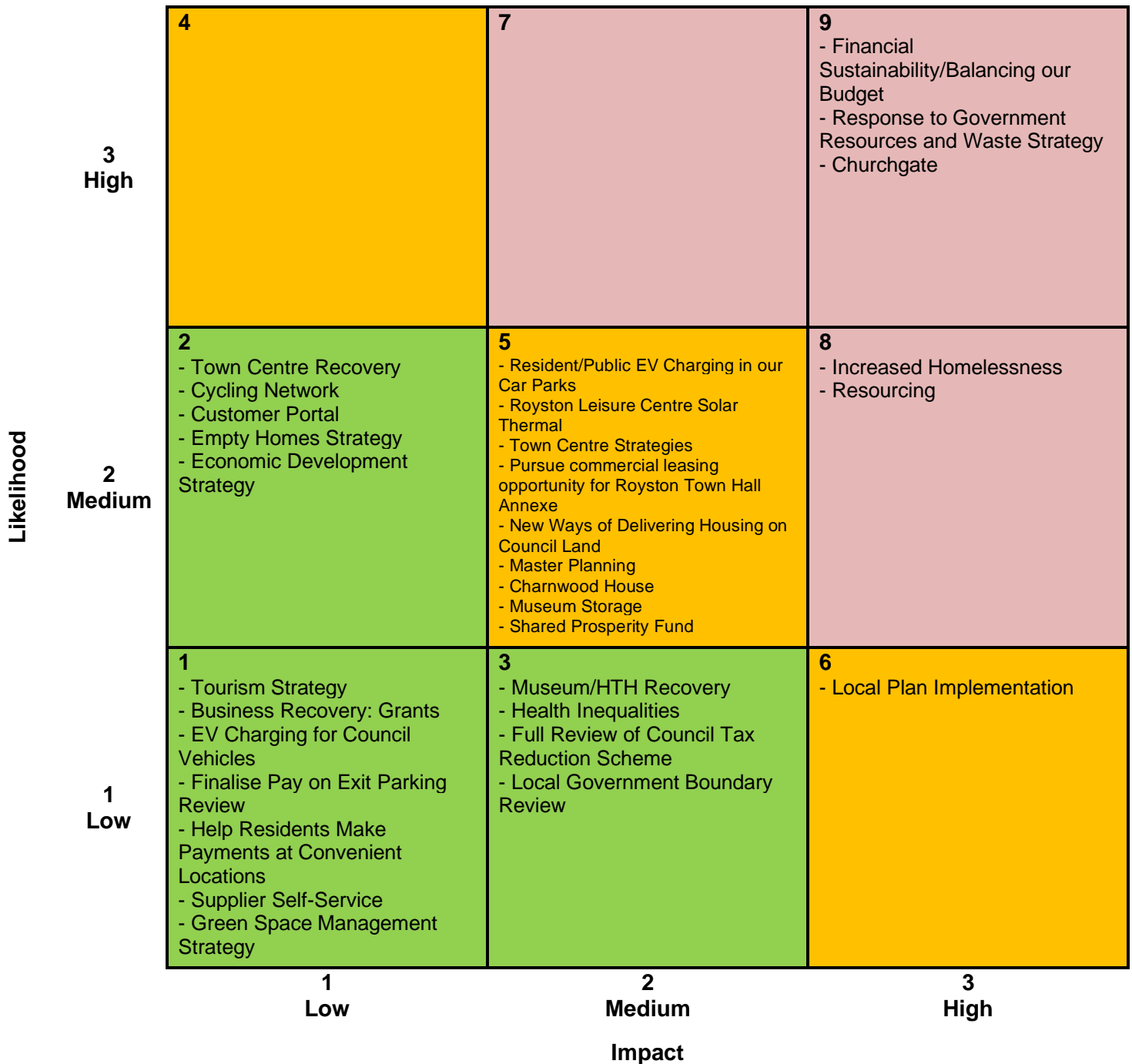
- Identify and document key risks in all areas of our business, understand them and seek to proactively manage them.
- Assess each risk, identify existing controls, and further actions required to reduce the risk.
- Have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- Develop capacity and skills in identifying, understanding, and managing the risks facing the Council.
- Regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

8.2 Risk Identification and Assessment

- 8.2.1 The Corporate Risks are the responsibility of the Leadership Team and Cabinet, with Cabinet ensuring the risks are managed appropriately and proportionately. These key risks were those that cut across the delivery of all services, related to key projects or could significantly affect the delivery of Council objectives. They were likely to require a high level of resources to manage and needed to be monitored at a strategic level.
- 8.2.2 The reporting of Corporate Risks to Cabinet via the half yearly FAR Committee report and the Quarterly O&S Council Delivery Plan updates, allowed details of the top risks facing the Council and how we were managing them to be approved and monitored accordingly.
- 8.2.3 A full list of Corporate Risks linked to the Council Delivery Plan 22-23, is provided in Appendix A. 28 new risks were created to form the original Council Delivery Plan, reported to this committee in March 2023, and a further 3 risks have been added since that date, namely Churchgate, Resourcing and Shared Prosperity Fund. Reporting on the Council Delivery Plan, has allowed us to streamline the risk records, highlighting the actions the Council needs to take to manage the risk. Each risk has been assessed on Pentana, and shows an initial risk score, current risk score and a target risk score. The controls and mitigating actions column, sets out how officers are proposing to either reach the target risk score, or maintain the existing risk score, if it has been decided the risk cannot be managed any lower. It should therefore be noted that some risks have been managed as low as possible and the residual risk must therefore be accepted.
- 8.2.4 The following diagram highlights the definitions of likelihood and impact used in the Risk Management Framework.

4 Likelihood High (3) Impact Low (1) Chance of it happening - More than 60% Consequences - Minor	7 Likelihood High (3) Impact Medium (2) Chance of it happening - More than 60% Consequences - Noticeable effect on the Council	9 Likelihood High (3) Impact High (3) Chance of it happening - More than 60% Consequences - Significant impact on the Council
2 Likelihood Medium (2) Impact Low (1) Chance of it happening – between 20 – 60% Consequences - Minor	5 Likelihood Medium (2) Impact Medium (2) Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council	8 Likelihood Medium (2) Impact High (3) Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council
1 Likelihood Low (1) Impact Low (1) Chance of it happening – less than 20% Consequences - Minor	3 Likelihood Low (1) Impact Medium (2) Chance of it happening – less than 20% Consequences – Noticeable effect on the Council	6 Likelihood Low (1) Impact High (3) Chance of it happening – less than 20% Consequences – Significant impact on the Council

8.2.5 The year-end Council Delivery Plan monitoring report contained the following risks, which have been plotted on the Corporate Risk Matrix to show a visual risk profile of the Plan:



The analysis of Risk data and changes to Risk Scores between 1 April 2022 and production of the year-end monitoring report, is shown in Table 1

Table 1	Council Delivery Plan Risks	Service Risks
Green Risks (1-3)	16	11
Amber Risks (4-6)	10	20
Red Risks (7-9)	5	8
TOTAL (at end of period)	31	39
Risks with reduced risk scores	12	5
Risks with increased risk scores	0	2
Risks with unchanged risk scores	19	32
TOTAL (at end of period)	31	39
New Risks	31	3
Retained throughout year	0	53
Less: Archived Risks	0	17
TOTAL (at end of period)	31	39

8.3 Emerging Risks

8.3.1 Resourcing

Reporting on progress against the Council Delivery Plan to Overview and Scrutiny and Cabinet has allowed us to monitor the Corporate Risks linked to Projects on a regular basis. As each project now has a linked risk, it has become clear that a recurring theme is resourcing, which shows as an ever-present risk. A new Corporate Risk for Resourcing with a risk score of 8 has been introduced. (Appendix B) Vital additional actions, which this year have included supporting businesses by paying the Government Support Grants, and support for the Homes for Ukraine scheme, require resources, both staff and financial, to be redirected. This affects the delivery of other projects within the Council Delivery Plan, resulting in project timelines becoming difficult to achieve.

In order to mitigate the risk, consideration is given to getting in new staff resource, particularly where New Burdens Funding is available, as well as looking at process automation and signposting to external resources and support. Projects will be prioritised and lower priority projects will be dropped where necessary. The target risk score has been set as 2.

In addition, HR are improving how we recruit and retain staff. This includes a review of recruitment processes, updating and improving the recruitment webpages and increased and improved use of social media for recruitment advertising. The employee benefits offering has been reviewed and extended following an employee survey. Our apprentice scheme continues to provide opportunities to grow our own and trainee roles have been introduced in addition to the Council apprentice scheme to support hard to fill areas.

8.3.2 Shared Prosperity Fund

On the same theme as the Resourcing risk, is the new Corporate Risk relating to the Shared Prosperity Fund (Appendix B) This new risk has been set up with a risk score of 5. There is a risk that a lack of general resources to deliver these projects will mean we are not able to fully take advantage of the funding available. We may fail to spend the money in the correct year, especially if there are delays in Government approval. Officers are required to provide returns to Government on the use of the Grant and these must be completed accurately. There can also be long lead in times for capital elements which means that items are unavailable until beyond the end of the funding period.

As with the general "Resourcing" risk, there is a need to prioritise and drop the delivery of lower priority projects. Officers are undertaking preparation work where there is a low -cost impact and we must ensure that we respond promptly to requests from Government in order to get plans approved as soon as possible.

It is also intended to look at using the admin element of grants to buy in support for monitoring and submitting returns where possible and investigating the availability of required kit/materials in order to source them at the earliest opportunity. It is hoped that these actions will allow us to achieve the target risk score of 3.

8.3.2 Churchgate

The purchase of Churchgate has created an opportunity for the Council for the regeneration of the Centre and the surrounding area, which has been long awaited. However, it also brings the risk that the regeneration of the area will not meet the expectations of stakeholders. In addition, high inflation and the potential for a recession will have an impact on the affordability of the project and what we are able to achieve. A Corporate Risk with a risk score of 9 has been set up.(Appendix B)

In order to mitigate the risks, Officers have a Communications and Consultation plan in place which will be regularly updated. All key decisions will be explained, and it will be made clear that compromises may have to be made on the project. Financial and Consultancy support will be sought as needed and cost effectiveness and value for money will play a key part when developing the options for the site. It is hoped that implementing these actions will allow us to reduce the risk score to the target score of 6.

8.3.3 Re Procurement of the Shared Waste Contract

Waste management and recycling is the highest profile service that affects every resident of the district. We are the lead authority for the joint waste contract with East Herts Council. The procurement is now underway to secure the next contract. Procurement and implementation of key contracts are risk areas for the Council and it is essential that a seamless transition is managed if there is a change in contractor. A new Corporate Risk will be included on the 2023-24 Council Delivery Plan with a risk score of 9.

8.3.4 Cyber Risks

Prolonged disruption to/failure of IT infrastructure/systems remains a high-risk area for the Council to manage. In line with all other local authorities, and businesses in general, this is likely to remain the case over the long-term, due to the constantly

evolving threats to our cyber security and the high impact on service/project delivery of risks materialising. The risk level will also be influenced by any change of risk appetite relating to the provision of individual systems i.e., moving to more cloud hosted options. Broadly speaking, the main threats can be summarised into three categories - deliberate and unauthorised breaches of security (e.g., a cyber-attack), unintentional breaches of security (e.g., accidental action by staff) and weakness/failure of essential IT infrastructure (e.g., loss of internet access). The IT service constantly manage and adapt to these risks on a day-to-day basis, with certain officers within the team having specific cyber security responsibilities.

8.4 Review of Risks

- 8.4.1 Risk reviews are scheduled within Pentana Risk, (our performance and risk software) and automated reminders are sent to service areas when risks are due to be reviewed, in line with the RMF requirements. Red Risks are reviewed most regularly – every 3 months, with Amber risks every 6 months and Green risks being reviewed at least once a year. Service areas are assisted by the Performance and Risk Officer to ensure that information is captured in line with the RMF.

For the period from April 22 to date, all Corporate risk reviews were carried out in line with the RMF requirements. For service risks, 69% of Red risks, 93% of Amber risks and 100% of Green Risks were reviewed.

- 8.4.2 A report on progress made against the Council Delivery Plan was taken to Overview and Scrutiny on 6 September 2022. Members commented on the report content and requested that project milestones be included in subsequent reports and this request has been actioned. The report was subsequently taken to Cabinet. As per the new Performance Management Framework, this ensures that Cabinet have oversight of both risk and performance.

8.5 Archived Risks

Archived risks for the full year are included as Appendices C. Archived risks are risks which have been managed down to business as usual, as per the RMF, or have been replaced by more relevant risks.

All risks can be viewed on Pentana, the Council's Risk and Performance software. Guest login details and guidance on navigating the system can be found on the intranet at the link below.

[Pentana Risk | Intranet \(north-herts.gov.uk\)](http://north-herts.gov.uk)

8.6 Review of the Risk Management Framework

- 8.6.1 At the RPMG meeting in November, the group reviewed the proposed changes to the Risk Management Framework, included as Appendix D. This was a light touch update with relatively minor changes, such as changes to names and reporting lines, which have also been reflected in the updated terms of reference for Risk and Performance

Management Group. The Risk Management Strategy provides tools to keep the Risk descriptions succinct, rather than setting out a mandated approach. Even if target risk scores are reached, if the risk is still assessed to be at an unacceptable level, further mitigating actions should be considered.

8.7 Risk Awareness and Appetite

- 8.7.1 The Council is committed to the proactive identification and management of key external and internal risks that may affect the delivery of objectives. This allows us to be risk aware, understanding that risks may increase as services evolve and more commercial opportunities are developed and undertaken.
- 8.7.2 The Council's risk appetite is its willingness to accept risks to realise opportunities and achieve objectives. We must take risks and 'be brave' to evolve and to continue to deliver services effectively, deciding what risks we want to take and what ones we want to avoid, whilst acknowledging that we cannot or should not avoid all risks. The Risk Management Framework recognises that risks accompany all new objectives and opportunities, and it provides guidance on managing them appropriately.
- 8.7.3 At the May meeting of the RPMG a discussion was undertaken on the wider risks which may have an impact on the Council. This included the continuing war in Ukraine, and the China-Taiwan conflict, all of which could lead to supply chain failure / issues, and computer chip shortages. Inflation also continues to be a concern, and is reflected in the new Churchgate Risk entry. Discussion took place on whether inflation should be a standalone Risk entry, however as the Council has a relatively small Capital Programme, with only a low number of large projects, this may not be needed, as it can be captured at project level.
It was agreed that it would be beneficial to review the links between Business Continuity Plans and the Risk Register to ensure that all relevant risks were reflected in both, although this is not a priority. It has also been decided that the Council's Senior Manager Group should undertake a review of emerging risks.
- 8.7.4 The Council will have a range of different appetites for different risks depending on the circumstances and these will vary over time. The Risk Management Framework specifies that we will actively manage and monitor risks scoring 4 or higher on the risk matrix. This includes monitoring the completion of risk management activities and assessing their effectiveness.
- 8.7.5 Discussions on risk appetite have taken place, particularly among the Officer Leadership Team and the Officer/Cabinet Leadership Team. This has determined that we will assess our risk appetite on a project-by-project basis. This allows the benefits of a project to be balanced against both the resources and risks involved.
- 8.7.6 As reported in the Council Delivery Plan year-end monitoring report, 15 Corporate Risks had a score of 4 or above:
- Churchgate (9)
 - Financial Sustainability/Balancing our Budget (9)

- Response to Government Resources and Waste Strategy (9)
- Increased Homelessness (8)
- Resourcing (8)
- Local Plan Implementation (6)
- Charnwood House (5)
- Master Planning (5)
- Museum Storage (5)
- New Ways of Delivering Housing on Council Land (5)
- Pursue commercial leasing opportunity for Royston Town Hall Annexe (5)
- Resident/Public EV Charging in our Car Parks (5)
- Royston Leisure Centre Solar Thermal (5)
- Shared Prosperity Fund (5)
- Town Centre Strategies (5)

8.7.7 The FAR Committee has a role in monitoring how effectively the Council delivers against its strategic approach to risk appetite.

9 **Insurance Review**

- 9.1 Hertfordshire County Council continued to handle the Council's insurance arrangements under a shared service arrangement. Due to the contract for the Property, Motor, Personal Accident and Crime insurance ending on 31 March 2023, a tender exercise was carried out using the YPO insurance framework. This resulted in new insurers from 1 April 2023 for these policies apart from Crime insurance, which was retained by Zurich Municipal.
- 9.2 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These types of claim are subject to a £10,000 excess that is charged to the responsible service area. Areas that have been subject to a claim are identified and wherever possible, action is taken to prevent future damage to property or personal injury.
- 9.3 As at 31 March 2023, only two insurance claims were received from the public relating to the policy year 2022/23. Although claims are made, these are not always successful for the claimant, as payments of compensation are made only when there is a proven legal liability.
- 9.4 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013 and the Council now pays 25% of any new claims dating back to the period that MMI was the Council's insurer (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI were the Council's insurers. As at 31 March 2023, there are no outstanding claims with MMI.

10 **Business Continuity**

- 10.1 Business Continuity Planning (BCP) continues to be a key focus for the Council. In 2022/23, work included the development of the Operation London Bridge Business

Continuity Plan (events following the death of Queen Elizabeth II), completion of the 2022 Business Impact Analysis (BIA) process, development of a revised Operational Service Continuity Plan template for critical services and commencement of the review of all Resilience Plans.

- 10.2 A SIAS audit was carried out in late 2022 covering the BCP process and IT Disaster Recovery. The final report provided limited overall assurance and made one high priority (Limited evidence of IT disaster recovery procedures and outdated policies) and two medium priority (Incomplete BIA process/forms and BCP training) recommendations. All finalised audit reports are sent to members of FAR.
- 10.3 During 2023/24, we will complete the review of all Resilience Plans taking into account learning from recent exercises, incidents and responses, and the SIAS audit report findings. The review will include the development of procedures for key business interruption risks e.g., national power outage, loss of IT and adverse weather. Service Continuity Plans will be completed for critical services, and we will carry out the 2023 BIA process in the autumn. Following completion of the plans, the BCP training schedule will recommence, including training for staff, and a series of exercises to test the new arrangements e.g., tabletop and discussion-based exercises to test corporate arrangements, and service level exercises.
- 10.4 During 2022, we carried out a full BIA review, with all services returning an initial 'BIA 1 form' describing service functions, impacts of service interruption and dependencies. This informed a list of the Council's critical functions that must be prioritised in the event of a major internal business disruption, which was agreed by Leadership Team. An additional 'BIA 2' form was completed for all identified critical functions. Operational Service Continuity Plans will be completed for services with critical functions, and these will be updated annually. Leadership Team monitor critical service functions, with Service Directors responsible for lower-level risks in their areas. The current list (in effect up to September 2023) includes 17 services with critical functions.
- 10.5 The Council has a statutory responsibility under the Civil Contingencies Act to maintain business continuity plans. Our comprehensive structure consists of a number of plans including the main Resilience Plan that provides direction on the Council's corporate response to an emergency/major business disruption and plans at a corporate cross-Council level and operational level. On completion of the review of Resilience Plans, a revised plan structure will be produced.
- 10.6 The Hertfordshire Local Resilience Forum takes a lead role in BCP, and the Resilience Team participate in related group meetings. Council officers have good relationships with local organisations and contractors and work closely with neighbouring authorities on topics such as cybercrime, reception centres, managing equipment, and mutual aid.
- 10.7 The Business Continuity Awareness Week (BCAW) in May 2022 had the theme 'Building Resilience in the Hybrid World' and was promoted to staff and the public. The 2023 BCAW campaign will be held in May 2023 with the theme 'Embracing the challenge of Resilience' and will again be promoted by the Council.

- 10.8 BCP information is available on the Intranet and the Council's website, along with links to additional advice and guidance from HCC and Government.

11 **Health and Safety**

- 11.1 A review of the approach to risk assessment was completed. A new risk assessment template was developed, which is in line with HSE guidance and presented in an easy-to-use format. The H&S risk assessment information document was updated, which includes guidance on completing risk assessments and links to the Grow Zone risk assessment training modules for managers. Both documents are available on the Intranet.
- 11.2 A review of the Incident Register was also completed, with updated guidance now available on the Intranet. A review of the suitability of the current Incident Register app is still to be undertaken with IT and this will be scheduled in once IT have completed the current V3 laptop rollout
- 11.3 SIAS conducted a review of lone working procedures and made several recommendations to bring them in line with current legislation. A complete review of the procedures and risk assessment process and template was also undertaken, with relevant previous documentation incorporated into a newly developed H&S Lone Working information document. This provides guidance on the measures to be undertaken and highlights the different types of lone working devices that are available. A new lone working risk assessment template was produced to help managers when considering their department's needs. All documents are available on the Intranet.
- 11.4 A review of first aid provision at the main District Council Offices was undertaken. This concluded that the number of trained first aiders would not guarantee that cover could be provided across the full working week. Following a successful campaign for more volunteers to take up first aid training, the number of first aiders has now increased. A DCO First Aiders "in/out" noticeboard is now in use to indicate which first aiders are on site at any given time. We are also introducing a new larger fixed first aid station, which will be located in the ground floor kitchen area. This is designed to allow staff immediate access to basic first aid items, with Property Services monitoring and replenishing stock levels. A book will also be available to record any items used. The accident book will also be moved to the same ground floor location, with the online version remaining available on the Intranet. First Aid information posters will also be placed around the building, to offer basic first aid advice.

12 **Developing Capacity and Skills**

- 12.1 The Performance and Risk Officer has always worked closely with Officers giving advice and guidance when each risk review is completed, but there is more work to undertake in this area to ensure Officer and Member skills are developed. In 2021 an E-Learning module for Risk Management was set up on Grow Zone for completion by Officers. As at 31/03/2023 107 officers had completed the learning. This e-learning is also available to members and can be accessed via the Growzone at the link below.
[RM: Risk Management eLearning \(learningpool.com\)](https://learningpool.com)

The last report taken to FAR in March 2023 requested feedback from members of the group and subsequently Cabinet on the type of training they would like to see going forwards, but no particular requirements have been forthcoming. A SIAS audit on the Risk and Performance Management Function carried out in March 2023 (appendix E) gave reasonable assurance on the risk management function, but contained a number of recommendations which will enable us to strengthen our process. It identified the need for Member training to be developed, as one of the recommendations. This will therefore be one of the key actions to undertake in the 23-24 year. The annual finance training for new members (and existing members are encouraged to attend) has been extended to also cover an introduction to risk. Members of FAR are asked to specify any additional training that they require.

13 Achieving the Key Actions for 2022/23

- 13.1 Last year's Annual Report detailed the following key actions for 2021/22 to enhance the Risk Management Framework:

Action	Due Date
Undertake the annual review of Risk Management Framework documentation.	31/12/22
Continue to develop the Risk Management toolkit throughout the year.	31/03/23
Refine the new Council Delivery Plan combined performance monitoring arrangements throughout the year.	31/03/23
Undertake Insurance tender.	31/03/23
Completion of Performance Management Framework guidance documents (action will span more than one year, as requirements evolve).	31/03/24

- 13.2 As detailed in Section 5, a review of Risk Management Framework documentation was undertaken in late 2022 and was reported to Members in December 2022.
- 13.3 Further targeted promotion of the e-learning module is underway, as not all current Risk Owners and Risk Assignees have completed it (currently a 65% completion rate). In practical terms, the Performance & Risk Officer continues to provide guidance and support to officers undertaking risk reviews.
- 13.4 Following the continued ad-hoc development of a Risk Management toolkit, in 2023/24, a comprehensive review will be undertaken, and further improvements made. This will form part of a wider project to review all available risk and performance information. Completion of this project aims to implement the medium priority SIAS audit recommendation, prepare for the upcoming move from the current Intranet to Sharepoint, and to ensure that only up to date and relevant guidance is available to

Officers and Members, for example, access to the recently revised Project Risk Log template.

- 13.5 As detailed in Section 9, an insurance tender exercise was undertaken during 2022/23 and new insurance arrangements commenced from 1 April 2023.

14 Key Actions for 2023/24

- 14.1 The implementation of the following actions in 2023/24 will ensure the continued development of risk management at the Council:

Action	Due Date
Undertake the annual review of Risk Management Framework documentation.	31/12/23
Update the Risk Management E- Learning Module on Growzone to reflect the updated Strategy	30/09/23
Develop Member Training on Risk and deliver to key members of FARC and O&S	31/12/23
Continue to refine the new Council Delivery Plan combined performance monitoring arrangements throughout the year.	31/03/24

15. LEGAL IMPLICATIONS

- 15.1 The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet" (Constitution 10.1.5 (u)).

16. FINANCIAL IMPLICATIONS

- 16.1 There are no direct financial implications arising from this report. However, it should be noted that there are issues linked to the Resourcing risk (e.g., Cost of Living and inflation) that will affect the Council's financial situation.

17. RISK IMPLICATIONS

- 17.1 The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Councils Corporate Risks. Failure to provide the Committee with regular updates would conflict with the agreed Strategy and would mean that this Committee could not provide assurance to Cabinet that the Councils identified Corporate Risks are being managed.

18. EQUALITIES IMPLICATIONS

- 18.1 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 18.2 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 Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

19. SOCIAL VALUE IMPLICATIONS

- 19.1 The Social Value Act and "go local" requirements do not apply to this report.

20. ENVIRONMENTAL IMPLICATIONS

- 20.1 There are no known Environmental impacts or requirements that apply to this report.

21. HUMAN RESOURCE IMPLICATIONS

- 21.1 The proposed Resourcing risk highlights the potential impact on staff of taking on new tasks.

22. APPENDICES

- 22.1. Appendix A –Corporate Risks
Appendix B – New Corporate Risks
Appendix C - Archived Corporate Risks
Appendix D – Risk Management Framework documents
Appendix E – Performance and Risk Management Audit Report
Appendix F – RPMG Terms of Reference

23. CONTACT OFFICERS

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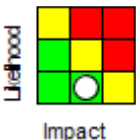
24. BACKGROUND PAPERS

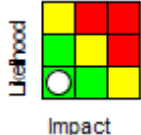
24.1 SIAS Audit report – Business Continuity Planning (Feb 23)


NHC Risk Register

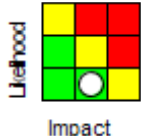
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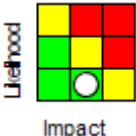


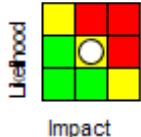
Risk Code	CDP01	Risk Title	Museum/HTH Recovery
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. All related milestones carry the risk of new emerging variants or a worsening Covid picture; separately, the booking of Hitchin Town Hall and income levels may be impacted by the rising cost of living and the reduced levels of disposable income. 2. Lack of interest in the facilities following extended period of closure and restrictions. 3. Inability to generate income as well as hoped and to the levels targeted.		
Current Risk Matrix		Date Reviewed	18-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	- Increased use of advertising and new website (implemented and ongoing).		

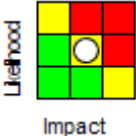
Risk Code	CDP02	Risk Title	Tourism Strategy
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Risk of delay in procuring consultants and subsequent delay to production of strategy.		
Current Risk Matrix		Date Reviewed	18-Nov-2022
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Ensure specification for procurement is sufficiently robust and written in a timely manner (Due date to be confirmed). - Regular meetings to be set up with consultants (Due date to be confirmed). 		

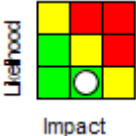
Risk Code	CDP03	Risk Title	Business Recovery: Grants
Service Area	Customers	Risk Owner	Jo Dufficy
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Lack of resources available to deliver grant schemes.		
Current Risk Matrix		Date Reviewed	11-Jan-2023
Opportunities			
Consequences			
Work Completed	<ul style="list-style-type: none"> - Utilised additional resources. - Shadowing within the team increased resilience. 		
Ongoing Work			


Risk Code	CDP04	Risk Title	Town Centre Recovery
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Resourcing the project – limited budget available. 2. Town Strategy not yet in place.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	- Look for external grants (we have been allocated SPF funding and are now developing delivery plans).		


Risk Code	CDP05	Risk Title	Health Inequalities
Service Area	Legal & Community; Regulatory	Risk Owner	Ian Fullstone; Jeanette Thompson
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Inability to achieve funding. 2. Delays in achieving funding affects delivery of outcomes. 3. Terms of any funding affects what can be delivered. 4. Staff shortages/competing priorities limit progress.		
Current Risk Matrix		Date Reviewed	10-Jan-2023
Opportunities			
Consequences			
Work Completed	- Funding secured and intervention plan approved (Health and Wellbeing).		
Ongoing Work	- Working with partner organisations to deliver the projects.		

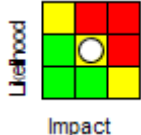
Risk Code	CDP06	Risk Title	Economic Development Strategy
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Uncertainty over focus of the strategy. 2. Determination of level of priority and the funding to be allocated from 2023/24.		
Current Risk Matrix		Date Reviewed	18-Nov-2022
Opportunities			
Consequences			
Work Completed			
Ongoing Work	- Develop strategy options and then seek a steer on desired focus. - Secure resource beyond 2022/23 to deliver any strategy.		


Risk Code	CDP07	Risk Title	Resident/Public EV Charging in our Car Parks
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Not successful in obtaining grant funding. 2. Unable to identify/procure a private sector partner.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	- Look at alternative methods of delivery e.g., offer land with no Council involvement (should the initial procurement of a private sector partner prove unsuccessful).		


Risk Code	CDP08	Risk Title	Cycling Network
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Resourcing for NHC and HCC. 2. Timing and adoption of LCWIP by HCC Transport Panel/Cabinet. 3. Limits to what can be achieved in this financial year.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	- Regular communication and partnership working with HCC (ongoing).		

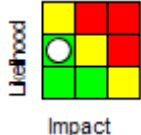
Risk Code	CDP09	Risk Title	EV Charging for Council Vehicles
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Lead-in time from supplier could cause delays. 2. Number of options available makes it difficult to determine optimal option. (No longer a risk - option selected and contract awarded.)		
Current Risk Matrix		Date Reviewed	17-Aug-2022
Opportunities			
Consequences			
Work Completed	<ul style="list-style-type: none"> - Analysed available options from suppliers. - Awarded contract. - Established delivery/installation timeline and installation completed. 		
Ongoing Work			


Risk Code	CDP10	Risk Title	Royston Leisure Centre Solar Thermal
Service Area	Place	Risk Owner	Sarah Kingsley
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Tender returns over budget. 2. Delays to project plan.		
Current Risk Matrix		Date Reviewed	14-Dec-2022
Opportunities			
Consequences			
Work Completed	- Cabinet approved increased capital budget (13 September 2022).		
Ongoing Work	<ul style="list-style-type: none"> - Working with consultant on the procurement exercise. - Researching and contacting prospective contractors. - Regular project meetings to be held with contractor (ongoing throughout project). 		


Risk Code	CDP11	Risk Title	Town Centre Strategies
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Lack of available resource to produce and deliver identified strategies.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Ensure resource is available to deliver strategies (currently still recruiting to a new Project Officer post). - Look for external funding. - Take applications through master planning process. 		

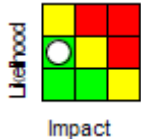
Risk Code	CDP12	Risk Title	Finalise Pay on Exit Parking Review
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Budget implications of selected scheme.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	1. Produce detailed business case and go through approval process. 2. Retain/replace existing machines and software.		


Risk Code	CDP13	Risk Title	Replacement of Royston Town Hall Annex
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Cost and time in acquiring rights or addressing restrictions are prohibitive. 2. Planning permission refused or subject to unviable conditions. 3. Desire to retain partial community use impinges on viability. 4. Build cost inflation impinges on viability. 5. Lack of engagement from HCC restricts our ability to acquire access rights.		
Current Risk Matrix		Date Reviewed	12-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Exploring options following unsolicited solid interest in site (ongoing). - As the project progresses, proactive and frequent discussion with key site stakeholders e.g., RTC and Citizens Advice. - Engage reputable local and national agents to garner wide audience for marketing and generate maximum interest, if appropriate. - Frequent communication with Town and NHC Ward Councillors, as appropriate. - Consider adopting modern methods of construction, if feasible. - Continue to pursue engagement with HCC regarding access rights. 		

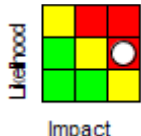
Risk Code	CDP14	Risk Title	Customer Portal
Service Area	Customers	Risk Owner	Jo Dufficy
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Additional modules are not forthcoming.		
Current Risk Matrix		Date Reviewed	10-Jan-2023
Opportunities			
Consequences			
Work Completed	- Considered links to transformation programme and outcomes of Tquila report.		
Ongoing Work	<ul style="list-style-type: none"> - Utilise suppliers experience with other Councils (in progress and ongoing). - Discussions with service areas to investigate options. - Progress implementation of Waste into MyAccount (dependent on decisions relating to the new waste contract). 		

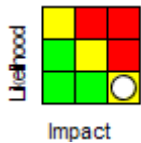
Risk Code	CDP15	Risk Title	Help Residents Make Payments at Convenient Locations
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Resourcing issues delay progress. 2. Unexpected costs affect viability of business case. 3. Residents fail to use the service provided.		
Current Risk Matrix		Date Reviewed	13-Jan-2023
Opportunities			
Consequences			
Work Completed	<ul style="list-style-type: none"> - Set up regular project meetings to advance project. - Options allowed for phased implementation if costs were an issue. - Communication plan in place. 		
Ongoing Work	<ul style="list-style-type: none"> - Ongoing communication with residents. 		

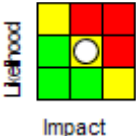
Risk Code	CDP16	Risk Title	Supplier Self-Service
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Failure to find viable solution. 2. Resource issues delay progress. 3. Suppliers do not submit invoices via the portal, fail to achieve efficiencies. 4. Data security issues.		
Current Risk Matrix		Date Reviewed	18-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Carry out data impact assessment (on hold). - Set up regular project meetings to advance project (on hold). - Communication plan to make suppliers aware of benefits (on hold). 		

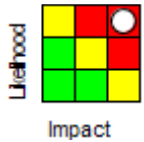
Risk Code	CDP17	Risk Title	Empty Homes Strategy
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	<u>Development of Strategy</u> Risks: - Staff shortages/competing priorities limit progress with developing Strategy. - Potential political/reputational risk associated with not having an agreed strategic approach in place. - Resource implications/limitations relating to the different options available. <u>Implementation of Adopted Strategy</u> Risks (dependent on the agreed approach): - Securing the resources required to deliver the Strategy and achieve objectives. - Limited number of empty homes that we can actually take forward under the Strategy. - Cost to Council of maintaining empty properties that we acquire. - Political/reputational risk associated with a perceived lack of progress and/or cost/benefit analysis of our approach.		
Current Risk Matrix		Date Reviewed	22-Mar-2023
Opportunities			
Consequences			
Work Completed	<u>Controls/Mitigations</u> - Draft Strategy produced and considered by Executive Member and Deputy in September 2022. - Staff resource to enable delivery of the final Strategy as part of a new Housing Improvement Officer role approved by Full Council on 23 February 2023.		
Ongoing Work	- Refining draft Strategy, with outcomes and delivery linked directly to the preferred approach and resources available. - Agreeing timeframe for adoption (expected to be either the 27 June or 26 September 2023 Cabinet meetings).		

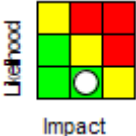
Risk Code	CDP18	Risk Title	New Ways of Delivering Housing on Council Land
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Ensuring Contract Procurement Rules are adhered to. 2. Being able to develop a viable project. 3. Housing development subject to planning. 4. Working with the right supplier(s) for the Council. 5. Demand to provide more homes across the District.		
Current Risk Matrix		Date Reviewed	01-Feb-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Undertaking market research exercise with a cross-section of the development market regarding options for joint ventures (consultant's report expected by the end of May 2023). - Work closely with the Finance team and selected supplier to try to develop a viable project; factor in borrowing costs. - Work closely with relevant service areas and selected supplier to ensure the proposed developments are in line with expectations. - Work with the Procurement and Legal team to run a successful tender that will allow us to work with the right supplier. - Align relevant policies and company values when selecting supplier. 		

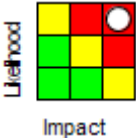
Risk Code	CDP19	Risk Title	Increased Homelessness
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	People First
Risk Description	1. An excessive demand from the public for housing services. 2. A lack of alternative housing options. 3. An increase in the levels of homelessness. 4. An increased use of hotel accommodation for homeless households. 5. Major difficulties for some members of the public to access the private rented sector. 6. High levels of support are required for some clients/families.		
Current Risk Matrix		Date Reviewed	17-Jan-2023
Opportunities			
Consequences			
Work Completed	- On 31 January 2023, Cabinet agreed a package of measures to help prevent/relieve homelessness.		
Ongoing Work	- Increase the provision of specialist supported accommodation for homeless single people. - Pursue opportunities for government grant funding to facilitate new sites and specialist support services. - Review opportunities to increase the number of temporary accommodation units for homeless families.		

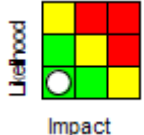
Risk Code	CDP20	Risk Title	Local Plan Implementation
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Delay in inspectors report on the new Local Plan, resulting in a longer period without appropriate guidance (risk removed). 2. Increased uncertainty of planning policy base (risk removed). 3. Delay or failure to adoption/implementation of the new Local Plan (risk removed). 4. Legal challenge to Local Plan (minor residual risk remains). 5. Intervention by the Secretary of State i.e., issuing a holding direction (risk removed). 6. 'Hostile' applications in areas not designated within the Local Plan.		
Current Risk Matrix		Date Reviewed	20-Jan-2023
Opportunities			
Consequences			
Work Completed	- Advice sought from PAS, Counsel and DLUC. - Regular Project Board meetings.		
Ongoing Work			

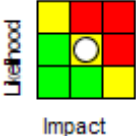
Risk Code	CDP21	Risk Title	Master Planning
Service Area	Regulatory	Risk Owner	Ian Fullstone
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Failure to secure funding to resource the process. 2. Inspector's report modifies master planning policy (risk removed). 3. Non-adoption of the Local Plan (risk removed). 4. Reduction in pre-application income and delay to income from planning applications. 5. Failure to recruit sufficiently experienced officers. 6. Risk of adverse appeal findings on other/non-Local Plan sites if delivery is delayed or stalled.		
Current Risk Matrix		Date Reviewed	20-Jan-2023
Opportunities			
Consequences			
Work Completed	- Inspector's report recommending modifications. - Adoption of Local Plan by Full Council on 8 November 2022.		
Ongoing Work	- Secure funding for resources through Planning Performance Agreements. - Monthly Project Board meetings to escalate barriers to progress. - Ongoing recruitment to vacant planning positions.		

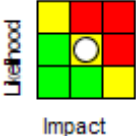
Risk Code	CDP22	Risk Title	Financial Sustainability/Balancing our Budget
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Funding reductions as a result of new funding formula. 2. Loss of sales, fees, and charges income due to continuing impact of COVID-19. 3. Not able to make the required decisions to deliver budget savings required. 4. Increases in costs (reductions in income) when contracts are renewed and as a result of inflationary increases.		
Current Risk Matrix		Date Reviewed	03-Feb-2023
Opportunities			
Consequences			
Work Completed	- On 22 September 2022, Council approved the Medium Term Financial Strategy 2023-28.		
Ongoing Work	- Revise funding projections as a result of formula changes and insight of future direction. - MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions will need to be made. - Regular budget monitoring to highlight any issues, including extent and speed of COVID recovery, and impact of inflation.		

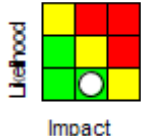
Risk Code	CDP23	Risk Title	Full Review of Council Tax Reduction Scheme
Service Area	Customers	Risk Owner	Jo Dufficy
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Lack of resources and specific skills to deliver. 2. Impact on the project of consultation outcomes.		
Current Risk Matrix		Date Reviewed	25-Jan-2023
Opportunities			
Consequences			
Work Completed	- Commissioned consultant to provide expert support to the project on 21 March 2022.		
Ongoing Work			

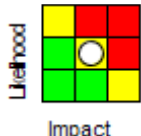
Risk Code	CDP24	Risk Title	Response to Government Resources and Waste Strategy
Service Area	Place	Risk Owner	Sarah Kingsley
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Delays in confirmation of government strategy or legislation. 2. Protracted decision making. 3. Lack of interest from suppliers. 4. Increased cost uncertainty. 5. Reduced income from chargeable services. 6. Protracted contract negotiations. 7. Confusion by residents over new services. 8. Reduction in resident satisfaction due to requirements to recycle more etc. 9. Impact on Council reputation due to difficult service change mobilisation. 10. Failure by Government to honour 'New Burdens' doctrine.		
Current Risk Matrix		Date Reviewed	31-Jan-2023
Opportunities			
Consequences			
Work Completed	- Appointed consultants in September 2022 to inform best practice, progress service design and support procurement.		
Ongoing Work	- Development of plans and service design based on most likely outcomes, best practice, and financial sustainability. - Regular cross party Member engagement. - Early negotiations with Urbaser and parallel soft market testing.		

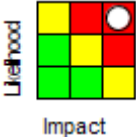
Risk Code	CDP25	Risk Title	Green Space Management Strategy
Service Area	Place	Risk Owner	Sarah Kingsley
Year Identified	2022	Corporate Objective	Sustainability
Risk Description	1. Tenders received are not within budget.		
Current Risk Matrix		Date Reviewed	05-Oct-2022
Opportunities			
Consequences			
Work Completed	<ul style="list-style-type: none"> - Plans allowed for phased implementation should costs have become a significant issue. - Regular communication with partner agency/contractors to advance projects. - Regular briefings to Members regarding progress and public communication of projects completing/opening. 		
Ongoing Work			

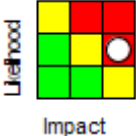
Risk Code	CDP26	Risk Title	Charnwood House
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	People First
Risk Description	1. Covenant restriction on use. 2. Statute restriction on use. 3. Viability of Listed Building consent conditions. 4. Demand for community hub. 5. Delays due to Asset of Community Value (ACV) listing.		
Current Risk Matrix		Date Reviewed	12-Jan-2023
Opportunities			
Consequences			
Work Completed	- Public communication and open days to market research intricacies of demand for community hub.		
Ongoing Work	- Proactive and frequent discussion of community hub proposals with covenant beneficiary and local interest groups. - Continue to update the public, as appropriate. - Possible need to select an architect with verifiable Listed Building experience. - Continue to monitor relevant changes to ACV legislation and Localism Act.		

Risk Code	CDP27	Risk Title	Museum Storage
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Funding the project. 2. Unforeseen issues with the development. 3. Lower utilisation of the commercial storage opportunity than expected. 4. Until the project is completed, risk of damage to items stored at the current facility (mainly reputational, but potentially financial).		
Current Risk Matrix		Date Reviewed	18-Jan-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	<ul style="list-style-type: none"> - Approval for the project, along with progress in line with potential grant bid submissions. - Ensuring preliminary reports and surveys are carried out and that the main developer is accepting of certain risks. - Scrutinising Business Plans and consultants reports and ensuring all reasonable due diligence around forecasting and modelling has been carried out. 		

Risk Code	CDP28	Risk Title	Local Government Boundary Review
Service Area	Legal & Community	Risk Owner	Jeanette Thompson
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Failure to meet set deadlines. 2. Failure to agree NHC consultation submission.		
Current Risk Matrix		Date Reviewed	19-Jan-2023
Opportunities			
Consequences			
Work Completed	- Regular contact with LGBCE. - Continued use of AEA consultant; ensuring sufficient information and responses provided to LGBCE.		
Ongoing Work	- Continuing oversight via Project Board (meetings scheduled, as appropriate).		

Risk Code	CDP29	Risk Title	Shared Prosperity Fund
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. Lack of general resources to deliver these projects as they are on top of those in service plans. 2. Failure to spend the money in the correct year, especially if there are delays in Government approval. 3. Lack of expertise in providing the required returns to Government on use of the grant. 4. Long lead times for capital elements means that items are unavailable until beyond the end of the funding period.		
Current Risk Matrix		Date Reviewed	03-Feb-2023
Opportunities			
Consequences			
Work Completed	- Undertook preparation work and responded promptly to requests from Government to get plan approved.		
Ongoing Work	- As the general "Resourcing" risk, a need to prioritise and drop the delivery of lower priority projects. - Use admin element of the grant to buy-in support for monitoring and returns. - Investigate the availability of required kit/materials and source at the earliest opportunity.		

Risk Code	CDP30	Risk Title	Churchgate
Service Area	Enterprise	Risk Owner	Steve Crowley
Year Identified	2022	Corporate Objective	A Brighter Future Together
Risk Description	1. The regeneration will not meet expectations of stakeholders. 2. Regeneration of the Centre and surrounding area is not cost effective/not affordable. Including impacts of high inflation and likely recession.		
Current Risk Matrix		Date Reviewed	01-Feb-2023
Opportunities			
Consequences			
Work Completed			
Ongoing Work	1. Controls: - Communications and consultation plan in place, which is kept updated. - Decisions explained, including that there will need to be compromises. 2. Controls: - Financial and consultancy support (as needed) is in place. - Cost effectiveness/value for money is a key part of developing options.		

Risk Code	CDP31	Risk Title	Resourcing
Service Area	Resources	Risk Owner	Ian Couper
Year Identified	2022	Corporate Objective	People First
Risk Description	Vital additional actions require resources (e.g., staff and financial) to be redirected to enable them to be provided, which affects the delivery of other projects within the Council Delivery Plan. The cost of living crisis is leading to Government providing targeted support to individuals/households, some of which requires our support to administer. The shortage of staff and other resources may affect our ability to respond, even if money is available.		
Current Risk Matrix		Date Reviewed	03-Feb-2023
Opportunities			
Consequences			
Work Completed	<ul style="list-style-type: none"> - Used a consultant to support the Shared Prosperity Fund bid, through funding attached to the Fund. - Initial work in relation to the Homes for Ukraine scheme has subsided. 		
Ongoing Work	Risk mitigations: <ul style="list-style-type: none"> - Consider getting in additional staffing resource (especially where New Burdens funding available). - Signposting to external resources and support. - Process automation. 		

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New Risks



Generated on: 4 May 2022

Risk Code	RR578	Risk Title	Resourcing
Risk Owner	Ian Couper	Updated By	
Year Identified	2022	Council Objective	People First
Risk Description	Vital additional actions require resources (e.g., staff and financial) to be redirected to enable them to be provided, which affects the delivery of other projects within the Council Delivery Plan. In the short-term, this is likely to include supporting the Homes for Ukraine scheme and providing financial hardship support.		
Ongoing Work	Risk mitigations: - Consider getting in additional staffing resource (especially where New Burdens funding available). - Signposting to external resources and support. - Process automation.		
Current Overall Risk Score	8		
Current Impact Score	3	Current Likelihood Score	2
Current Risk Matrix		Target Risk Matrix	
Date Reviewed	29-Apr-2022	Next Review Date	29-Jul-2022

New Risks



List of Approved Council Delivery Plan Risks


Code	Title	Current Score	Target Score
CDP01	Museum/HTH Recovery	5	1
CDP02	Tourism Strategy	1	1
CDP03	Business Recovery: Grants	1	1
CDP04	Town Centre Recovery	3	1
CDP05	Health Inequalities	7	3
CDP06	Economic Development Strategy	5	3
CDP07	Resident/Public EV Charging in our Car Parks	5	1
CDP08	Cycling Network	3	1
CDP09	EV Charging for Council Vehicles	5	1
CDP10	Royston Leisure Centre Solar Thermal	5	5
CDP11	Town Centre Strategies	5	1
CDP12	Finalise Pay on Exit Parking Review	1	1
CDP13	Replacement of Royston Town Hall Annexe	5	2
CDP14	Customer Portal	5	5
CDP15	Help Residents Make Payments at Convenient Locations	5	3
CDP16	Supplier Self-Service	5	3
CDP17	Empty Homes Strategy	4	3
CDP18	New Ways of Delivering Housing on Council Land	5	5
CDP19	Work with Stakeholders to Increase Accommodation for Single Homeless People	8	5
CDP20	Local Plan Implementation	9	5
CDP21	Master Planning	5	3
CDP22	Financial Sustainability/Balancing our Budget	9	5
CDP23	Full Review of Council Tax Reduction Scheme	5	3
CDP24	Response to Government Resources and Waste Strategy	9	5
CDP25	Green Space Management Strategy	1	1
CDP26	Charnwood House	5	1
CDP27	Museum Storage	5	3
CDP28	Local Government Boundary Review	3	1

Risk Title	Pool Chemical Shortage	Directorate	Place
Risk Description	<p>In view of current national (and wider global) chlorine, Polyaluminum Chloride (PAC) and Hydrochloric Acid shortages there is a risk that:</p> <ul style="list-style-type: none"> - SLL will not be able to maintain the required stock of chemicals to operate our swimming pools at planned levels. - The cost of pool chemicals will increase significantly. <p>This could lead to restricted usage, or possibly closing, at our swimming pools.</p>		
Current Risk Level	 <p>Likelihood</p> <p>Impact</p>	Target Risk Level	 <p>Likelihood</p> <p>Impact</p>


New Risks

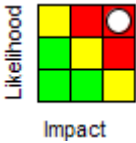

Date Reviewed	05-Jul-2022	Next Review Date	16-Aug-2022
Mitigating Actions Completed			
Ongoing Controls / Mitigations	<ul style="list-style-type: none"> - Current issues are with granulated chlorine and North Herts pools use liquid chlorine. - Currently maintaining maximum 4-week stock levels onsite. - SLL are reordering every two weeks to ensure the supply remains at maximum levels. - Regular discussions with SLL regarding stock levels. - Discussions with SLL regarding contingency arrangements should the risk materialise. - SLL are looking at alternative chemicals that can be used to ensure pools stay open. 		
Notes	<p>05-Jul-2022 Risk reviewed with Louise Randall on 5 July 2022. Although there remain national (and global) issues regarding the supply of certain pool chemicals, SLL continue to manage stock levels effectively and still assess the likelihood of us running out of required pool chemicals as being low. Therefore, no change made to the risk score.</p> <p>18-May-2022 Currently, SLL feel the risk of us running out of pool chemicals is very low, as they are keeping on top of stock levels.</p>		

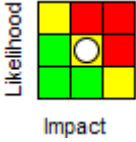
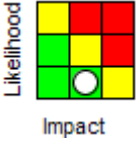
Risk Title	Risk Description	Risk Level	Current Score	Target Score
Epidemics	An epidemic disease could result in: (1) a large number of staff being sick, (2) pressure to deliver an emergency or ongoing response to support residents and/or (3) a need to work from home and close services to contain the spread of the disease. These will have an impact on the services that the Council can deliver, and its resilience (including financial).		5	5
Latest Note	07-Oct-2022 When all resilience guidance/documentation has been updated to reflect lessons learnt from Covid-19, risk to be tolerated under current controls.			
Controls	Resilience guidance for an epidemic in place			
	Most staff able to work from home, if required			
	Awareness of key service areas and required prioritisation			
	Annual flu vaccination programme for staff			
Action Status	Mitigating Action	Progress		Due Date
	Update resilience guidance/documentation to reflect lessons learnt from Covid-19	<div><div></div></div> 0%		30-Apr-2023

Risk Title	Risk Description	Risk Level	Current Score	Target Score
Area wide loss of power impacts Careline	Area wide loss of power effects Careline's ability to provide services and/or increases customer demand for services. The risk could materialize from a loss of power at the DCO, at the Disaster Recovery site, to external infrastructure, to customers' homes and to homeworkers. Some service users may only have one cell tower in range, so calls to Careline may be prevented.		8	6
Latest Note	31-Oct-2022 Waiting on a decision by HCC on funding some of the further mitigation options. Therefore, due dates still to be confirmed. IT are due to test our response to a power outage and the effectiveness of our back-up generator to assess general resilience arrangements, which will check our ability to keep Careline up and running. Assistive Technology Manager confirmed that it is still a clear risk and so should be listed on the Risk Register.			
	Transfer operations to Disaster Recovery site (power loss at DCO and to external infrastructure).			

New Risks

Controls	Rapid charge vehicles in other districts (power loss to external infrastructure).		
	Increase staffing cover and divert management to cover calls (power loss to customers' homes).		
	Transfer homeworkers to DCO or Disaster Recovery site (power loss to homeworkers).		
Action Status	Mitigating Action	Progress	Due Date
	Implementation of further mitigating activities	<div><div></div><div>0%</div></div>	31-Mar-2023

Risk Title	Churchgate	Directorate	Enterprise
Risk Description	1. The regeneration will not meet expectations of stakeholders. 2. Regeneration of the Centre and surrounding area is not cost effective/not affordable. Including impacts of high inflation and likely recession.		
Current Risk Level		Target Risk Level	
Date Reviewed	17-Aug-2022	Next Review Date	17-Nov-2022
Mitigating Actions Completed			
Ongoing Controls / Mitigations	1. Controls: - Communications and consultation plan in place, which is kept updated. - Decisions explained, including that there will need to be compromises. 2. Controls: - Financial and consultancy support (as needed) is in place. - Cost effectiveness/value for money is a key part of developing options.		
Notes			

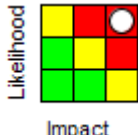

Risk Title	Shared Prosperity Fund	Directorate	Resources
Risk Description	1. Lack of general resources to deliver these projects as they are on top of those in service plans. 2. Failure to spend the money in the correct year, especially if there are delays in Government approval. 3. Lack of expertise in providing the required returns to Government on use of the grant. 4. Long lead times for capital elements means that items are unavailable until beyond the end of the funding period.		
Current Risk Level		Target Risk Level	
Date Reviewed	15-Aug-2022	Next Review Date	15-Feb-2023
Mitigating Actions Completed			

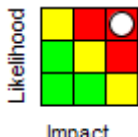
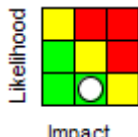
New Risks

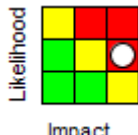
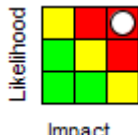
Ongoing Controls / Mitigations	<ol style="list-style-type: none"> 1. As the general "Resourcing" risk, a need to prioritise and drop the delivery of lower priority projects. 2. Undertake preparation work where no/minimal cost impact. Respond promptly to requests from Government to get plan approved asap. 3. Use admin element of the grant to buy-in support for monitoring and returns. 4. Investigate the availability of required kit/materials and source at the earliest opportunity.
Notes	



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Archived Risks


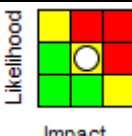
Risk Code	CR64	Year Identified	2018
Risk Title	Brexit (EU Transition)		
Original Matrix		Final Matrix	
Latest Notes	<p>21-Apr-2022 In view of the latest update (19 April 2022), the risk entry will now be archived. The risk was originally created in 2018 to highlight and manage the general uncertainty pre-Brexit and in this respect, it has served its purpose. Although some related risks/issues remain, these are no longer solely linked to the EU transition, but linked to other emerging international issues. This approach aligns with the new Council Delivery Plan reporting arrangements, which confirmed that the risk entry will no longer be considered a Corporate Risk. Relevant service areas will consider if associated residual risks should be added to the risk register in their own right, and if this is the case, these will be managed at service level.</p> <p>19-Apr-2022 This was handed over to the Response and Recovery Board last year to manage as part of the business as usual of the Council. In the context of other international issues that have arisen (ongoing covid and war in Ukraine specifically - and associated issues in relation to energy and food), this is not something that can be independently reviewed or managed by the Council.</p>		

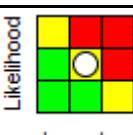
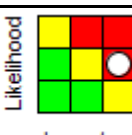
Risk Code	RR529	Year Identified	2013
Risk Title	Payroll Contract		
Original Matrix		Final Matrix	
Latest Note	<p>01-Mar-2022 Risk reviewed by Rebecca Webb and Jo Keshishian on 28 February 2022. The payroll contract is now fully embedded with robust processes in place. The previously highlighted GDPR issue regarding potential data breaches has now been resolved. It has been agreed that the risk entry will now be archived, as the payroll contract is being managed effectively by business-as-usual activities and is at the target risk score.</p>		

Risk Code	CR08	Year Identified	2003
Risk Title	Managing the Council's Finances		
Original Matrix		Final Matrix	
Latest Note	<p>19-Jul-2022 Risk entry archived, as it has now been superseded by the new "Financial Sustainability/Balancing our Budget" Council Delivery Plan risk entry, which has the reference number CDP22. This was reported as part of the approval process for the revised Performance Management Measures for 2022/23, which align with the Council Delivery Plan (FAR, O&S and Cabinet - March 2022).</p>		

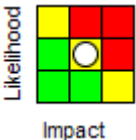

Risk Code	CR54	Year Identified	2006
Risk Title	Local Plan		
Original Matrix		Final Matrix	
Latest Note	01-Jul-2022 Risk entry archived, as it has now been superseded by the new "Local Plan Implementation" Council Delivery Plan risk entry, which has the reference number CDP20.		


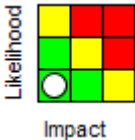
Risk Code	CR60	Year Identified	2011
Risk Title	Increased Homelessness		
Original Matrix		Final Matrix	
Latest Note	07-Jul-2022 Risk entry archived, as it has been superseded by the new risk entry related to the "Work with Stakeholders to Increase Accommodation for Single Homeless People" Council Delivery Plan project.		

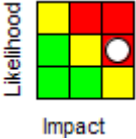

Risk Code	RR458.006	Year Identified	2011
Risk Title	Provision of a Homeless Hostel for Single People		
Original Matrix		Final Matrix	
Latest Note	07-Jul-2022 Risk entry archived, as it has been superseded by the Council Delivery Plan project and risk relating to "Work with Stakeholders to Increase Accommodation for Single Homeless People".		


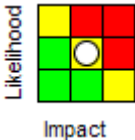
Risk Code	RR480.002	Year Identified	2003
Risk Title	Leisure Management Contracts		
Original Matrix		Final Matrix	
Latest Note	08-Jul-2022 Risk entry archived. For the last couple of years, the risks relating to the leisure management contracts have been recorded and managed via the "Covid-19 - Leisure Management Contracts" risk entry. As such, this risk entry has become redundant. Going forward, we will continue to record and manage relevant risks via the "Covid-19 - Leisure Management Contracts" risk entry, making appropriate amendments as we progress through (and leave) the recovery phase.		

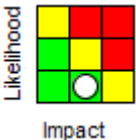

Risk Code	RR481.008	Year Identified	2012
Risk Title	Windmill Close, Barkway		

Original Matrix		Final Matrix	
Latest Note	05-Jul-2022 Risk reviewed with Chris Robson on 4 July 2022. The sale was completed on 4 March 2022. Risk entry archived accordingly.		

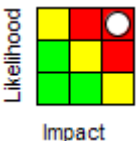
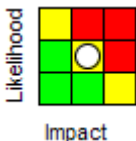
Risk Code	RR497	Year Identified	2013
Risk Title	Green Space Sustainability		
Original Matrix		Final Matrix	
Latest Note	06-Jun-2022 Risk reviewed and updated with Andrew Mills on 6 June 2022. This remains a low risk area for the Council. The risk entry has now been superseded by the new Council Delivery Plan risk entry "CDP25 Green Space Management Strategy" and as such, will be archived accordingly.		

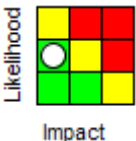
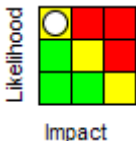
Risk Code	RR517	Year Identified	2014
Risk Title	To promote the vitality and viability of our town centres		
Original Matrix		Final Matrix	
Latest Note	01-Jul-2022 Risk entry archived, as it has now been superseded by two new Council Delivery Plan risk entries - "CDP04 - Town Centre Recovery" and "CDP11 - Town Centre Strategies".		

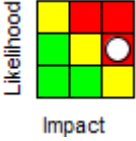
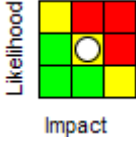
Risk Code	RR554	Year Identified	2017
Risk Title	Museum Service - Collections and Storage		
Original Matrix		Final Matrix	
Latest Note	10-May-2022 Risk entry superseded by the new Council Delivery Plan risk "CDP27 - Museum Storage".		

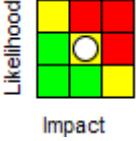
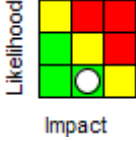
Risk Code	RR571	Year Identified	2020
Risk Title	Delivering the NHDC Parking Strategy 2019-31		
Original Matrix		Final Matrix	
Latest Note	01-Jul-2022 Risk entry archived, as the risks associated with the delivery of major related projects are now included in the Council Delivery Plan ("Resident/Public EV Charging in our Car Parks" and "Finalise Pay on Exit Parking Review"). The Strategy itself does not present a risk to		

	the Council, and the risks to the delivery of individual actions will continue to be assessed and managed on a project-by-project basis.
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Risk Code	RR481.011	Year Identified	2013
Risk Title	Old Hitchin Museum		
Original Matrix		Final Matrix	
Latest Note	08-Aug-2022 Risk entry archived, as it has now been superseded by the new "Charnwood House" Council Delivery Plan risk entry, which has the reference number CDP26.		

Risk Code	RR585	Year Identified	2020
Risk Title	Novel Coronavirus (Covid-19) - Recovery		
Original Matrix		Final Matrix	
Latest Note	05-Oct-2022 Lessons learnt exercise commenced, which once complete, will be fed back to the Covid Board. This will then allow the Covid Board to be formally closed (December 2022). As reported to FAR/O&S/Cabinet in March, residual risks now subsumed elsewhere e.g., "Financial Sustainability/Balancing our Budget", "Covid-19 - Leisure Management Contracts". Risk level now assessed as low impact/high likelihood, with any higher impacts covered by other risks. New risk entry created to cover future flu/pandemic risks and the proposal is to archive this Covid specific risk entry.		

Risk Code	RR090	Year Identified	2003
Risk Title	Development Control Service		
Original Matrix		Final Matrix	
Latest Note	16-Dec-2022 Risk entry to be archived. The risk will now fall under 'RR568 Regulatory - Staffing'. As the main focus of recent risk updates has been on staff resources, management of the risk fits better within the directorate-wide Regulatory staffing risk entry, as the causes and mitigations relating to DC are the same as other professional roles within the directorate.		

Risk Code	RR398	Year Identified	2007
Risk Title	Development Control - Income and Financial Risks		
Original Matrix		Final Matrix	
Latest Note	16-Dec-2022 Now that the Local Plan has been adopted and Member training has been delivered and embedded, there are no further actions planned to affect this risk. Officers monitor progress towards achieving the income budget figure and the impact of successful appeals		

	against Planning Committee decisions via regular budget meetings and this is an established business-as-usual activity. Relevant variances and changes to income targets are reported to Members via quarterly revenue budget monitoring reports, where appropriate. As a result, the risk entry will be archived.
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Risk Code	RR481.005	Year Identified	2012
Risk Title	Ivel Court/Radburn Way, LGC		
Original Matrix		Final Matrix	
Latest Note	07-Mar-2023 Risk reviewed by Chris Robson on 3 March 2023. Disposal of this site was completed on 23 December 2022, achieving a capital receipt of £912,500. Risk entry archived accordingly.		

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RISK MANAGEMENT FRAMEWORK – PART 2 – POLICY (What you must do)

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes

Officers / Managers - You Must:

- Consider Risk Management as an integral part of your job;
- Read and follow the guidelines in the Risk Management Framework documents;
- Identify and record any threats relating to service delivery in your own area.

Risk Owners – You Must:

- Record new Risks on Pentana Risk;
- Review existing Risks in line with the Framework requirements;
- Ensure actions are updated and completed;
- Ensure Risks are proposed for archiving/deletion when no longer required;
- Update Business Continuity Plans where relevant.

Members – You Must:

- Support and promote an effective Risk Management culture;
- Constructively review and scrutinise the Risks involved in delivering the Council's objectives;
- Ensure the Risk Management objectives are aligned with the objectives and strategies of the Council.

Policy author and further advice from: Rachel Cooper, Controls, Risk and Performance Manager.

Contents:

1. Definitions
2. Purpose of Policy
3. Identification and Assessment of Risk
4. Monitoring and Reviewing Risks
5. Promotion and Scrutiny of the Risk Management Process
6. Linked Policies and Procedures
7. Communication and Training

1. Definitions

Risk - Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

Risk Management - The “systematic application of principles, approach and processes to the identification, assessment and monitoring of Risks.”

Risk Owner – Responsible Officer to whom a Risk is assigned. Provides assurance that the Risks for which they are the Risk Owner are being effectively managed, allocating appropriate resources and importance to the process, confirming the existence and effectiveness of existing actions and ensuring further actions are implemented.

2. Purpose of Policy

2.1 Good Risk Management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider Risk Management as an integral part of their job and the Leadership Team (LT) and Cabinet must keep the Corporate Risks faced by North Herts Council under regular strategic review.

2.2 Part 1 of the Risk Management Framework (the Framework) – the Policy Statement, sets out the seven principles underpinning how we will undertake Risk Management at North Herts Council.

2.3 Part 2 – the Policy, aims to ensure that Risk Management is undertaken in a consistent and effective manner through the Council, with Risks that are well documented, reported and understood. It highlights responsibilities and roles within the process.

2.4 North Herts Council is committed to the proactive identification and management of key external and internal Risks, which may affect the delivery of our objectives. This will allow us to be a Risk aware Council, who understands that Risks may increase as services evolve and we undertake more commercial activities. The Framework is designed to ensure consistent management of Risk and provides more detailed guidance for users. The Framework will be regularly updated to ensure we are in line with regulatory and best practice requirements.

3. Identification and Assessment of Risk

3.1 It is the responsibility of all Managers and Officers to identify and document key Risks within their service areas, which may affect the achievement of the Council's objectives. This should be done as part of the Service Planning process [and updates to the Council Delivery Plan](#), but also continuously throughout the year.

3.2 When risks have been identified, they must be recorded and assessed using the Council's Risk Management software, Pentana Risk.

3.3 All Risks should be assessed in line with the requirements of the Framework, assigning an initial Risk Score, and taking into account any existing controls which may be in place.

3.4 Each Risk must be assigned to a Risk Owner, who takes responsibility for the risk. This should be someone who has the authority to ensure that required actions are carried out.

3.5 A set of mitigating controls or actions must be identified, with timescales for completion. All actions should be SMART (specific, measurable, achievable, realistic and timely). The Risk should be assessed for a second time, taking the effect of the actions into account. This will become the Target Risk Score and will form the basis of the ongoing Risk monitoring. [If the Target Risk Score is still unacceptable then it will be necessary to consider further mitigation actions.](#)

3.6 Whilst assessing and managing the Risk, Officers should also consider and act on any opportunities which may present themselves. Further guidance on how to consider opportunities is provided within the Framework Part 4 - Toolkit.

3.7 Officers must ensure that the Business Continuity Plan for the Service area is updated with any new Risks, including how they can be mitigated to allow any key functions to continue operating.

4. Monitoring and Reviewing Risks

4.1 Once identified and recorded, Risks must be proactively managed by the Risk Owner. It is important that the Risk Register is dynamic – new Risks added as they arise and Risks removed when they have been managed down to an appropriate level. It is the Council's Policy to focus its resources on monitoring Risks which, because of their likelihood or impact, make them priorities. These are the Risks which score 4 or above on the Risk Matrix.

4.2 Risk Owners must review their Risks in line with the requirements of the Framework. Reminders will be issued automatically from Pentana Risk when reviews of risks are due.

4.3 Actions must be updated once completed, and the Risk assessed to see whether the Target Risk Score has been achieved. Further actions should be added if required.

4.4 When deemed appropriate, the Risk Owner should propose the archiving of any low level Risks scoring 3 or below which are no longer relevant and any Risks which they consider to have been managed down to "Business as Usual". They must also review the Business Continuity Plan for the Service area and update it with any changes which may be required following the archiving/closure of the Risk.

5. Promotion and Scrutiny of the Risk Management Process

5.1 The Leadership Team (LT) and Cabinet will support a culture of well measured Risk taking throughout the Council's business, by embedding Risk Management in our corporate business processes including strategic planning, corporate business planning, policy making and review, performance management and key partnerships.

5.2 All Managers and Members must consider Risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance.

5.3 Business Continuity Plans must be maintained for each service area, identifying the key functions in a service, what the Risks are and how they can be mitigated to allow key functions to continue.

5.4 All Committee reports must contain a Risk Implications section, summarising the Risks the decision maker has to consider.

5.5 Members must constructively review and scrutinise the Risks to ensure they have been adequately considered, to enable delivery of the Councils objectives.

5.6 All new and proposed archiving/closure of Operational Risks, must be reviewed by the Risk [and Performance](#) Management Group (RPMG) and LT prior to the changes to Pentana Risk being accepted.

5.7 Any changes to Corporate Risks and the Risk Management Framework must be reviewed by RPMG, LT and Finance, Audit and Risk Committee (FARC) before being approved by Cabinet. Changes to Operational Risks should be discussed with the relevant Service Director.

5.8 Members of RPMG and FARC are responsible for ensuring the Risk Management process is aligned to the Council's objectives, challenging the process where appropriate and making recommendations to Cabinet.

6. Linked Policies and Procedures

6.1 Everyone is required to adhere to all Council policies, procedures and processes. The Risk Management Framework consists of four documents and all Officers, Managers and Members should ensure they have a good understanding of their Risk responsibilities.

Risk Management Framework – Part 1 – Policy Statement (The Key Principles)

Risk Management Framework – Part 2 – Policy (What you must do)

Risk Management Framework – Part 3 – Strategy (How we will do it)

Risk Management Framework – Part 4 – Toolkit (Operational guidance)

7. Communication and Training

7.1 The Council is committed to making training available to everyone. We will increase understanding and expertise in Risk Management through targeted training and the sharing of good practice and lessons learned. Training is available via e-learning on the Growzone, with further training available from the Controls, Risk and Performance Team on request. Some of this training may be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All Officers should also request training on any areas that they are uncertain about.

7.2 A Toolkit is provided as part of the Risk Management Framework, which provides practical guidance on the use of Pentana Risk and all the associated tasks to be undertaken.

Risk Management E – Learning is available on Growzone at the link below.

<https://northhertfordshire.learningpool.com/course/index.php?categoryid=22>

Risk Management page on the Intranet

<https://intranet.north-herts.gov.uk/home/doing-business/performance-and-risk-management/risk-management>

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NORTH HERTS COUNCIL**RISK MANAGEMENT FRAMEWORK****PART 3 – STRATEGY (How we will do it)**

North Herts Risk Management Framework is outlined within four key documents.

Part 1 – Risk Management Policy Statement sets out the Council's commitment to the proactive management of external and internal risks within seven key principles. In order to ensure we can meet those principles, a number of objectives have to be achieved.

- 1 Maintenance of a robust and consistent Risk Management approach.
- 2 Considering any Opportunities which may present themselves whilst managing Risks.
- 3 Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated.
- 4 Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance.
- 5 Communicating Risk information effectively through a clear reporting framework.
- 6 Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

Part 3 - The Strategy provides more detail on how the Council intends to ensure these objectives are met.

1 – Maintenance of a robust and consistent Risk Management approach

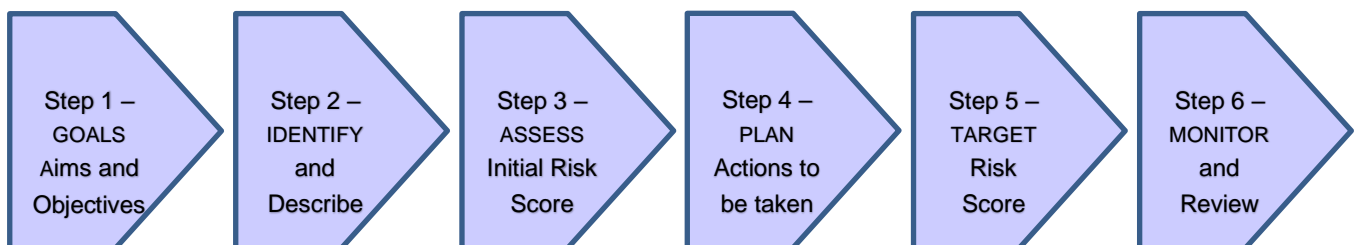
The objectives of the Risk Management Approach are to meet the seven principles outlined in Part 1 – Policy Statement:

- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
- We will assess each risk, identifying existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher risk levels.
- We acknowledge that even with good risk management, things will sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.

- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- We will challenge the Risk Management Process through the use of the Risk Management Group and the Finance, Audit and Risk Committee.
- We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

Good risk management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job and the Leadership Team and Cabinet must keep the Corporate Risks faced by the Council under regular strategic review.

The following six steps are used by the Council in managing its risks:



Step 1 – Identify Council Aims and Objectives

Before we can start to identify risks, we will establish context by looking at **what we are trying to achieve** and what our proposed outcomes are. These objectives will usually be detailed in existing documents, such as

- The Council Plan
- The Council Delivery Plan
- Service Plans
- Project Initiation Documents
- Partnership Agreements

Step 2 – Identify and Describe the Risk –What stops us from achieving objectives?

There are many different types of risks that we should consider. There are some examples in the table below. It is not necessary to detail all relevant risks, but the main ones should be considered.

Type of Risk	Example
Strategic	<ul style="list-style-type: none"> - Delivery of the key objectives of the Council - New political arrangements - Changes to Government policy
Operational	<ul style="list-style-type: none"> - Delivery and efficiency of services, specifically around day-to-day work - New initiatives, ways of working and relationships with partners - Monitoring arrangements - Levels of service usage - Day-to-day management of buildings
Information	<ul style="list-style-type: none"> - Accuracy of data, systems or reported information - Appropriate transfer and sharing of data - Security of data and systems - Management and control of knowledge resources, e.g. the retirement of a key member of staff
Reputation	<ul style="list-style-type: none"> - The Council's brand or image - Customer experience - Negative publicity - Levels of complaints - Levels of public confidence and participation
Financial	<ul style="list-style-type: none"> - Acceptance of liabilities - Levels of funding - Levels of income - Losses by fraud / corruption - Adequacy of insurance cover - Availability of funds to deliver services / projects
People	<ul style="list-style-type: none"> - Employees, e.g. recruitment and managing change - Management, e.g. communication / consultation and business continuity / emergency planning arrangements - The public, stakeholders and partners, e.g. changing needs / expectations, inequalities and safeguarding - Delivery of services to minority and disadvantaged groups
Regulatory	<ul style="list-style-type: none"> - Adherence to regulatory environments and compliance regimes - Legislation, e.g. Health & Safety at Work Act, Data Protection, FOI, Human Rights, Equalities Act 2010, Public Sector Equality Duty 2011, Employment Law, TUPE etc. - Grant funding conditions
Environment	<ul style="list-style-type: none"> - Recycling, Green Issues - Impact of planning policies - Climate Change - Management of Open Spaces

It may help to consider the **cause and effect** of each risk. For example, by using the following:

Description of Risk	Cause –why?	Effect – what will happen?
Risk of ... Failure to ... Lack of Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Opportunity to ... Damage to due to ... because leads to ... results in ...

Step 3 – Assess Initial level of Risk when identified – How significant is it?

The Council assesses each risk in terms of its potential likelihood and impact, enabling actions to be prioritised. **We will actively monitor risks scoring 4 or higher on the Risk Scoring Matrix.**

Each risk should be assessed twice, to set both Initial and then Target risk levels.

The first assessment – the initial risk score - is taken on the “as is” basis—what is the risk if we do nothing further and just maintain any existing controls (the score should reflect whether these are currently operating effectively or not).

To ensure consistency, risks are assessed using a standard Risk Scoring Matrix, Likelihood (1-3) and Impact (1-3).

The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

RISK MATRIX		Likelihood	
LIKELIHOOD	3	4	7
	2	2	5
	1	1	3
		Impact	
		1. Low	Consequences will be minor and associated losses will be small
		2. Medium	Will have a noticeable effect on the Council
		3. High	Can have a significant impact on the Council

4 Likelihood High (3) Impact Low (1) Chance of it happening -More than 60% Consequences - Minor	7 Likelihood High (3) Impact Medium (2) Chance of it happening - More than 60% Consequences - Noticeable effect on the Council	9 Likelihood High (3) Impact High (3) Chance of it happening - More than 60% Consequences - Significant impact on the Council
2 Likelihood Medium (2) Impact Low (1) Chance of it happening – between 20 – 60% Consequences - Minor	5 Likelihood Medium (2) Impact Medium (2) Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council	8 Likelihood Medium (2) Impact High (3) Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council
1 Likelihood Low (1) Impact Low (1) Chance of it happening – less than 20% Consequences - Minor	3 Likelihood Low (1) Impact Medium (2) Chance of it happening – less than 20% Consequences – Noticeable effect on the Council	6 Likelihood Low (1) Impact High (3) Chance of it happening – less than 20% Consequences – Significant impact on the Council



Step 4 – Plan actions required to reduce the Likelihood or Impact of a Risk – what can we do about it?

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects. The following five general approaches are used by the Council when determining relevant actions to be taken.

Transfer	Use of insurance (to transfer the financial cost), or by contracting out services (this transfers some but not all of the risks and may create different ones).
Tolerate	It may not be practical or cost effective to take effective action against some risks. In this instance, the risk should be monitored to ensure the likelihood or impact does not change.
Treat	Most risks will be in this category. This involves putting in place a series of mitigation actions, bringing the risk score to an acceptable level. It includes contingency planning, describing what action will need to be taken if a risk is realised.
Terminate	Quick and decisive action to eliminate a risk altogether, which would usually be linked to stopping doing the activity completely. It is unlikely that the Council will be in a position to terminate the provision of a service.
Taking an Opportunity	In managing risks, opportunities may sometimes present themselves. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

Actions should be **SMART** (specific, measurable, achievable, realistic and timely).

Managers should list existing and additional actions required to manage the risks and set out Contingency Plans to be followed in the event of the threat materialising.

Each action should have a named Officer (the Risk Owner) and a target date for completion. The cost of the planned actions needs to be established and, wherever possible, should not exceed the cost of the risk they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Financial costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise should be assessed and provision made on the Councils Financial Risk Register, if appropriate.

When looking at risks, we will **also consider opportunities**. Planned actions to mitigate risk should be examined to see whether they open up new possibilities to help us achieve our objectives.



Step 5 – Aim – Set a Target Risk Score – what will the actions achieve?

Once the actions have been identified, the risk will be assessed again, using the same Matrix in Step 3, this time, taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **Target Risk Score** and reflects the position where the risk is deemed to be **managed to an acceptable level**. If the actions in Step 4 do not manage a risk to an acceptable level, then it will be necessary to reconsider what mitigating actions should be carried out.

The Council uses the Target Risk Score to ensure that:

- Risks are prioritised in terms of their significance;
- Actions are relevant and effectively managing and/or reducing the Likelihood or Impact of the risk;
- Risks are removed when no further actions are required.



Step 6 – Monitor and Review Risks

Risk management is an ongoing process and risks will be reviewed regularly to ensure that actions are being completed.

Each Risk Owner is expected to conduct a review of their risks on Pentana Risk in line with the review schedule in Appendix A. These reviews should consider:

- Any new risks which have been identified.
- Whether actions have been completed by their target dates, or revisions required.
- Whether the Target Risk Score has been achieved.
- Whether additional actions are required.
- Whether risks should be proposed for archiving/closure.

Where a risk is assessed at a low level (1, 2 or 3) or has been managed down to a low level, then the risk will fall into business as usual and the risk entry should be proposed for archiving.

Where a risk is no longer relevant the risk should be proposed for archiving.

Any decision to archive/close a risk will be reviewed and agreed by the Risk and Performance Management Group, prior to the change being accepted on Pentana Risk. If the proposed change is not accepted, Pentana will be reinstated with the agreed score.

Regular reporting of Corporate Risks, through Risk and Performance Management Group, Leadership Team (LT), Overview and Scrutiny (O&S) and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.

Risk registers (Operational and Corporate) are maintained on the Council's risk management software Pentana Risk. This enables the Council to monitor and review risks and produce meaningful management reports.

2 – Considering any Opportunities which may present themselves whilst managing Risks

In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.

These opportunities may take the following forms:

1. **Absence of Threats** - If the bad thing does not happen, we might be able to take advantage of something good instead. For example, if poor industrial relations do not lead to a strike, we might be able to introduce an incentive scheme and turn the situation round from negative to positive.
2. **Inverse of Threats** - Where a variable exists and there is uncertainty over the eventual outcome, instead of just defining the risk as the downside we will also consider upside potential. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).
3. **Secondary Risks** - Sometimes by addressing one risk we can make things worse (the response creates a new threat), but it is also possible for our action to create a new opportunity. Avoiding potential delays to a car journey by taking the train might also allow us to do some useful work during the journey whilst achieving a lower environmental impact.

Opportunities cannot be managed unless they are identified. When looking at risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to mitigate risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

3 – Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated

NHC expects all its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council, in the achievement of our objectives, and consider the management of risk as part of their everyday activities.

Roles in the Risk Management Process

All Employees	<ul style="list-style-type: none"> • Manage day-to-day risks and opportunities and report risk management concerns to their line managers. • Identify any new risks relating to their service area. • Undertake risk management e – learning. • Attend training and awareness sessions, as appropriate.
All Members	<ul style="list-style-type: none"> • Support and promote an effective risk management culture. • Constructively review and scrutinise the risks involved in delivering the Councils objectives.
Cabinet	<ul style="list-style-type: none"> • Risk manage the Council in delivering its objectives. • Approve the risk management Policy and Strategy. • Consider and challenge the risks involved in making any “key decisions”. • Responsible for oversight of Corporate Risks (with Leadership Team).
Finance, Audit and Risk Committee (FARC)	<ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including review of proposed amendments to the Policy and Strategy prior to its presentation to Cabinet. •
Overview and Scrutiny Committee (O&S)	<ul style="list-style-type: none"> • Review of changes to Corporate Risk, and ensure that they are considered in relation to Council performance and the Council Delivery Plan.
Shared Internal Audit Service (SIAS)	<ul style="list-style-type: none"> • Provide assurance that risks are being effectively assessed and managed. • During all relevant audits, challenge the content of risk registers. • Periodically undertake specific audits of the Council’s risk management process and provide an independent objective opinion on its operation and effectiveness.
Leadership Team (LT)	<ul style="list-style-type: none"> • Champion an effective Council wide risk management culture. • Ensure all reports contain sufficient risk implications. • Ensure Members receive relevant risk information. • Responsible for oversight of Corporate Risks (with Cabinet). • Ensure Risks are considered and are part of updates to the Council Delivery Plan. • Ensure that Business Continuity Plans are in place for each service area.
Service Directors	<ul style="list-style-type: none"> • Risk manage their Directorates in delivering the Council’s core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process. • Update Risks as part of any updates to the Council Delivery Plan.

	<ul style="list-style-type: none"> • Constructively review and challenge the risks involved in decision making. • Ensure that appropriate resources and importance are allocated to the process.
Service Director - Resources	<ul style="list-style-type: none"> • Corporate Champion for Risk Management. • Promotes the adequate and proper consideration of risk management to senior managers and more widely within the Council. • Ensure the Internal Audit work plan is focused on the key risks facing the Council.
Controls, Risk and Performance Team	<ul style="list-style-type: none"> • Design and facilitate the implementation of a Risk Management Framework within NHC ensuring it meets the needs of the organisation. • Act as a centre of expertise, providing support and guidance as required • Collate risk information and prepare reports, as necessary. • Develop, support and promote the Council's risk management software Pentana Risk and provide Training where required.
Service Managers / Project Managers	<ul style="list-style-type: none"> • Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's Risk Management Framework. • Identify, assess and appropriately document significant risks and opportunities. • Clearly identify risk ownership. • Manage risks in line with corporately agreed timescales and policies. • Escalate risks, where appropriate. • Review risks regularly and recommend for archiving where appropriate.
Risk and Performance Management Group	<ul style="list-style-type: none"> • Maintain the mechanism for risk management to be discussed and disseminated across the Authority. • Review and challenge the content of risk registers. Ensure that Risk is considered alongside Performance. • Provide direction and guidance to ensure that a risk based approach is taken to the development of policies and procedures. • Support the Controls, Risk and Performance Team to implement the Risk Management Framework effectively, including reviews of risk management training. • Review recommendations and amendments to the Risk Management Framework – Policy, Strategy and Toolkit.

4 – Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance

The Risk Management Strategy is an essential element of strategic planning and sits under the broader umbrella of the Council Plan.

NHDC has a [Local Code of Corporate Governance](#), which includes risk management as one of the seven key principles:

“Managing risks and performance through robust internal control and strong public financial management.”

For risk management to be effective and a meaningful management tool, it must be an integral part of key management processes and day-to-day working. The Managing Director and Leader of the Council must satisfy themselves that NHC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. Risks and the monitoring of associated actions are considered as part of the Council’s significant business processes, including:

- Corporate Decision Making – significant risks, associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service /Budget Planning – this annual process includes completion of a Risk Questionnaire and updating the individual business unit risk registers to reflect current aims/outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes, before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.). <https://intranet.north-herts.gov.uk/home/doing-business/project-management/nhdc-project-management-framework/project-risks>
- Business Continuity – the Council has a duty to maintain plans to ensure that it can continue to function in the event of an emergency including plans for organisations that carry out services on the Council’s behalf. The process identifies the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue operating. <https://intranet.north-herts.gov.uk/home/about-nhdc/business-continuity/what-business-continuity>
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the partnership’s aims and objectives.
- Procurement – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process. <https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance – the Information Security Policy sets out practices and procedures to be adopted for good information management. There is also mandatory annual refresher training in Data Protection. The Information Security Policy can be found at: <https://intranet.north-herts.gov.uk/home/about-me/hr-policies/information-security-policy>

- Insurance – the HCC Insurance team manages NHC’s insurable risks and self-insurance arrangements. The Manager presents a regular update to the RPMG.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the RPMG.

Corporate Governance

NHC’s approach to risk management has been developed to support the key requirements of good corporate governance:

Openness and Inclusivity - Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities, including how we are managing them. Risk management supports and enhances our decision making process and all committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

Integrity - The control environment, which includes risk management, supports the integrity of the Council. The risk management framework is key to taking informed decisions and continued service delivery.

Accountability - There is clear accountability for our risks. This includes the risk section in committee reports; an Annual Governance Statement, approved by the Finance, Audit and Risk Committee and included in the Council’s Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks. The Council’s key partners and contractors must have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint risk registers are put in place with key partners/contractors.

So that it can manage and demonstrate how well it has embedded risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

5 – Communicating Risk information effectively through a clear reporting framework

Appropriate and effective reviews and reporting arrangements reinforce and support the risk management processes. They allow sufficient and accurate performance information to be passed to Risk Owners, Senior Managers, the Leadership Team (LT) and Members.

The Risk Register

The Risk Register entries on the Council’s risk management software - Pentana Risk, are the basic building blocks in the Strategy. The system generates reminder emails when the Next Review Date is approaching and generates up to date reports on a weekly basis, available for all to view on the system.

A Directorate Overview of Risks is sent to each Service Director on a monthly basis, and taken to each Directorate's Management Team meeting at least once a year by a member of the Controls, Risk and Performance Team. This allows an overview of all risks to be discussed and any new risks to be suggested.

The Risk Management Group reviews all new risks, decisions on not to monitor risks, proposed archiving/closures and any lessons learned when risks are archived (particularly in relation to projects). This includes consideration of the residual risks.

Pentana Risk shows the Original Risk Score, the Target Risk Score and SMART actions with target dates for completion.

The risk matrix is used to plot the risks and to enable Service Directors to prioritise risk management activities that need to be undertaken to mitigate the risks. This risk information feeds into the Corporate Business Planning process.

The Risk Register also provides an understanding on how managing or capitalising on an opportunity can help achieve the objectives.

Corporate Risks

The Corporate Risks facing the Council are those that cut across the delivery of all services, key projects and those that will affect the delivery of the Council's objectives. They are the responsibility of the Leadership Team and Cabinet. Cabinet ensure the Corporate Risks are managed appropriately.

The Corporate Risks are discussed at the Risk Management Group and any significant changes are included in the reports to LT..

After consideration by LT, the Corporate Risks are reported to the Finance, Audit and Risk Committee four times a year.

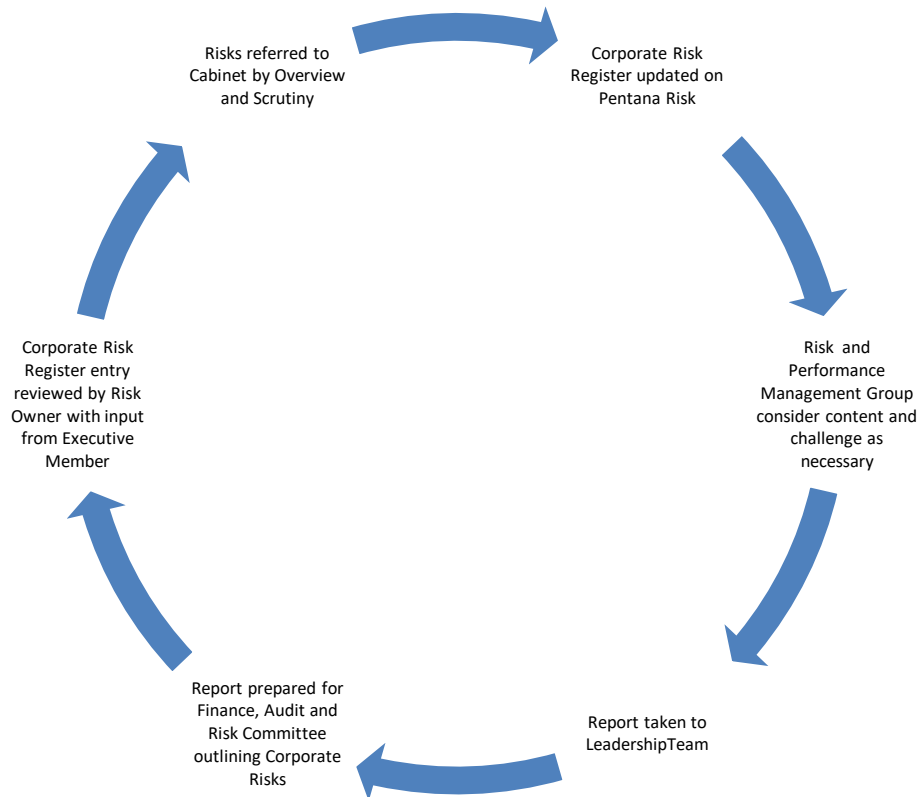
The Finance, Audit and Risk Committee monitor the effective development and operation of risk management within the Council. It agrees actions put forward by officers, where appropriate, and makes recommendations to Cabinet.

The Finance, Audit and Risk Committee refer any amendments to the Risk Management Framework Policy Statement, Policy and Strategy to Cabinet.

The Overview and Scrutiny Committee refer any changes to Corporate Risks to Cabinet, as part of considering updates to the Council Delivery Plan.

Council receives an annual report on Risk Management from the Members Risk Management Champion.

Diagram representing the review of Corporate Risks



6 – Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

NHC uses a range of training methods to meet the needs of the organisation but primarily relies on intranet based e-awareness training. The E- Learning Module can be found on the GrowZone at the link below.

<https://northhertfordshire.learningpool.com/course/index.php?categoryid=22>

Risk management information is also available on the intranet, including templates and further detailed guidance in the Risk Toolkit.

A SIAS representative sits on the Risk and Performance Management Group, along with the HCC Risk and Insurance Manager, who is able to comment on wider risk management experience. This enables the sharing of good practice with others.

Appendix A - Review Timetable

Risk Score 7 – 9 (RED)	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.	As a minimum – Review every 3 Months Individual Actions must be reviewed as they become due.
Risk Score 4 – 6 (AMBER)	Usually accepted, on the basis additional mitigating actions to reduce the likelihood are implemented, if this can be done cost effectively. Reassess to ensure conditions remain the same and existing/new actions are operating effectively.	As a minimum – Review every 6 Months. Individual Actions must be reviewed as they become due.
Risk Score 1 – 3 (GREEN)	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Archive on register once agreed by Risk Management Group.	Only review if situation changes

Appendix B – Responsibilities / Oversight

Task	Corporate Risks	Service Risks	Project Risks
Risks identified by:	Leadership Team Service Directors	Service Managers	Project Team Key Stakeholders
Risks owned by:	Service Directors	Service Managers	As appropriate
Risks reviewed by:	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
Risks scrutinised by:	Risk and Performance Management Group Leadership Team Overview and Scrutiny Committee Finance Audit and Risk Committee	Service Directors	Project Team
Risk Register (Pentana Risk) updated by:	Risk Owners with support from Performance and Risk Officer if required.		
Review of Risk Management Framework by:	Service Director - Resources Controls, Risk and Performance Team Risk and Performance Management Group		

RISK MANAGEMENT FRAMEWORK – PART 1 – POLICY STATEMENT (The Key Principles)

North Herts Council will be a risk aware Council that understands the risks that it is taking on. It appreciates that there are going to be risks in everything it does, but these are increased when undertaking projects, changing the way it delivers services and acting more commercially. It will address the risks it faces by adopting a risk aware culture and having strong risk management processes.

The Council will develop processes that allow it to focus on the significant risks it faces and ensure that undue time is not spent on low level risks and risks that have been effectively managed.

This leads to the following key principles:

Principles

- 1 - We will support a culture of well measured risk taking throughout the Council's business.
- 2 - We will not avoid risk, but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
- 3 - We will assess each risk, identify existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher level risks.
- 4 - We acknowledge that even with good risk management, things will still sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- 5 - We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- 6 - We will challenge the Risk Management Process through the use of the Risk and Performance Management Group and the Finance, Audit and Risk Committee.
- 7 - We will regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

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Final Internal Audit Report

North Herts District Council Risk & Performance Management 2022/23

April 2023

Issued to:	Ian Couper – Service Director (Resources) Rachel Cooper – Controls, Risk and Performance Manager
Copied to:	Anthony Roche – Managing Director FAR Committee Members
Report Status:	Final
Reference:	N088/22/001
Overall Assurance:	Reasonable
Recommendations:	5 recommendations, 1 High, 3 Medium, 1 Low

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 Internal Audit provides North Herts Council with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based internal audit plan. This internal audit forms part of the approved 2022/23 Internal Audit Plan.
- 1.2 The Council Delivery Plan brought together all the elements of Integrated Performance Management (Projects, Risks and Performance Indicators) into one plan in 2021. Previously, only performance indicators were approved by Cabinet with no clear link to the projects being undertaken or the risks being managed within and across service areas.
- 1.3 The new process requires the Cabinet to approve project, risks, and performance indicators to support the delivery of the Council Plan. Under delegation from Cabinet, Overview & Scrutiny Committee (O&S) monitor progress against the plan on a quarterly basis. This has meant that the Finance Audit and Risk Committee (FARC) no longer receive regular reports on specific risks, but the Committee does still receive reports in relation to the development and continued effective operation of risk management.
- 1.4 The purpose and aim of the audit was to provide assurance that:
 - a) The Council Delivery Plan supports the risk management process of the Council, and strengthens the link between performance and risk, and
 - b) Officers and Councillors are aware of their roles and responsibilities in relation to risk management and have received adequate training.

Overall Audit Opinion

- 1.5 Based on the work performed during this audit, we can provide overall **reasonable assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in section 2 below.
- 1.6 In arriving at our overall opinion, we canvassed information from both staff and Councillors through an online questionnaire. Respondents provided data surrounding the availability and understanding of the key information contained within the risk and performance frameworks, along with feedback of the training currently available to them. A review of the committee structure, in relation to risk, was carried out to ensure that the changes which were introduced since the introduction of the Council's Delivery Plan continue to allow the Council to maintain effective oversight of its risk management framework and to manage its risks effectively. We provide below a summary of our observations and findings from each of the assurance areas reviewed within this audit.

- 1.7 The Council has a risk management framework, which had been broken down into four easily understandable parts. Within both the risk and performance framework, the roles and responsibilities for all stakeholders are appropriate and clearly explained. The framework also provides all key information we would expect as to how the Council coordinates and manages the processes making up the framework.
- 1.8 Whilst it was found that the Council has a comprehensive suite of documentation to support both risk and performance management, there are barriers to accessing the documentation on the Council's Intranet site. Risk and performance information was not held together, and officers reported that outdated documents were returned when key risk and performance information was searched for on the Council's intranet.
- 1.9 The Council Delivery Plan has directly linked risks to projects that the Council is undertaking to achieve its objectives. Therefore, information relating to risk and performance should be co-located to enhance the ongoing connection. The revised reporting structure to Cabinet, O&S and FARC strengthens the link between risk and performance, however as we are still within the first reporting year, changes to reports are being made, through discussion at the Councils Risk Performance Group, to ensure that the correct level of assurance is achieved.
- 1.10 Councillors have not received any formal training for risk and performance recently (and not since the new Council Delivery Plan was introduced in 2021). The results of the questionnaire confirmed that not all Councillors who responded had read the key risk and performance documentation (despite being members of either the Cabinet, O&S or the FARC). These two factors explain why not all Councillors could confirm which stakeholders were responsible for key activities and actions within the risk and performance frameworks.
- 1.11 The Council's internal Risk and Performance Group is normally attended by the Executive Member / Risk Champion and invitations have been extended to members of the O&S and the FARC. In the absence of any current training, the interactions and discussions at this group help mitigate the risk that Councillors do not have the necessary training, and so knowledge, to undertake their roles effectively.
- 1.12 The introduction of the Council Delivery Plan has meant that the responsibilities of the O&S and FARC have changed in relation to risk. Our review of the papers presented to these committees since the Plan was introduced identified that the Council's risk profile information is no longer presented to the FARC under the new arrangements. This information is a key source of assurance for Councillors on FARC and, alongside reports which provide updates on overall risk governance, is essential in giving them holistic oversight of the continued effectiveness of the Council's risk management framework.
- 1.13 For definitions of our assurance levels, please see Appendix B.

Summary of Recommendations

- 1.14 To improve the control environment in operation, we have raised five recommendations as part of the audit undertaken, one is a high priority recommendation and three of which are medium priority recommendations. We have

also highlighted two advisory actions within paragraphs 2.2 and 2.3 below, which, whilst not presenting a material risk to the control environment, merit consideration by management.

- 1.15 The high priority recommendation relates to Councillors' risk management training. The medium priority recommendations relate to the current information available relating to risk and performance management, the risk profile of the Council being made available to the correct committee, and the embedding of risk and performance management processes.
- 1.16 Please see the Management Action Plan at Appendix A for further detail.

Annual Governance Statement

- 1.17 This report provides reasonable levels of assurance to support the Annual Governance Statement.

2. ADVISORY ACTIONS

- 2.1 During this audit, we identified the following findings that, whilst not presenting a material risk to the robustness of the control environment, merit attention by management.

Pentana Risk System

- 2.2 A review of the system found that only 63% of the registered users had accessed the system within the last two years. There are several reasons as to why officers do not log directly into the system themselves. This is primarily that they can access the information through a report provided to them by the risk and performance team. The service will, however, review the users within the system and update access as required.

Risk Management e-learning Module

- 2.3 The risk management e-learning module on GrowZone addresses the Council's Risk Management Framework, in particular Part 3: Strategy. This part of the framework was updated in December 2022. The updates made to Part 3 of the framework have not been reflected in the current e-learning module. We would recommend that, going forward, any updates to the Risk Management Framework are reflected within the e-learning module.

3. ASSURANCE BY RISK AREA

3.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	No	Limited	Reasonable	Substantial
Policy and Strategy – The current policies, strategies and processes in place support the overall governance arrangements for risk management. There is effective oversight within the framework, committee structure and levels of reporting within the organisation such that the Council can continue to manage its risks in relation to performance activities.				
Risk Knowledge and Awareness – Officers (at all levels of the Council) and Councillors are aware of their responsibilities and have received appropriate training to undertake their roles. Data on risk awareness and knowledge will be collated from officers and Councillors via an online questionnaire. This will provide the information for us to deliver feedback on the risk environment of the Council.				
Overall				

3.2 See definitions for the above assurance levels at Appendix B.

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p>Risk Training for Officers and Councillors</p> <p>Risk management training is available through an e-learning module on GrowZone for all staff and Councillors. The module walks participants through the Risk Management Policy with the fourth module creating an example where the risk management principles can be applied. Training records confirmed that 107 staff had completed the module since 1 April 2021, but no Councillors were recorded as completing this training.</p> <p>When asked within the questionnaire if the risk training had helped staff to carry out their role, 77% confirmed that it had helped them. Others confirmed that it had raised awareness of the process and refreshers are useful to consolidate knowledge.</p> <p>It was confirmed by Director (Resources) and Committee, Member & Scrutiny Manager that there has been no formal Councillor training in the previous three years. Information is provided to Councillors, with opportunities to have anything clarified</p>	High	<p>We recommend:</p> <ol style="list-style-type: none"> 1. Members of the Committees charged with the oversight of risks and risk management (O&S and FARC) or who need to understand risk attached to their decisions (Cabinet) will receive a bespoke level of training appropriate to their risk responsibilities. 2. Mandatory general risk management training should be given to all Councillors – at their induction. 	<ol style="list-style-type: none"> 1 To carry out further training with members of Finance, Audit and Risk Committee during the year. To also carry out risk training with Political Liaison Board (PLB) which includes Cabinet Members and Officer Leadership Team. <p>Responsible Officer Service Director: Resources</p> <ol style="list-style-type: none"> 2 New members have an induction programme that includes a session on finance. That session will be extended to also include a section on Risk <p>Responsible Officer Service Director: Resources</p>	<p>31 December 2023</p> <p>30 June 2023</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 233	<p>as and when required. Committee papers have requested that Councillors/committee comments on and notes recommendations on the type of risk management training they would like to see going forward. However, no detail is recorded within the minutes.</p> <p><u>Associated Risk</u></p> <p>Our finding illustrates the benefit of training staff in risk as 77% confirmed that it had helped them within their role. Councillors, however, cannot evidence that they have received any formal risk training and results from the questionnaire confirm that they have not read key documents relating to how the Council manages its risk and performance frameworks. It is therefore unclear if Councillors have the necessary knowledge to ensure that their decision making is based on robust processes.</p>		3. Risk training is available to all staff, but it is only mandatory for those members of staff with risk management responsibilities. It should be made clear to staff if they are required to complete the training and how often.	<p>3 Agreed. We will undertake a review of the growzone training and update to clarify who should undertake the training and when.</p> <p>Responsible Officer Controls, Risk and Performance Officer</p>	30 June 2023
	<p>2. Effective oversight within Risk and Performance Framework</p> <p>The Finance, Audit & Risk Committee (FARC) focuses on the monitoring of the effective development and operation of risk management whilst the Overview</p>	Medium	We recommend that the risk profile of the Council is made available to those required to give assurance on the Councils' risk	The format of the reports to FAR will be revised and the risk appetite and profile clarified following discussion	30 June 2023

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 234	<p>and Scrutiny committee monitoring the risks which affect the Council Delivery Plan.</p> <p>FARC now only receive two risk reports a year, a mid-year (in December) and an end of year report (in June). The mid-year report will provide an update on the broader risks and mitigations and provide assurance that risk governance arrangements are working, and effective risk management processes are in place with detailed review of specific risks being able to be requested on an ad hoc basis.</p> <p>Whist reviewing the reports that have been taken to the committees regarding risk, we cannot confirm that the FARC is kept up to date with the Council's risk profile (analysis of the types of threats the Council faces) as outlined by the 2022 CIPFA Audit Committee Guidance.</p> <p><u>Associated Risk</u> The new process had transferred the oversight of the risks in achieving the Council's objectives from the FARC to the Overview & Scrutiny Committee, with the monitoring of the risks involved in the delivery of the Council Delivery Plan. In transferring the overview of the</p>		management processes.	<p>with Leadership Team.</p> <p>Responsible Officer Service Director Resources, Controls, Risk & Performance Manager</p>	

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	ongoing risks, it had removed the ongoing risk profile of the Council to the Overview & Scrutiny Committee.				
3.	<p>Risk and Performance Policy and Strategy</p> <p>As part of the questionnaire, all participants were asked which key risk and performance documents they had read:</p> <ul style="list-style-type: none"> • 54% of officers who responded had read the Council Plan, • 31% had read the Council Delivery Plan, • 24% had read the Risk Management Framework, • 13% had read the Local Code of Corporate Governance and • 12% the Performance Management Framework • 39% had not read any of the above documents <p>Of those respondents who confirmed that they had read the Risk Management Framework, 89% had read Part 1: The Policy Statement, 58% had read Part 2: Policy, 42% had read Part 3: Strategy and only 32% had read Part 4: Toolkit.</p>	Medium	<p>We recommend that all information regarding risk and performance can be pulled together and made easily accessible on the intranet site or desktop via a specific link. Key documents should be linked so that the connection between risk and key Council documents is available.</p> <p>Management can take this opportunity to review the information so that only current strategies / policies are available and launch the revised information via a Council-wide communication.</p>	<p>Agreed. We will shortly be moving to Sharepoint, so the review of information will enable us to ensure that only up to date information is retained as guidance. Communication can then follow</p> <p>Responsible Officer– Controls, Risk and Performance Manager</p>	30 June 2023





No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 236	<p>Respondents stated that information regarding these documents was not easy to find on the intranet as searches returned out of date information. Information regarding risk and performance was not held together and not updated regularly. Officers within the risk team are a key point of information, with many respondents confirming that they are key sources of information for them.</p> <p>Only one Councillor who responded to the questionnaire had read all the key documents. Two Councillors had not read any.</p> <p><u>Associated Risk</u> Key information on how NHC manages risk and performance frameworks is not reaching all staff or Councillors.</p>				
	<p>4. Risk Awareness</p> <p>Most officers set aside time to consider risk and performance management issues in their area. However, only 42% considered risk and performance management to be embedded within their area.</p>	Medium	The importance of risk and performance should be highlighted by managers in planning and decision-making processes. Ensuring that staff and Councillors receive appropriate training will allow	<p>See (1) above for training for Councillors and Officer Leadership Team. To also do some training with the Senior Management Group.</p> <p>Responsible Officer</p>	31 December 2023

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 237	<p>Most Councillors who responded were not sure if risk and performance was embedded within the Council but that senior officers understood its importance. One comment stated that fellow Councillors have low awareness or consideration of risk and that this needed to change.</p> <p><u>Associated Risk</u> Without understanding the reasons for risk and performance management within service areas, processes will not become embedded, providing effective risk and performance management.</p>		them to recognise risk and performance within their area and contribute to the embedding of the frameworks.	Service Director: Resources	
	<p>Risk Responsibilities for Officers and Councillors</p> <p>Within the Risk Management Framework (Part 2: Policy) it states that the Council's Leadership Team and Cabinet have responsibility for keeping corporate risks faced by the Council under review. Only 10% of officers and 33% of Councillors got this question correct. Most thought that it was everyone's responsibility (employees and Councillors).</p> <p>74% of officers confirmed correctly how the Council use the performance</p>	Low	Key information within documents needs to be presented so that the audience is aware of its importance.	<p>Agreed. Report templates to be reviewed with a view to adding a standard paragraph to highlight who is responsible for risk.</p> <p>Guidance updated to reinforce that report authors need to consider the impact of risks and highlight what needs to happen. Performance and Risk Team to provide more challenge to</p>	<p>30 June 2023</p> <p>30 June 2023</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 238	<p>management in practice.</p> <p>Councillors were asked to confirm who was responsible for several actions within the risk and performance frameworks. Councillors responding were members of either the Finance, Audit & Risk Committee, Overview & Scrutiny or Cabinet.</p> <ul style="list-style-type: none"> • 55% recognised that all Members support and promote an effective risk management culture and 18% knew that all Members constructively review and scrutinise the risks involved in delivering the Councils objectives. • 63% confirmed that Executive members are the link between service teams and the Executive. • 67% confirmed that Cabinet had the political ownership of overall performance and 38% confirmed that they (Cabinet) approve the Council Delivery Plan. • 30% confirmed that Overview & Scrutiny receive regular performance management reports on Council performance • 71% recognised that it is Finance, Audit & Risk Committee who support Cabinet in approving 			<p>content. This will make the risk section clearer.</p> <p>Training at SMG on updated guidance and who is responsible for risk.</p>	31 July 2023

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>Council Delivery Plan, with specific focus on risk and areas of financial performance.</p> <p><u>Associated Risk</u> Not all staff and Councillors were able to confirm who is responsible for key activities and actions within the risk and performance frameworks.</p>				

Assurance Level	Definition
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

Risk and Performance Management Group Terms of Reference

Introduction

Following the endorsement of a Risk & Opportunities Management Strategy and Policy, North Herts Council established a Risk Management Group (RMG) as part of its corporate governance arrangements. The development of a new Council Delivery Plan, linking risks to projects and performance indicators, further increased the remit of the Group to cover Performance alongside Risk. The Groups name will change to the Risk and Performance Management Group (RPMG) to reflect this change.

Purpose

To operate under terms of reference that address the Senior Leadership Team's approved Risk Management Framework and Performance Management Framework

Membership

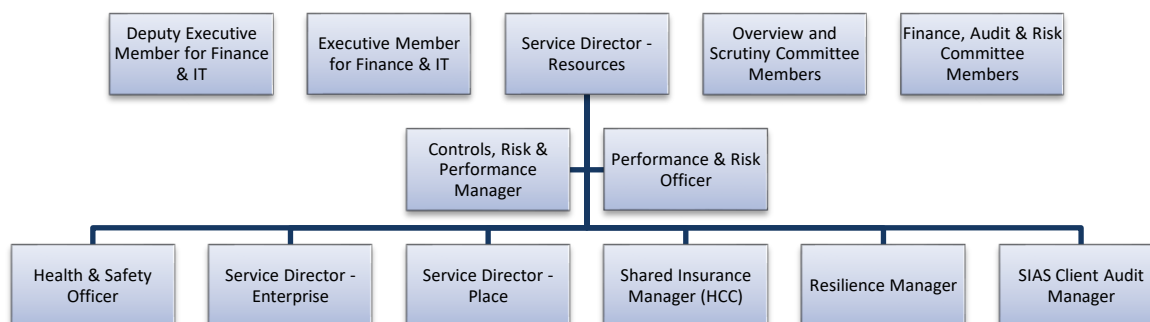
Representatives on the RPMG are managers (see structure) with strong operational knowledge of the Authority's functions who are committed to process and service improvement. The RPMG can invite other Officers including support functions (such as Finance, Legal, Human Resources) to attend meetings to provide information or give advice and support. A standing invite is also extended to members of the Overview and Scrutiny and Finance, Audit and Risk Committees. Representatives will:

- Attend meetings.
- Implement the terms of reference of the group.
- Consult other parties as required.
- Communicate the activities of the group.

Authority

The RMG is authorised by the Senior Leadership Team to carry out any activities within its approved terms of reference.

Structure



Duties

The objective of the RPMG is to oversee North Herts Council's Risk and Performance Management Frameworks. The RPMG seeks to focus and coordinate risk and performance management activities throughout the Authority to facilitate the identification, evaluation and management of all key risks and opportunities which may impact on the Council's ability to deliver its Council Plan objectives. In order to achieve this, the following responsibilities have been set:

1. **Maintain risk and performance management as part of the culture at North Herts Council**

- Maintain the mechanism for risk management to be discussed and disseminated across the Authority.
- Present a comprehensive register of projects and risks to the Senior Leadership Team and the Overview and Scrutiny Committee at least four times a year.
- Provide an update on the effectiveness of the Risk Management Governance arrangements to the Finance, Audit and Risk Committee at least twice a year.
- Support the Controls, Risk & Performance team to effectively implement the Risk Management Framework and the Performance Management Framework, including reviews of risk and performance management training.
- Ensure actions required are given the appropriate level of support and priority.
- Ensure risk identification and actions are included as part of the Corporate Business Planning process.
- Continuously monitor the Risk Register to ensure timely compliance with remedial action and the identification of overlapping risks.
- Ensure Members are involved in the risk and performance management process.
- Provide advice and support to Officers and Members.

2. **Targets**

Targets	By Whom	Dates
Update individual risks on the Risk Register	Risk Owners/ Service Managers	In line with the frequency set out in the Risk Management Framework, which is determined by the assessed risk level
Identify and assist in prioritising the Corporate Risks and Projects included in the Council Delivery Plan, for consideration by Senior Leadership Team, the Overview and Scrutiny Committee, and Cabinet	RPMG	Four times per year – November, February, May, and August
Review the Risk Management Framework and the Performance Management Framework at least every three years and in response to significant corporate changes	RPMG	November
Provide training to the Finance, Audit & Risk Committee, Members, managers, and staff	Controls, Risk & Performance Manager/ Performance & Risk Officer	Ongoing, as required or as requested
Annual Report to Full Council	RPMG/ FAR Committee/ Cabinet	May/June

3. Report Procedures

- The Service Director – Resources/Controls, Risk & Performance Manager will present to the Senior Leadership Team and the Finance, Audit & Risk Committee a progress report on the governance of risk management at North Herts Council and the activities of the group. These reports are to be on a half-yearly basis, with an Annual Report from Cabinet to Council. Any major significant issues will be reported to Cabinet/Council as soon as possible.
- The Service Director – Resources/Controls, Risk & Performance Manager will present to the Senior Leadership Team and the Overview and Scrutiny Committee a quarterly progress report on performance against the Council Delivery Plan. Any major significant changes will be reported to Cabinet/Executive Members as soon as possible. Changes required to the base budget are reported by quarterly budget monitoring reports to Cabinet.



4. Meeting Frequency

The RPMG will meet on no less than four occasions per year.

5. Roles

Service Director – Resources - Chair

To chair the RPMG and to ensure meetings are held on a regular basis and the minutes are recorded accurately. To champion risk and performance management throughout the Council. To facilitate risk management awareness and improvement at senior management and Member level.

Executive Member for Finance & IT

To champion risk and performance management and facilitate risk management awareness and improvement at Member level. To present the Annual Report to Full Council.

Deputy Executive Member for Finance & IT

To facilitate risk and performance management awareness and improvement at Member level.

Controls, Risk & Performance Manager

To report to the RPMG any issues arising from the implementation of the Risk Management Framework and the Performance Management Framework To write and present the risk management reports and the Council Delivery Plan on the RPMG's behalf. To provide support and advice on risk and performance management issues.

Performance & Risk Officer

To produce the agenda, relevant reports, and the minutes for each meeting. To report to the RPMG any issues relating to the day-to-day implementation of the Risk Management Framework and the Performance Management Framework. To provide support and guidance on risk and performance management issues.

Health & Safety Officer

To report to the RPMG any issues relating to the health and safety of the Council's employees or the public from their employment or use of the Council's assets.

Service Director – Enterprise

To represent the commercial side of the organisation and to champion risk and performance management in the Enterprise Directorate.

Service Director - Place

To champion risk and performance management in the Place Directorate.

Shared Insurance Manager (HCC)

To report to the RPMG any issues or updates relating to the Council's insurance arrangements and claims. To provide the RPMG with advice and information from a wider insurance and risk perspective.

SIAS Client Audit Manager

To provide the RPMG with advice and guidance from an internal audit perspective and to highlight significant issues resulting from the internal audit process. To also provide wider insight from shared learning.

Resilience Manager

To report to the RPMG any issues relating to the Council's Business Continuity functions. To provide the group with advice and guidance from a Business Continuity perspective.

Reviewed: November 2022

Next Review: November 2023 or sooner if required