

FINANCE AUDIT AND RISK COMMITTEE
13 December 2022

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: HALF YEARLY 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 recommendations to Cabinet on the Half Yearly Risk Management update
- 2.2. That Finance, Audit and Risk Committee note and provide recommendations 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 Management Group (RMG). This includes the Executive Member for Finance and IT as Risk Management Member Champion, and these recommendations were supported. Lead Officers discuss these 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 7 October 2022.

7. BACKGROUND

- 7.1 Under the new process for the monitoring of the Council Delivery Plan, the Overview and Scrutiny Committee have taken on the monitoring of those risks affecting the delivery of the Plan. 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 will receive a mid-year (in December) and end of year (in June) report. The June report will focus on the Annual Report of Risk Management.
- 7.2 The intention is for the six-monthly report to provide an update on 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 A full list of Corporate Risks linked to the Council Delivery Plan is provided in Appendix A. 28 new risks were created to form the original Council Delivery Plan, reported to this committee in March 2022, 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 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.

- 8.2.2 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)

The analysis of Risk data is shown in Table 1

Table 1	Council Delivery Plan Risks	Service Risks
Green Risks (1-3)	11	14
Amber Risks (4-6)	13	19
Red Risks (7-9)	7	9
Risks with reduced risk scores	4	17
Risks with increased risk scores	0	6
Risks with unchanged risk scores	27	19
New Risks	31	3
Deleted Risks	5	9

- 8.2.3 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. 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,

- 79 Corporate risk reviews were carried out in line with the RMF requirements, out of a possible 80 (99%). The remaining risk review which should have taken place in September is being scheduled in with the relevant Service area.

- 72 service risk reviews were carried out in line with the RMF requirements, out of a possible 79 (91%)

All the late service reviews have now been completed. It should be noted that reviews over the summer months may take place later than usual due to staff holidays.

- 8.2.4 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.

- 8.2.5 New and archived risks for the half year are included as Appendices B and 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. 28 New Risks were set up for the Council Delivery Plan, replacing many out-of-date risks on Pentana. Since the CDP was set up, further new Risks have been introduced, which reflect the current projects and or potential threats to service delivery, such as the Resourcing Risk, which is not linked to any one project in the CDP but remains an over-arching risk to the delivery of all Council projects.

8.3 **Review of the Risk Management Framework**

- 8.3.1 At the RMG meeting in November, the group reviewed the proposed changes to the Risk Management Framework, included as Appendix D. This is 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 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.

The Group were happy with the amendments, apart from suggesting a couple of formatting changes which have been implemented.

8.4 **Business Continuity**

This year the Resilience Team have been focused on a full review of business continuity arrangements.

The Business Impact Analysis (BIA) process allows NHC to have a clear picture of all the functions it delivers and identifies those critical areas that must be prioritised in the event of any business disruption.

All services agreed as critical following the 'BIA 1' analysis, and approved by Leadership Team, were required to complete a 'BIA 2'. The purpose of this form is to identify the most appropriate way of controlling the risks, looking at the maximum amount of time that the function could remain undelivered without leading to significant consequences, resource requirements, and any control measures that are in place. Once finalised, each critical service will be provided with a Service Continuity Plan template for completion.

Work has also been underway in response to the risk of power outages, examining the power back-up generator capability for the DCO. Reception centres were also examined and, although these would not have back up power, there is resilience in the varied locations of our main sites around the district. Mutual aid arrangements across Hertfordshire are also in place for emergencies.

It has been suggested that a planned power shut down test should be considered for Careline to identify any problems in advance of an actual outage.

8.5 Developing Capacity and Skills

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 31/10/2022 102 officers had completed the learning. Now that the Risk and Performance Frameworks have been embedded, the team are inviting suggestions from Officers and Members on the type of Risk Management training they would like to see going forward.

9. LEGAL IMPLICATIONS

- 9.1. 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)).

10. FINANCIAL IMPLICATIONS

- 10.1 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.

11. RISK IMPLICATIONS

- 11.1. 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.

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. 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.

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

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

16. APPENDICES

16.1. Appendix A –Corporate Risks
Appendix B – Archived Corporate Risks
Appendix C – New Corporate risks
Appendix D – Risk Management Framework documents

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1. None