*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: MID-YEAR 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 mid-year Risk Management Governance update, including progress made with completion of audit recommendations.

2.2.   That Finance, Audit and Risk Committee comment on the type of Risk Management training they would like to receive going forward.

2.3.   That Finance, Audit and Risk Committee note the review of the Performance and Risk Management Group Terms of Reference.

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 applicable alternative options.

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) and the Chairs of the Finance, Audit and Risk and Overview and Scrutiny Committees are invited to RPMG meetings, as well as key Officers. Lead Officers discuss risks with relevant Executive Members.

6.   FORWARD PLAN

6.1   This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 13 October 2023.

7.   BACKGROUND

7.1   In March 2022, Cabinet agreed that the Council Delivery Plan, incorporating key projects, risks and performance indicators, would be reported to the Overview and Scrutiny Committee. As a result, this Committee now focusses on its role (as set out in the Constitution) of "monitor[ing] the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet." To help achieve this, the Committee now receives a mid-year (in December) and end of year (in June) report. The June report is entitled the Annual Report on Risk Management Governance, which also goes to Full Council.

7.2   The six-monthly reports aim to provide a wider commentary on risk, a broader view of risks and associated mitigations, and assurance that risk governance arrangements are working and effective risk management processes are in place. Detailed reviews of specific risks can be requested on an ad hoc basis, which provides the opportunity to hear directly from the risk owner.

8.   RELEVANT CONSIDERATIONS

8.1   **Risk Management Governance**

8.1.1   The Council's 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 if required, take further action 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 services 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   Corporate Risks in the Council Delivery Plan are the responsibility of Leadership Team and Cabinet, with Cabinet ensuring risks are managed appropriately and proportionately. These risks cut across the delivery of all services, relate to key projects, or could significantly affect the delivery of Council objectives. They could also require a high level of resources to manage and need to be monitored at a strategic level. As the Council Delivery Plan also includes details of project milestones and performance measures, it ensures that Cabinet has oversight of both risk and performance.

8.2.2   Reporting of Corporate Risks to Cabinet via the Finance, Audit and Risk Committee reports and the quarterly Council Delivery Plan updates to Overview and Scrutiny Committee, allows the top risks facing the Council and the actions we are taking to manage them to be approved and monitored.

8.2.3   Details of the 29 Corporate Risks in the 2023/24 Council Delivery Plan are provided in Appendix A. Risks are assessed on Ideagen Risk Management, our risk and performance management system, with an original, current, and target risk score recorded. Risk records highlight the controls in place and mitigating actions we have taken or plan to take to manage the risk to the target level or to maintain it at the lowest practicable level. Where risks have been managed to the target level, any residual risks are likely to be tolerated.

8.2.4   In addition to formal committee reports, Corporate and Service Risks can be viewed on Ideagen Risk Management. Access to the system and guidance on its use is available on the Intranet - Ideagen Risk Management | Intranet (north-herts.gov.uk).

8.2.5   The risks in the Q2 Council Delivery Plan monitoring report have been plotted on the matrix below to show a visual risk profile of the Plan:

Risk matrix (Likelihood vertical axis, Impact horizontal axis):

Likelihood \ Impact	1 - Low	2 - Medium	3 - High
3 - High	**4**	**7**	**9** - Waste and Street Cleansing procurement - Financial Sustainability - Waste Depots - Resourcing
2 - Medium	**2** - Empty Homes Strategy - Enterprise Strategy - Cycling Network - Oughtonhead Common Weir - Town Centre Recovery	**5** - Charnwood House - Local Plan Delivery - Museum Storage - New ways of delivering Housing - Resident/EV charging - Solar PV leisure centres - Leisure contract procurement - Master Planning - Pursue Commercial Leasing Opportunity for Royston town hall - Royston LC solar Thermal - Shared Prosperity Fund - Town Centre Strategies	**8** - Churchgate - Homelessness Prevention - Cyber Risks
1 - Low	**1** - Local Authority Housing Fund - Finalise pay on exit parking review - Playground Renovation - Create Place Narrative	**3** - Health Inequalities	**6**

8.2.6 Table 1 below shows analysis of risk data between 1 April 2023 and production of this report:

Table 1	Council Delivery Plan Risks	Service Risks
Green (Low) Risks – score 1-3	10	8
Amber (Medium) Risks – score 4-6	12	18
Red (High) Risks – score 7-9	7	5
TOTAL (period end)	**29**	**31**
Reduced risk scores	6	1
Increased risk scores	1	1
Unchanged risk scores	22	23
Risks not yet reviewed	0	6

TOTAL (period end)	**29**	**31**
Risks at start of period	31	39
New Risks	11	4
(Less) Archived Risks	(11)	(12)
Risks reclassified as service risks	(2)	
TOTAL (period end)	**29**	**31**

8.4 Review of Risks

8.4.1 Risk reviews are scheduled within Ideagen Risk Management, with automated reminders sent to service areas when risks are due to be reviewed. Risks with a Red status should be reviewed every 3 months, with Amber risks every 6 months and Green risks at least once a year. Service areas work with the Performance and Risk Officer to ensure that assumptions are challenged, and information is captured in line with RMF requirements.

8.4.2 For the period from April 2023 to September 2023, all Corporate Risk reviews were carried out in line with the RMF requirements. For Service Risks, 62% were completed in line with the RMF requirements, 12% were completed within one month of their review date and 26% were completed more than a month late. It should be noted that reviews over the summer months may take place later than usual due to staff holidays.

8.5 New / Emerging and Archived Risks

8.5.1 Since the start of 2023/24, 11 new Corporate Risks, relating to the Council Delivery plan, have been entered on the Risk Register. These are detailed in Appendix B.
Two new service risk entries have also been entered on the Risk Register:

- Baldock Industrial Estate Fire
- Reinforced Autoclaved Aerated Concrete (RAAC)

The other two service risks included in Table 1 above were previously recorded as Council Delivery Plan risks. These were re-categorised following completion of the related Council Delivery Plan projects (Museum/HTH Recovery and Help Residents Make Payments at Convenient Locations) in 2022/23.

8.5.2 Since the start of 2023/24, 11 Corporate risks were archived and are included as Appendix C. In line with the RMF, archived risks are risks that have been managed down to the lowest practicable level and are now controlled via business-as-usual processes or are risk entries that have been replaced by more relevant risk entries.

8.6 Risk Awareness and Appetite

8.6.1 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. Following an audit recommendation, the

Council's Senior Management Group will regularly carry out horizon scanning to consider potential future risks. Whilst this exercise may not generate anything to add to the risk register, it will provide an early warning so that the Council is better able to react to such risks if the impact or likelihood increases. The next review will take place in mid-December.

8.6.2   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.

8.6.3   A review of the links between Business Continuity Plans and the Risk Register is due to be undertaken in early 2024 to ensure that key risks are reflected in both. It has also been decided that the Council's Senior Manager Group should undertake a review of emerging risks. This has been added to the meeting agenda for December 2023.

8.6.4   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.

8.6.5   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.

8.6.6   As reported in the latest Council Delivery Plan monitoring report, 19 Corporate Risks had a score of 4 or above:

- Financial Sustainability/Balancing our Budget (9)
- Waste and Street Cleansing (9)
- Securing Waste Depot (9)
- Resourcing (9) increased from 8
- Work with Partners to Prevent Homelessness (8)
- Cyber Risks (8)
- Churchgate (8) down from 9
- Local Plan Delivery and Review (5)
- Charnwood House (5)
- Leisure Contract Procurement (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)

- Solar PV on Leisure Centres (5)
- Shared Prosperity Fund (5)
- Town Centre Strategies (5)

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

9.   Developing Capacity and Skills

9.1   The Performance and Risk Officer provides advice and guidance to Officers when each risk review is completed. However, further work is required to ensure Officer and Member skills in this area are developed. In 2021, an E-Learning module for Risk Management was set up on GROW Zone for completion by Officers. As of 30 September 2023, 113 officers had completed the learning. This training is also available to Members and can be accessed via GROW Zone via the link below.
Risk Management E-Learning on GROW Zone

9.2   The SIAS audit of Risk and Performance Management reported in April 2023 provided reasonable assurance that effective controls are in place. However, it contained five recommendations (one high, three medium and one low priority), equating to 7 actions to help us strengthen our processes, including developing bespoke Member training. Appendix D provides details of the progress we have made towards implementing the recommendations.

9.3   Members of this Committee are asked to specify any additional training that they require.

10.   Business Continuity

10.1   Following full review and completion of the Business Impact Analysis process (BIA 1) across all services, critical areas were identified that must be prioritised in the event of any business disruption. Those critical areas, approved by Leadership Team, went on to complete a 'BIA 2' form to identify the most appropriate way of controlling the risks.

10.2   All critical functions are to be included in a new Service Continuity Plan. The Resilience Team have produced a new template which is being circulated to services for completion by the end of 2023. The plan allows services to consider all key risks, based on the national and local resilience risk register, and to identify contingency arrangements that will reduce the risk of business failure.

10.3   Once all the information from service plans is compiled, a review of the links between Business Continuity Plans and the Council's Risk Register is due to be undertaken in early 2024 to ensure that key risks are reflected in both.

11.   Review of the Risk and Performance Management Group Terms of Reference.
11.1   The RPMG Terms of reference were reviewed by the group, with a few changes. The updated document is provided as Appendix E.

12.   LEGAL IMPLICATIONS

12.1   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)).

13.   FINANCIAL IMPLICATIONS

13.1   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 position.

14.   RISK IMPLICATIONS

14.1   The Risk Management Framework requires the Finance, Audit and Risk Committee to consider six-monthly reports on the development and operation of Risk Management at the Council. Failure to provide these reports would conflict with the agreed Framework and would mean that this Committee could not provide assurance to Cabinet that effective Risk Management is taking place and that key risks are being managed.

15.   EQUALITIES IMPLICATIONS

15.1   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.

15.2   Reporting on the management of risk provides a means to monitor whether the Council is meeting the stated outcomes of the district priorities, its targets and delivering accessible and appropriate services to the community to meet different people's needs. The Council's 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.

16.   SOCIAL VALUE IMPLICATIONS

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

17.   ENVIRONMENTAL IMPLICATIONS

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

18.   HUMAN RESOURCE IMPLICATIONS

18.1   The Resourcing Corporate Risk highlights the potential impact on staff of taking on new tasks.

19.   APPENDICES

19.1. Appendix A – All Corporate Risks
Appendix B – New Corporate Risks
Appendix C - Archived Corporate Risks
Appendix D – Performance and Risk Management Audit Report update
Appendix E – Draft RPMG Terms of Reference

20. CONTACT OFFICERS

20.1 Rachel Cooper, Controls, Risk & Performance Manager
Rachel.cooper@north-herts.gov.uk,ext. 4606

Ian Couper, Service Director – Resources
Ian.couper@north-herts.gov.uk,ext. 4243

Reuben Ayavoo, Policy and Communities Manager
Reuben.ayavoo@north-herts.gov.uk, ext. 4212

Rebecca Webb, HR Services Manager
Rebecca.webb@north-herts.gov.uk, ext. 4481

Tim Everitt, Performance and Risk Officer
Tim.everitt@north-herts.gov.uk, ext. 4646

Isabelle Alajooz, Legal Commercial Team Manager
Isabelle.alajooz@north-herts.gov.uk, ext. 4346

Paula Busby, Resilience Manager
Paula.busby@north-herts.gov.uk ext. 4246

19. BACKGROUND PAPERS

19.1 None