

FINANCE AUDIT AND RISK COMMITTEE
19 June 2024

***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. The review is referred on to Cabinet and Council to ensure that there is effective oversight of the governance arrangements that are in place.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and provide comments to Cabinet on this report, for referral on to Full Council.

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 does not contain a recommendation on a key Executive decision. It was referred to on the Forward Plan dated 28 March 2024, as it may have been necessary to make a recommendation (e.g. changes to our risk framework) that could have been a key Executive decision.

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 now established process in relation to the 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 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 May 2024 and are included as Appendix A. The change reflects that Service Directors will now all attend the RPMG on a cyclical basis.
- 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 Executive also attends RPMG meetings, helping to inform the group’s understanding of wider risk issues.
- 7.2 These reports 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.

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 are those that cut across the delivery of all services, related to key projects or could significantly affect the delivery of Council objectives. They are 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, allows details of the top risks facing the Council and how we were managing them to be approved and monitored accordingly.

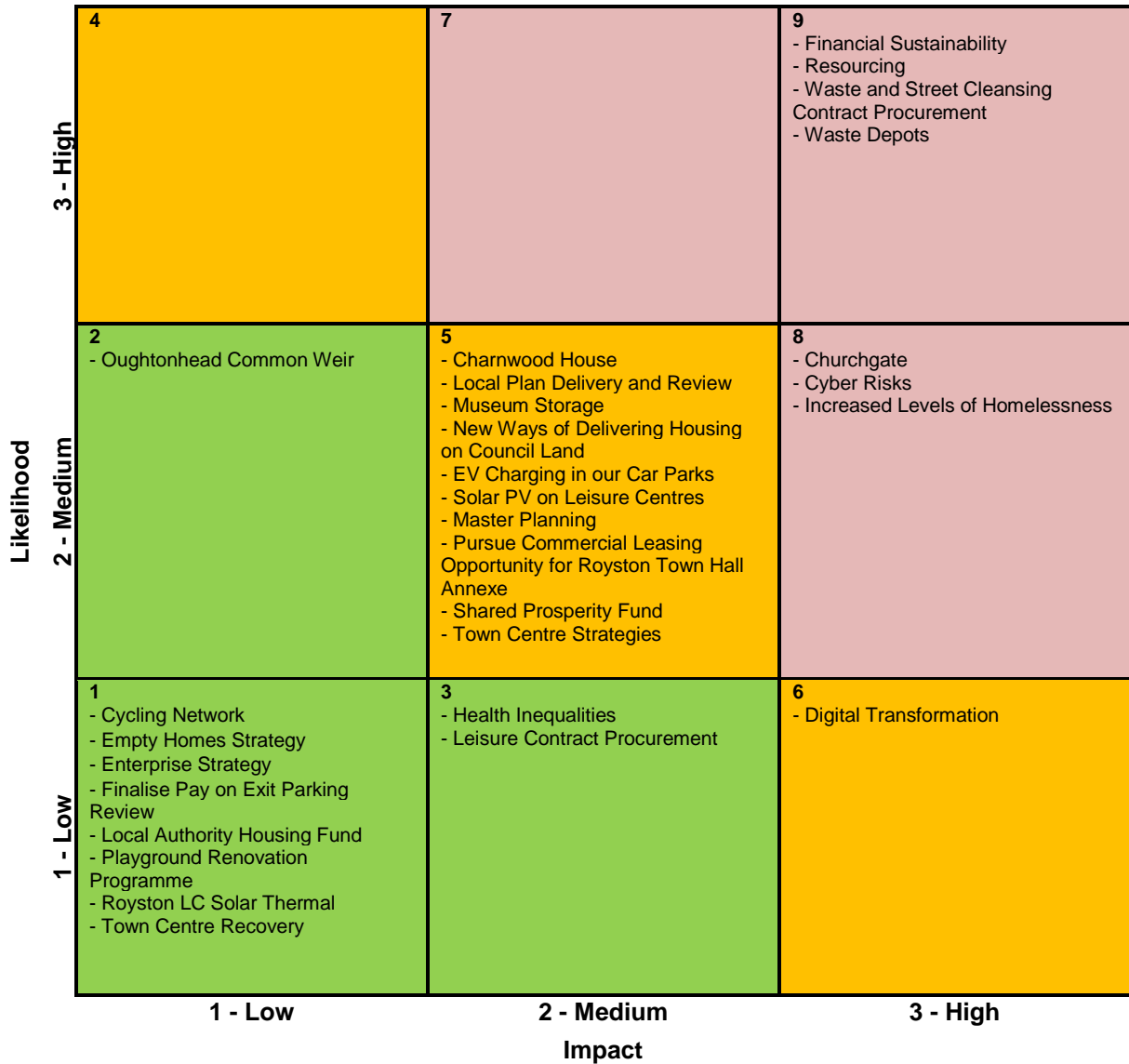
8.2.3 At the start of the 2023-24 year there was a risk assessment in place for each of the projects in the Council Delivery Plan. There was also an over-arching risk in relation to staff resource. Of these, 7 were rated as high (red), including the staff resourcing risk. Each risk has been assessed on IdeaGen, 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.

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

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:



8.2.6 In addition to Corporate Risks, we also document and review service risks. At the end of 2023/24 there were 33 service risks. Nine (9) of these were rated as high (red) risks, 15 as medium (amber) and 9 as low (green) risks. The high rated risks related to:

- Legal Team resources
- Introduction of the Procurement Act 2023 (from Autumn 2024)
- Management of open space in new strategic sites developments
- Sale of recyclable materials
- Increasing groundwater levels at Kimpton
- Delivery of the Waste Collection and Street Cleansing Services contract
- Residual waste transfer arrangements post 2026
- Increased provision of electric vehicle charging on Council premises increasing fire risk
- Implementing a new combined financial management system by the planned August 2024 'go live' date

8.3 **Review of Risks**

8.3.1 Risk reviews are scheduled within IdeaGen, (our performance and risk software, previously known as Pentana) 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.

8.3.2 During 2023/24, all Corporate Risks were reviewed and updated on a quarterly basis, regardless of the assessed risk level. These reviews were undertaken with the Performance and Risk Officer, as part of preparations for the quarterly Council Delivery Plan monitoring reports.

8.3.3 At the end of 2023/24, out of the 33 service risks, 31 were up to date. These risks had been reviewed during the year and had not yet reached their scheduled next review dates. Two risks were overdue for review. The Procurement Act risk was assessed as high risk and had last been reviewed on 19 December 2023. The scheduled review has now been undertaken (on 17 April 2024), with the delay caused by resourcing issues. The management of open space in new strategic site developments was also assessed as high risk and was last reviewed on 28 November 2023. Again, the scheduled review has now been undertaken (on 22 April 2024), with the delay caused by numerous officers having input into the review process and the review not being finalised until all officer contributions had been considered.

8.4 **New and Archived Risks**

8.4.1 Archived risks for the year are included as Appendix B. 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.

8.4.2 New risks for the year are included as Appendix C. New risks are often linked to new projects or events that take place.

8.5 Risk Awareness and Appetite

- 8.5.1 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.
- 8.5.2 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.
- 8.5.3 In December 2023, the Senior Management Group did an exercise on horizon scanning in relation to risks and opportunities. The results of this were reviewed by the RPMG in February. The risks and opportunities included:

Risks

- Impact of General Election
- The role of our Town centres and the location of employment
- Budget cuts
- Policy direction
- Post Brexit-legislation e.g. in relation to Environmental Health
- Staffing retention – use of agency/consultants
- Cyber attacks
- LATCo (Local Authority Trading Company)- their role and governance
- Skills and knowledge
- Retirements – developing new managers
- Climate change- severe weather events
- Future growth
- Council Tax base
- Infrastructure

Opportunities

- Churchgate regeneration
- New skills and new knowledge
- Four-year administration
- Joint partnerships- working together with other Local Authorities

- 8.5.4 The RPMG discussed what we should record on IdeaGen in relation to climate change risks, and agreed it should be linked to the next update to the climate change strategy. It also concluded that none of the others needed to be added to the risk register, but were worth keeping an eye on. It was also considered that it was a useful exercise to do, and should be repeated on a regular basis (at least every year).

- 8.5.5 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.
- 8.5.6 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 Engineering Inspection and Insurance ending on 31 March 2024 a tender exercise was carried out and the contract was retained by Zurich Municipal. All other policies were renewed from 1 April 2024. Due to the rising cost of claims in the insurance market, rates were increased by the liability and motor insurers.
- 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 of 31 March 2024, five insurance claims were received from the public relating to the policy year 2023/24. 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 2024, 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. 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.
- 10.2 During 2023, a new Service Continuity Plan template was developed and issued to critical services, as identified from the previous 2022/23 full Business Impact Assessment (BIA) review process. This examined service functions, impacts of service interruption, key risks for consideration, and dependencies. The Council's list includes

17 critical functions, which were agreed by Leadership Team, and these must be prioritised in the event of a major internal business disruption.

- 10.3 These 17 Service Continuity Plans have now been completed and the Resilience Team have been working through these and liaising with managers on any areas that require further information. 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 during 2024/25.
- 10.4 The review of all Resilience Plans includes taking into account learning from recent exercises, incidents and responses. We have held debriefs for the Baldock industrial estate fire (July 2023) and the DCO Power Outage (Jan 2024), which required Careline to relocate to the Disaster Recovery site. Debrief reports have been produced with actions and recommendations to incorporate into the planning cycle.
- 10.5 There is continual development of procedures for key business interruption risks e.g., national power outage, loss of IT, cyber attacks, and adverse weather.
- 10.6 Every year we support the Business Continuity Institutes (BCI) annual Business Continuity Awareness Week (BCAW) campaign. For May 2024, the theme is 'Business Continuity and Resilience Awareness' and we will once again be utilising this campaign to promote information to staff and the public via various communication channels.
- 10.7 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 We were given notice by the supplier of our compliance contract (including health and safety compliance) that they would terminate their contract early. The termination date was the end of February 2024, but an ongoing core service was provided by HTS until new arrangements came fully into place. The contract provides a H&S compliance servicing regime to both Council properties and community centres. To provide greater resilience the new contract into 3 lots. New contractors were appointed following a tender process and this started on 1st April 2024. Some parts of the old contract have now been taken up by the community centre managers, the Green Space team and Property Services staff.
- 11.2 A new approach to reviewing legionella risk assessments has been undertaken by Property Services. It has been decided that where the water systems within buildings are currently rated as low risk and have no water due to local isolation (void buildings) or the water system is of simple layout i.e., limited WCs/sinks then the review will be undertaken by in-house staff. If a building is still considered low risk but has a more complex water system i.e., multiple outlets/showers then the review will be put out to our existing contractor.
- 11.3 We are trying to increase the membership of our staff Health and Safety Group. This includes promoting what the Group is about and the benefits of being a part of the

group. This has been through other groups (e.g. Staff Consultation Forum and Leadership Team) and via the intranet.

12 Actions for 2023/24

12.1 Last year's Annual Report detailed the following key actions for 2023/24 to enhance our Risk Management processes:

Action	Due Date	Comments
Undertake the annual review of Risk Management Framework documentation.	31/12/23	No change required
Update the Risk Management E- Learning Module on Growzone to reflect the updated Strategy	30/09/23	No change required
Develop Member Training on Risk and deliver to key members of FARC and O&S	31/12/23	Finance and risk training made available to all members in June 23. To carry out more detailed training in 24/25.
Continue to refine the new Council Delivery Plan	31/03/24	It has continually evolved and for 24/25 will have a change of approach for performance indicators.

13 Actions for 2023/24

13.1 The following actions are planned for 2024/25 to help ensure the continued development of risk management:

Action	Due Date
Undertake the annual review of Risk Management Framework documentation.	31/12/24
Assess how well the cyclical attendance of Service Directors at RPMG works	31/12/24
SMG review of emerging risks and opportunities	31/12/24
Training for O&S (also open to other Members) on using IdeaGen	30/09/24
Training for FAR (also open to other Members) on carrying out a risk assessment	30/09/24
Continue to refine the Council Delivery Plan	31/03/25

14. LEGAL IMPLICATIONS

- 14.1 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)).

15. FINANCIAL IMPLICATIONS

- 15.1 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.

16. RISK IMPLICATIONS

- 16.1 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 and effectively to change. When taking decisions, risks and opportunities must be considered.
- 16.2 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.

17. EQUALITIES IMPLICATIONS

- 17.1 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.
- 17.2 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.

18. SOCIAL VALUE IMPLICATIONS

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

19. ENVIRONMENTAL IMPLICATIONS

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

20. HUMAN RESOURCE IMPLICATIONS

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

21. APPENDICES

22.1. Appendix A: Terms of Reference for RPMG
Appendix B: Archived risks
Appendix C: New risks

22. CONTACT OFFICERS

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

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

Ellie Hollingsworth, Trainee Policy Officer
Ellie.hollingsowrth@north-herts.gov.uk, ext: 4220

Jeanette Thompson, Service Director: Legal and Community
Jeanette.thompson@north-herts.gov.uk, ext: 4370

23. BACKGROUND PAPERS

23.1 None