



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : ONLINE MEETING - LIVESTREAMED
DATE : TUESDAY 16 MARCH 2021
TIME : 7.00 PM

PLEASE NOTE TIME

MEMBERS OF THE COMMITTEE

Councillor M Pope (Chairman)
Councillors A Alder, L Corpe, R Fernando, A Huggins, T Stowe (Vice-Chairman) and A Ward-Booth

Substitutes

Conservative Group: Councillors J Burmicz and A Curtis

(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 24 hours before the meeting)

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DISCLOSABLE PECUNIARY INTERESTS

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
 - must not participate in any discussion of the matter at the meeting;
 - must not participate in any vote taken on the matter at the meeting;
 - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
 - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
 - must leave the room while any discussion or voting takes place.
2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.
3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.

4. It is a criminal offence to:

- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
- participate in any discussion or vote on a matter in which a Member has a DPI;
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

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AGENDA

1. Apologies
To receive apologies for absence.
2. Chairman's Announcements
3. Minutes - 10 February 2021 (Pages 7 - 14)
To confirm the Minutes of the meeting held on Wednesday 10 February 2021.
4. Declarations of Interest
To receive any Members' declarations of interest.
5. Shared Anti-Fraud Service (SAFS) - Anti-Fraud Plan 2021/22
(Pages 15 - 32)
6. Shared Internal Audit Service (SIAS) - Progress Report
(Pages 33 - 48)
7. Shared Internal Audit Service (SIAS) - Internal Audit Plan 2021/22
(Pages 49 - 66)
8. Quarterly Corporate Budget Monitor – Quarter 3 (December 2020)
(Pages 67 - 86)
9. Annual Review of Risk Management Strategy (Pages 87 - 132)
10. Strategic Risk Register – Monitoring 2020/21 Quarter 3 and Proposed Content for 2021/22 (Pages 133 - 188)

11. Local Government Association (LGA) Model Code of Conduct

To follow.

12. Work Programme Proposals 2020-21 (Pages 189 - 206)

13. Urgent Items

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD AS AN ONLINE MEETING
ON WEDNESDAY 10 FEBRUARY 2021, AT
8.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, L Corpe, R Fernando,
T Stowe and A Ward-Booth

ALSO PRESENT:

Councillors B Crystall, P Ruffles and
G Williamson

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven King	- Finance Management Trainee
Steven Linnett	- Head of Strategic Finance and Property
William Troop	- Democratic Services Officer

ALSO IN ATTENDANCE:

Suresh Patel	- Ernst and Young
Simon Martin	- Shared Internal Audit

Service
Nazeer Mohammed - Ernst and Young

349 APOLOGY

An apology for absence was submitted on behalf of Councillor Huggins.

350 MINUTES - 17 NOVEMBER 2020

It was moved by Councillor Alder and seconded by Councillor Stowe, that the Minutes of the meeting of the Committee held on 17 November 2020 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 17 November 2020 be confirmed as a correct record and signed by the Chairman.

351 CHAIRMAN'S ANNOUNCEMENTS

The Chairman said that the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into force on Saturday 4 April 2020 to enable councils to hold remote committee meetings during the COVID-19 pandemic period. This was to ensure local authorities could conduct business during the current public health emergency. This meeting of Audit and Governance Committee was being held remotely under these regulations, via the Zoom application and

was being recorded and live streamed on YouTube.

352 DECLARATIONS OF INTEREST

There were no declarations of interest.

353 SHARED INTERNAL AUDIT SERVICE INTERNAL AUDIT PLAN
PROGRESS REPORT

The Shared Internal Audit Service (SIAS) Officer briefly introduced the report and explained some of the audit work carried out by SIAS. The remaining outstanding audits had seen staff allocated to them and would begin within a month. Three audits had been deferred due to the subject matter not being ready. SIAS would instead review commercial rents and cash system interfaces, although this would not be reported on. More flexibility had been built into the planning for 2021-22, given the impact of COVID-19 on the work of SIAS.

Councillor Stowe asked why the waste contract follow up audit had not received an assurance level. The SIAS Officer said as this was only a follow up; SIAS would not give an assurance opinion on it.

Councillor Alder asked what the length of the recovery period was in an IT disaster recovery scenario. It was agreed that the SIAS Officer would investigate this point and respond to Members outside of the meeting.

The Chairman and Councillor Alder asked if there was any further planned reduction in annual internal audit days and if the Members could be assured of proper oversight if there was to be a reduction.

The SIAS Officer said that internal audit days would again be reduced by 20 days to 300 as part of the Council's contractual agreement with SIAS, but this was the last planned reduction.

The Head of Strategic Finance and Property said that internal audit was only part of the framework of governance, and that there was constant oversight from Officers, as well as the Annual Governance Statement which was seen by Members.

Councillor Corpe said that where verbal updates had previously been given to Members, it was difficult to recall specific detail. He requested that a summary be included in a written format going forward. This was agreed.

It was moved by Councillor Corpe and seconded by Councillor Alder that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Internal Audit Progress Report be noted;

(B) changes to the Internal Audit Plan be approved; and

(C) the status of critical and high priority recommendations be noted.

354 RECEIPT OF THE EXTERNAL AUDITOR'S ANNUAL AUDIT
LETTER 2019/20

Ernst and Young's (EY) representatives briefly explained the main points of the audit letter. Suresh Patel (EY) said that external audit fees had now been agreed and would be presented to Public Sector Audit Appointments (PSAA) for final approval. There were some changes to the requirements for external auditors, which would necessitate a variation in the format of future audits. Members would in future receive more narrative reporting around the value for money conclusion that the external auditor is required to report on annually under the Code of Audit Practice.

Members were also advised that the Ministry of Housing, Communities and Local Government (MHCLG) had proposed new audit date deadlines which EY perceived to be unrealistic and they intended to respond to this effect.

The Chairman asked whether EY had made any changes to allow them to adhere to deadlines more easily. He also asked about its workload and whether this had been increased by the new requirements for auditors.

EY's representative said it had recruited a number of junior staff, but it would take some time for them to be trained. There was additional work, which had been flagged to PSAA, and EY also had a backlog of audits to clear.

RESOLVED – that the report be received.

355 INVESTMENT STRATEGY 2021/22

The Executive Member for Financial Sustainability briefly introduced the report and explained the main points.

The Chairman asked for further information about the training of Members and Officers. The Head of Strategic Finance and Property said that a number of Finance Officers would need training on the specifics of borrowing from the Public Works Loans Board (PWLB), which he would deliver.

The Scrutiny Officer said that the Member Development Group continued to meet quarterly to discuss Members' training needs. There had been ongoing discussions about supplying Members with further scrutiny training and also the need to take a longer term view of Members' training needs which could be established via a competency framework.

There were no suggested amendments or comments from Members for the Executive.

RESOLVED – that the report be received.

356 CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2021/22

The Executive Member for Financial Sustainability briefly introduced the report and explained the benefits of producing the policy each year.

The Chairman asked whether there were any material

changes to the policy from the preceding year. The Head of Strategic Finance and Property said that it was now necessary to have a Minimum Revenue Provision (MRP) Policy. The effect of climate change was now included as an influence in the capital strategy.

There were no suggested amendments or comments from Members for the Executive.

RESOLVED – that the report be received.

357 WORK PROGRAMME PROPOSALS 2020-21

The Scrutiny Officer briefly introduced the Work Programme, and said that further scrutiny training would be rolled out following the review by the Centre for Governance and Scrutiny (CfGS). It was noted that the business to be considered at the next meeting on 16 March 2021 was regulatory in nature.

The Chairman asked about the progress of the Constitution Review Group and forthcoming potential governance items.

The Head of Legal and Democratic Services said nominations for the membership of the Constitution Review Group were still awaited upon from some group leaders. This was being followed up by the Democratic Services Manager. It was agreed that the Head of Legal and Democratic Services would notify the Chairman of any potential upcoming governance items outside of the meeting.

It was moved by Councillor Ward-Booth and seconded by Councillor Corpe that the recommendations, as

detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the main agenda items for the next meeting be agreed; and

(B) the proposed consolidated work programme be agreed.

358 URGENT ITEMS

There was no urgent business.

The meeting closed at 8.47 pm

Chairman
Date



East Herts Council

Anti-Fraud Plan 2021/22

Recommendation

Members are recommended to:

1. Approve the Anti-Fraud Plan 2021/22; and
2. Note the activity to protect the Council against fraud and corruption in 2020/21

Contents

- 1 Purpose
- 2 Background
- 3 Anti-Fraud Plan 2021/22
- 4 Current Anti-Fraud Activity (2020/21)
- 5 Further Reading

1 Purpose

- 1.1 This report provides details of the Council's anti-fraud and corruption arrangements for 2020/21. The Anti-Fraud Plan ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

2 Background

- 2.1 Recent reports have been provided to officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible. Details of these reports and other recommend reding for Committee members can be found **at Section 5** of this report.
- 2.2 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 2.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.
- 2.4 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 2.5 East Herts Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution working with services and staff at all levels.

3 Anti-Fraud Plan 2021/22

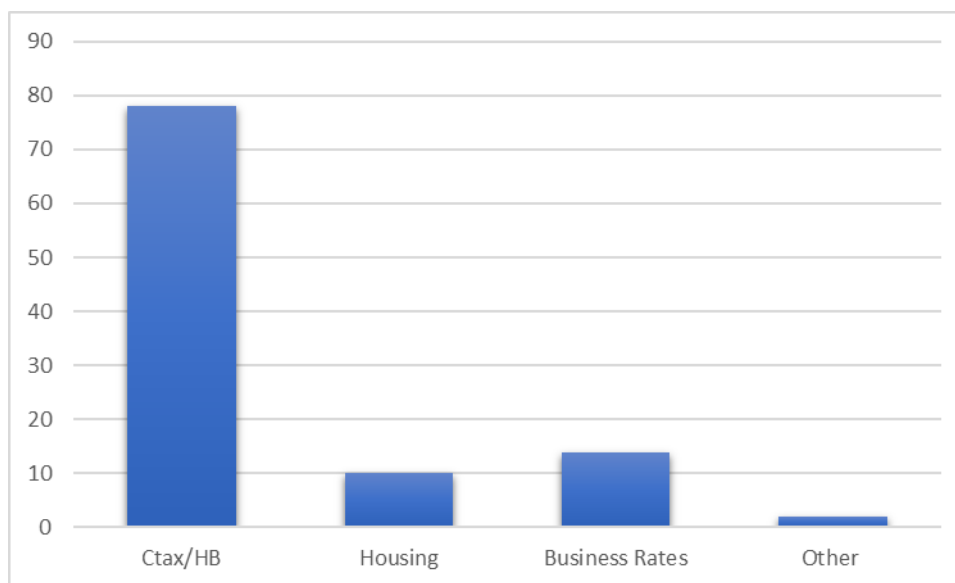
- 3.1 The reports and papers mentioned previously and guidance from National Audit Office (NAO) and the Ministry of Housing Communities and Local Government (MHCLG) recommend that organisations have effective and robust counter fraud and corruption measures. These measures must include the acknowledgement of fraud and corruption as a tangible risk, policies and procedures to deter and prevent fraud and resources to investigate fraud and recover losses. Above all an organisation should have a plan to protect itself against fraud and corruption.

- 3.2 Council officers and SAFS develop an anti-fraud plan each year and the proposed plan for 2021/22 is attached for approval by this Committee.
- 3.3 The Anti-Fraud Plan for 2021/22 has been designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.
- 3.4 We have adopted the FFCL checklist as a 'To-do' list and we will use this to track responsibility for each action/objective and then identify how the Council is doing in that area, rating each and providing evidence to support this. In future years we will use this framework to review the Councils performance adding/editing actions/objectives as they arise or become relevant to the Council.

4. Anti-Fraud Activity 2020/21

- 4.1 Between April and December 2020 SAFS received 104 allegations (referrals) of fraud affecting Council services. It should be noted that these are only allegations at this stage and although not all will need to be investigated each will be reviewed and appropriate action taken, if needed.
- 4.2 Table 1 shows the number of allegations of fraud received by the Council and which services these relate to. The majority of matters, 78, relate to council tax and/or housing benefit matters, 10 referrals are about housing applications and 14 are about business rates or Covid business grants. Two cases are recorded as 'other', these were both allegations that did not relate to the Council directly.

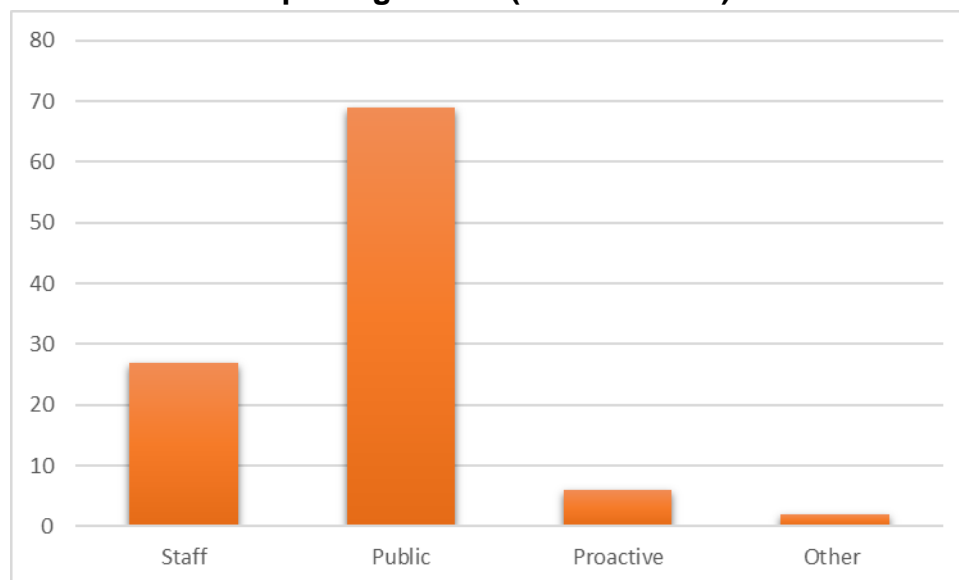
Table 1. Types of fraud being reported- (104 Referrals)



- 4.3 Table 2 shows who is reporting suspicions of fraud to the Council. Of the 104 matters reported 27 came from members of staff, 69 were reported by the

general public, six came about as a result of proactive/data-analytics and two came from other sources.

Table 2. Who is reporting Fraud- (104 Referrals)



'Other' includes reports from public bodies such as the Police or DWP.

4.4 SAFS carried forward 22 live cases from 2019/20 and currently 21 cases are open and under investigation with estimated fraud losses/savings of £276k.

4.5 At the time of this report many cases raised for investigation are still in the early stages, however, of the 11 investigations closed in year fraud loss/savings in excess of £26k have been reported.

'Fraud Loss' is fraud that has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.

4.6 A significant number of cases have been delayed or suspended due to the restrictions with face to face interviews resulting from social distancing and some cases where SAFS works with other agencies, in particular the Department for Work and Pension (DWP), have been delayed as staff working for the DWP have been redeployed during the Covid crisis.

4.7 Officers have ensured the Council's compliance with the National Fraud Initiative (NFI) for 2020/21 and officers, supported by SAFS, are currently reviewing the output and reports from this exercise.

4.8 A detailed report of all counter fraud activity undertaken in 2020/21 will be provided to this Committee in the early summer 2021.

5. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention*
- *Fighting Fraud and Corruption Locally a Strategy for the 2020's.*
- *Tackling Fraud in the Public Sector.*
- *COVID-19 Counter Fraud Measures Toolkit.*
- *UK Annual Fraud Indicator 2017.*
- *Fraud and Corruption Tracker 2019.*
- *United Kingdom Anti-Corruption Strategy 2017-2022.*
- *Local Government Transparency Code.*
- *The National Fraud Strategy: Fighting Fraud Together.*
- *CIPFA Red Book 2 – Managing the Risk of Fraud – Actions to Counter Fraud and Corruption.*

**East Herts Council
Anti-Fraud Plan 2021/22**

in partnership with

The Shared Anti-Fraud Service



SAFS
Shared Anti-Fraud Service
Fighting Fraud in Partnership

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Introduction

This plan supports the Councils Anti-Fraud and Corruption Strategy by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils Strategy states:

Culture- the prevailing set of assumptions and values within the organisation- and the reporting of suspicions of fraud and corruption,

Actions to prevent and deter fraud and corruption,

Controls to detect and ensure investigation of fraud and corruption,

Alertness and vigilance reinforced by training.

This plan includes objectives and key performance indicators that support the Councils Policy and follows the latest best practice/guidance/directives from the Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors.

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding to its three ‘Pillars’ of **Acknowledge, Prevent & Pursue** with a fourth **Governance** with an overarching aim **Protect** which sits across all Pillars:

Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top

Protect: Against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



EHC Anti-Fraud Plan 2021-2022

The Councils Plan will be overseen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption, the Council also has a duty to protect the public and it does this through its work across all services but in particular by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels

The Anti-Fraud Plan follows current best practice contained in the Fighting Fraud and Corruption Locally Strategy (FFCL) and elsewhere. The FFCL checklist attached at **Appendix A** will be completed by March 2022 and reported back to this Committee then with updates throughout the year. This will help determine if there are any further actions or activities that should be added to the Fraud Plan via an in-year update.

SAFS Resources 2021-2022

Anti-Fraud Arrangements

East Herts Council is a Partner of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 and 2020 the SAFS Partnership won the 'Outstanding Partnership' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the East Herts Council the Head of Strategic Finance & Property is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In December 2020 the SAFS Board agreed to increase the fees for all Partners by 1% to meet increased service costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

East Herts Council fees for 2021-2022 have been set at £84,064. This sum is payable in four quarters.

Staffing

The full complement of SAFS in 2021-2022 will be 19.6 FTE.

East Herts Council will have exclusive access to 1 FTE Counter Fraud Officer (Investigator), access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. An Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support Councils the in-house legal team.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance National Fraud Intelligence Bureau (NFIB) and the National Anti-Fraud Network(NAFN).

Workplans & Projects 2021/2022

SAFS will work in the following areas delivering specific activity agreed with service managers.

Service Area	Agreed Projects
Central Services / Finance	General Support and advice on fraud matters. 3 Reports to Audit and Governance Committee. Qtly Meetings with officer group to consider any new and emerging fraud risks and performance against SAFS KPIs SAFS attendance at Corporate Governance/Enforcement Groups. 10 fraud training/awareness events for staff/members in year. AML/ MLRO Provision- Policy review and training. Liaison with SIAS on fraud risks as part of the Audit Plan and areas of weaknesses identified either through the Audit Plan or from SAFS work. Review of all current and any new Anti-Fraud and Corruption arrangements.
Revenues and Benefits	Reactive investigations for HB/CTRS. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Assist with potential fraud resulting from Covid Grant Schemes administered by the Council. Post payment assurance of grant schemes.
Housing Services	Reactive investigations for housing application or homelessness fraud Provide a focus on fraud risks affecting temporary accommodation costs. Review housing register to identify fraudulent applications and, where appropriate, investigate these.
Data- Analytics	Use of data and technology to prevent or identify fraud. Assist with NFI 2020/21 output and reports. FraudHub. Agreeing a programme for upload of data-sets and reporting of matches to relevant services. Lead on a county-wide Council Tax Review Framework. Use of data-analytics to identify fraud/evasion of business rates and rate collection. Review extension of NFI Powers to ‘other’ crime and debt collection.
Other / Contingency	Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management.

SAFS KPIs.

SAFS will work to a set of KPIs agreed with senior officers and can be found at **Appendix B** and progress with delivering these will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, UK GDPR, PACE, CPIA, HRA, RIPA, IPA* and relevant Council policies
9. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Finance Audit & Risk Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , UK General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A

No.	Action or Activity from the FFCL Checklist	Pillar	Responsibility	Achieved RAG	Evidence/Plans	Date reviewed	Reviewing officer
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	GOVERN					
2	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 (and this checklist).	GOVERN					
3	the relevant portfolio holder has been briefed on the fraud risks and mitigation	GOVERN					
4	The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources	GOVERN					
5	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	GOVERN					
6	The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.	ACKNOWLEDGE					
7	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	ACKNOWLEDGE					
	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	ACKNOWLEDGE					
8	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	ACKNOWLEDGE					
9	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	ACKNOWLEDGE					

No.	Action or Activity from the FFCL Checklist	Pillar		Achieved RAG	Evidence/Plans	Date reviewed	Reviewing officer
10	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	PREVENT					
11	Counter fraud staff are consulted to fraudproof new policies, strategies and initiatives across departments and this is reported upon to committee.	PREVENT					
12	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	PREVENT					
13	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	PREVENT					
14	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	PREVENT					
15	There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	PREVENT					
16	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	PREVENT					
17	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.	PREVENT					
18	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality.	PREVENT					
19	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	PREVENT					
20	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this.	PREVENT					
21	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	PREVENT					
22	There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	PREVENT					

No.	Action or Activity from the FFCL Checklist	Pillar		Achieved RAG	Evidence/Plans	Date reviewed	Reviewing officer
23	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	PURSUE					
24	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	PURSUE					
25	All allegations of fraud and corruption are risk assessed.	PURSUE					
26	There is a programme of proactive counter fraud work which covers risks identified in assessment.	PURSUE					
27	The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	PURSUE					
28	The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.	PURSUE					
29	Asset recovery and civil recovery are considered in all cases.	PURSUE					
30	The local authority shares data across its own departments and between other enforcement agencies.	PURSUE					
31	Prevention measures and projects are undertaken using data analytics where possible.	PURSUE					
32	The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	PURSUE					
33	The counter fraud team has access to the FFCL regional network.	PURSUE					
34	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	PURSUE					
35	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas. The counter fraud team has access to (through partnership/other local authorities/or funds to buy in) specialist staff for: – surveillance – computer forensics – asset recovery – financial investigations.	PURSUE					

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SAFS KPIs - 2021/ 2022

KPI	Measure	Target 2021/22	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Governance Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2020/21 Output and reports across services. B. Support the implementation of the Herts FraudHub at EHC. B. Consider other areas where the better use of data will benefit the Council financially.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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East Herts Council Audit and Governance Committee

16 March 2021
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as at 26 February 2021
- c) Note the Status of Critical and High Priority Recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 Proposed Audit Plan Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2020/21 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2020 to March 2021) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2020/21 Internal Audit Plan as at 26 February 2021.
 - b) The findings for the period 1 April 2020 to 26 February 2021.
 - c) Details of changes required to the approved Internal Audit Plan.
 - d) The implementation status of previously agreed audit recommendations.
 - e) An update on performance management information as at 26 February 2021.

Background

- 1.2 Internal Audit's Annual Plan for 2020/21 was approved by the Audit and Governance Committee at its meeting on 19 May 2020. The Audit and Governance Committee receive periodic updates against the Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 26 February 2021, 74% of the 2020/21 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last update to the Audit and Governance Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Car Parking	Jan 2021	Good	None
Housing Benefits	Jan 2021	Good	One Low / Advisory priority
Payroll	Jan 2021	Good	Two Low / Advisory priority

- 2.3 The table below summarises the position regarding 2020/21 projects as at 26 February 2021. Appendix A provides a status update on each individual project within the 2020/21 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	8	27
Draft Report Issued	7	23
In Fieldwork/Quality Review	3	10
In Planning/Terms of Reference Issued	3	10
Allocated	0	0
Not Yet Allocated	0	0
Cancelled/Deferred	9	30
Total	30	100

Proposed Audit Plan Changes

- 2.4 The following Audit Plan changes were agreed with management and are proposed to the Committee:
- Millstream Property Investment (10 days) – audit intended for quarter 4 but deferred to 2021/22 as the control environment is not yet sufficiently mature and ready for audit.
 - Commercial Rents (10 days) – a new audit has been scheduled for quarter 4 to replace the above.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2020/21 annual performance indicators were approved at the SIAS Board meeting in March 2020.
- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 26 Feb 2021
1. Planned Days – percentage of actual billable days against	95%	77% (195/254)	74% (187.5/254)

planned chargeable days completed		days) Note (1)	days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	76% (16/21 projects)	71% (15/21 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (7 received) Note (2)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	No High priority recommendations have been made

Note (1) - this reflects the delay in starting to deliver the 2020/21 Internal Audit Plan (see previous Progress Report to this Committee).

Note (2) – 4 received in 2020/21 relate to 2019/20 audits.

APPENDIX A - PROGRESS AGAINST THE 2020/21 INTERNAL AUDIT PLAN

2020/21 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 68 days									
Main Accounting System						8	Yes	7.5	Draft Report Issued
Debtors						8	Yes	1.5	TOR Issued
Creditors						8	Yes	7.5	Draft Report Issued
Treasury Management						10	Yes	9.5	Draft Report Issued
Payroll	Good	0	0	0	2	8	Yes	8	Final Report Issued
Council Tax						6	Yes	5.5	Draft Report Issued
Business Rates						6	Yes	4.5	In Fieldwork
Housing Benefits	Good	0	0	0	1	6	Yes	6	Final Report Issued
Asset Management						8	Yes	3	In Fieldwork
Operational Audits – 89 days									
Customer Services						0	N/A	0	Cancelled
My View (Payroll self service)						0	N/A	0	Cancelled
Grounds Maintenance						10	Yes	6	In Fieldwork
Car Parking	Good	0	0	0	0	10	Yes	10	Final Report Issued
Emergency Planning						0	N/A	0	Cancelled
Development Control						10	Yes	0.5	In Planning
Facilities Management	Satisfactory	0	0	3	1	10	Yes	10	Final Report Issued
Waste Management (follow-up)	Not Assessed	-	-	-	-	2	Yes	2	Final Report Issued
Fly Tipping						8	Yes	7.5	Deferred
Food Safety						0	N/A	0	Cancelled
Climate Change & Sustainability						7	Yes	6.5	Draft Report issued
Tree Management	Satisfactory	0	0	1	0	10	Yes	10	Final Report issued
Performance Management	Satisfactory	0	0	2	1	12	Yes	12	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2020/21 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Business Improvement District						0	N/A	0	Deferred
Millstream Property Investment						0	Yes	0	Deferred
Commercial Rents						10	Yes	0.5	In Planning
Procurement, Contract Management and Project Management – 0 days									
Grange Paddocks & Hartham Leisure Centres						0	N/A	0	Cancelled
Old River Lane						0	N/A	0	Cancelled
Risk Management and Governance – 10 days									
Risk Management	Satisfactory	0	0	1	0	10	Yes	10	Final Report Issued
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	5.5	Draft Report Issued
Hardware Acquisition, Movement & Disposal						6	Yes	5.5	Draft Report Issued
Shared Learning and Joint Reviews – 0 days									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled
Counter Fraud – 3 days									
Matters Identified By SAFS						3	Yes	0	Not Yet Allocated
Ad Hoc Advice – 22 days									
Advice						22	Yes	2	Through Year
Completion of 19/20 Projects – 5 day									
Various						5	Yes	5	Complete
Contingency – 34 days									
Contingency						34	N/A	0	Through Year
Strategic Support – 45 days									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete

APPENDIX A - PROGRESS AGAINST THE 2020/21 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Audit Committee						8	Yes	7	Through Year
Follow Up of Audit Recommendations						4	Yes	3	Through Year
Client Liaison						6	Yes	5.5	Through Year
Liaison with External Audit						1	Yes	1	Complete
Plan Monitoring						12	Yes	11	Through Year
SIAS Development						5	Yes	5	Complete
2021/22 Audit Planning						6	Yes	6	Complete
EHC TOTAL		0	0	7	5	288		187.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 2021)
1.	Cyber Security follow up (2018/19).	<p><u>Network access control.</u> Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council’s IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>Network Tools July 2019. Intune October 2019. Procurement of network tools revised to November 2020.</p>	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>September 2019.</u> Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. <u>December 2019.</u> Revised date as above. It is very rare (if ever) that someone connects</p>	<p>With the exception of the network monitoring tool (scheduled Q3), the original recommendation has been implemented.</p>

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 2021)
						<p>an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p> <p><u>February 2020.</u> Revised implementation date as above.</p> <p><u>July 2020.</u> Budget obtained to purchase networking tools to cover this and other security areas. The procurement will start shortly.</p> <p><u>December 2020.</u> Project has a dependency on completion of the networking/Firewall upgrade. As any tools need to be able to work within those systems capabilities. The Networking project is at the end of the procurement phase but has come under some procurement and technical issues which are holding up</p>	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 2021)
						<p>implementation.</p> <p><u>February 2021</u> Access remotely: Our VDI Hosted desktop solution gives good security controls over who can access our systems. This will be strengthened with the installation of an upgraded system this year which will force Multi Factor authentication. Access via our buildings WiFi: This security is enforced as above, stopping any access. Physical access: Due to current lockdown and the decision to focus on our network and hosted desktop upgrade, the project to purchase network monitoring tools has been put on hold. The ability to access our system by plugging in a device to our system is reduced by our hosted desktop solution, as this is</p>	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 2021)
						inaccessible without authentication. The tool to monitor and restrict physical access is scheduled for Q3 2021.	
2.	Incident Management follow up (2018/19).	<p><u>Updating the disaster recovery plan.</u> Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u> Expected completion for this work is now April 2020.</p> <p><u>February 2020.</u> As above.</p> <p><u>December 2020.</u> Project dependant on upgrade of infrastructure as above.</p> <p>However limited pilot has been started and work on preparing</p>	Partially implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS





No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 2021)
						<p>applications is underway.</p> <p>£5,000 has been obtained from Local Government funding source by SBC to train 2 staff on DR planning.</p> <p><u>February 2021</u> ICT has a solid incident management response procedure, but this is not fully documented into a recognised Disaster Recovery Plan due to the changes being made to our systems and network. Any plan created now will be out of date in a few months, hence the delay.</p>	

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2020 TO MARCH 2021) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Food Safety (10) (Cancelled)	Customer Services (10) (Cancelled)	Performance Mgmt (12) c/f from May Final Report Issued	Fly Tipping (8) (Deferred)	Payment Card Industry Compliance (6) (c/f from May) Draft Report Issued
Grange Paddocks & Hartham Leisure Centres (10) (Cancelled)		Risk Management (10) Final Report Issued	Waste Contract (follow up) (2) Final Report Issued		Emergency Planning (10) (Cancelled)
		Tree Management (10) Final Report Issued			
		Facilities Management (10) c/f from April Final Report Issued			
Oct	Nov	Dec	Jan	Feb	Mar
Car Parking (10) Final Report Issued	Council Tax (6) Draft Report Issued	Main Accounting (8) Draft Report Issued	Treasury Management (10) Draft Report Issued	Asset Management (8) In Fieldwork	Commercial Rents (10) In Planning
Climate Change and Sustainability (7) Draft Report Issued	My View (payroll self-service) (10) (Cancelled)	Payroll (8) Final Report Issued	Hardware Acquisition, Movement & Disposal (6) Draft Report Issued	Millstream Property Investment (10) (Deferred)	
	Housing Benefits (6) Final Report Issued	Creditors (8) Draft Report Issued	Business Improvement Districts (10) (Deferred)	Debtors (8) TOR Issued	
			Development Control (10) In Planning	Old River Lane (10) (c/f from October) (Cancelled)	
			Grounds Maintenance (10) (c/f from November) In Fieldwork	Business Rates (6) (c/f from November) In Fieldwork	

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

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.
Service	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.

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INTERNAL AUDIT PLAN 2021/22

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE
MARCH 2021

RECOMMENDATION:

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2021/22

Contents

1. Introduction and Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2021/22

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed East Herts Council Internal Audit Plan 2021/22
- B Proposed East Herts Council Internal Audit Plan 2021/22 – Reserve List
- C Indicative Internal Audit Start Periods

1. Introduction and Background

- 1.1 Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.
(Chartered Institute of Internal Auditors – Internal Audit definition and purpose)
- 1.2 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Assurance annual report.
- 1.3 The Shared Internal Audit Service’s (SIAS) Audit Charter was presented to the July 2020 meeting of this Committee and shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the July 2021 Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates, or is linked to, a strategic or high-level statement which:
- a) Outlines how the service will be developed in accordance with the internal audit charter
 - b) Details how the internal audit plan will be delivered
 - c) Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:



2.3 The approach to audit planning for 2021/22 has been characterised by:

- a) Discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of internal audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk assessment

Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this (high, medium and low).

Other sources of assurance

Senior Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated where possible.

Significance

Senior Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Senior Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.

- c) The proposed 2021/22 plans for all SIAS partner councils are then scrutinised and cross-partner internal audits highlighted.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities provide their services remains challenging:

- a) The impact of Covid-19 may not fully be known and will continue to have significant impact on the Council's operations in future years. Whilst the longer-term impacts of the pandemic remain speculative, the current challenges and risks relate to economic impacts, growth, public health and equality for local authorities.
- b) From 1 January 2021, the UK entered into new trading arrangements with the EU ending 11 months of transition arrangements. The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK.
- c) Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact on their local economies and any direct investments of their own.
- d) Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercially minded.
- e) Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
- f) Major national programmes in areas like business rates, public health and housing mean the overall financial environment remains relatively unstable.

2.5 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to have the potential for profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6 The challenge of giving value in this context, means that Internal Audit needs to:

- a) Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk

management and control arrangements in delivering the achievement of Council objectives.

- b) Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- c) Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
- d) Retain flexibility in the internal audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks of COVID-19 and the impact this has had on internal audit activity.

Internal Audit Plan 2020/21

- 2.7 The draft plan for 2021/22 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the indicative start period. The number of days purchased in 2021/22 has reduced by 20 days, which for East Herts Council equates to a reduction from 320 days to 300 days.
- 2.8 The table opposite shows the estimated allocation of the total annual number of purchased internal audit days for the year, and the allocated budgets for 2020/21 for comparison and to demonstrate where the audit days saving has been achieved.
- 2.9 In reviewing the table opposite, Members will note the number of days (and percentage of total days) for the coverage of Key Financial Systems has been increased to accommodate an assurance mapping approach to avoid duplication with External Audit. Additionally, Members should be assured that the percentage of audit days for Other Audits remains broadly consistent. Members will note the reduction in days for Strategic Support, Contingency and Carry forward work.

	2021/22	%	2020/21	%
	Days		Days	
Key Financial Systems	70	23	64	20
Other Audits	142	47	159	50
IT Audits	16	5	12	4
Corporate Governance / Risk Management	12	4	10	3
Joint Reviews and Shared Learning	6	2	5	1
Strategic Support*	44	15	50	16
Contingency and other	5	2	10	3
Carry forward work	5	2	10	3
Total allocated days	300	100%	320	100%

* This includes supporting the Audit & Governance Committee, monitoring delivery of the audit plan, client liaison and audit planning for 2022/23.

- 2.10 In order to retain flexibility in the internal audit plan and to ensure SIAS has the ability to respond to any changes in environment at the Council, further planning discussions will be held with Senior Managers prior to September 2021. These discussions will allow SIAS and Senior Managers to undertake a further risk assessment on the planned projects during the final two quarters of the year as well as discussing any changes in risk exposure, emerging or new areas of risk or project work and any amendments to governance arrangements. The results of these discussions will be brought to the Committee to approve any changes.
- 2.11 A list of reserve internal audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.12 Any significant internal audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.
- 2.13 Members will note the inclusion of a provision for the completion of projects that relate to 2020/21. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time, e.g. year-end closure procedures.
- 2.14 The nature of assurance work is such that enough activity must have been completed in the financial year for the Head of Assurance to give an overall opinion on the Council's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2021/22 and any proposed changes will be reported to this Committee four times in the 2021/22 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the progress reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2021/22 are shown in the table adjacent. Actual performance against target will be included in the progress reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days (percentage of actual billable days against planned days)	95%
2. Planned Projects (percentage of projects completed to draft report against planned projects)	95%
3. Client Satisfaction (percentage of satisfaction questionnaires returned at satisfactory level)	100%
4. Agreed High Priority Audit Recommendations	95%
5. Annual Plan	Presented to the March (or equivalent) meeting of each Audit & Governance Committee.
6. Head of Assurance's Annual Report	Presented to the first meeting of each Audit & Governance Committee in the new financial year.

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
Financial System Audits					
Key Financial Systems	Mapping the key financial systems to confirm appropriate lines of assurance. A full or targeted audit of one or more key financial systems. This may cover: a) Council Tax b) Business Rates c) Asset Management d) Treasury Management e) Payroll f) Creditors g) Debtors h) Housing Benefits	Provision to inform the key financial systems annual assurance opinion	Sponsor: Head of Strategic Finance and Property	70	3 and 4
Other Audits					
Resources Benefits Realisation	Identify the mitigating actions in place and evaluate the design and effectiveness. This may include a review of project business case(s) and benefits realisation	Strategic Risk	Sponsor: Head of Strategic Finance and Property	12	3
Capital Programme Delivery	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of supply chain resilience and project delivery	Strategic Risk	Sponsor: Head of Strategic Finance and Property	12	3
Corporate Capacity	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Effectiveness of recruitment to key posts b) Effectiveness of the employee recruitment and retention programmes	Strategic Risk	Sponsor: Head of Human Resources and Organisational Development	12	1

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

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Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	c) Effectiveness of needs assessment, skills and training				
Contract Management	Identify the mitigating actions in place and evaluate design and effectiveness. This may include business continuity, supplier resilience and management of key contracts	Strategic Risk	Sponsor: Head of Strategic Finance and Property	10	2
COVID-19 Pandemic Response	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Effectiveness of all government grant applications and receipts b) Effectiveness of recovery planning and alignment to county level recovery c) Effectiveness of local management plans	Strategic Risk	Sponsor: Head of Housing and Health	12	2
Fly-Tipping	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Policies and procedures b) Fly-tipping complaints c) Fly-tipping investigations d) Case management and collection of penalties	Management Request – audit deferred from 2020/21	Sponsor: Head of Housing and Health	8	1
Property Investment	The audit will provide assurance that appropriate governance arrangements are in place in relation to the property investment company wholly owned by the Council. This may include reporting arrangements, risk management and performance metrics	Management Request – audit deferred from 2020/21	Sponsor: Head of Strategic Finance and Property	10	2
Licensed Premises	Identify the mitigating actions in place and evaluate design and effectiveness. This may	Management Request	Sponsor: Head of Housing and Health	10	4

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	include a review of: a) Application of legislative processes b) Process for licence review c) Enforcement				
Economic Development	Identify the mitigating actions in place and evaluate design and effectiveness. Specific coverage to be determined prior to audit start	Risk Register	Sponsor: Head of Communications, Strategy and Policy	12	3
Equalities	Identify the mitigating actions in place and evaluate design and effectiveness. This may include the use of an Equalities and Diversity Inclusion Toolkit	Risk Register	Sponsor: Head of Communications, Strategy and Policy	12	1
Safeguarding	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Policies and procedures b) Roles and responsibilities c) Communications d) Monitoring and compliance	Risk Register	Sponsor: Head of Housing and Health	10	2
Temporary Accommodation/Rough Sleepers	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Strategy and policy b) Service access, responsibilities, referrals and notifications c) Rough sleeping arrangements	Management Request	Sponsor: Head of Housing and Health	10	4
Follow Up audits	Following up the status of recommendations reported at previous internal audits	Provision to follow up any Limited Assurance internal audits from 2020/21	To be determined	12	1 and 3

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
Risk Management and Corporate Governance					
Risk Management and Corporate Governance	Mapping the systems and processes to confirm appropriate lines of assurance in relation to: a) Strategic, operational and project risk management. b) Committee and reporting structures c) Roles, responsibilities and delegations d) Policies relating to codes of conduct, gifts and hospitality, fraud and corruption, whistleblowing, etc e) Self-assessment of governance structures	Provision to inform the annual assurance opinion	Sponsor: Head of Strategic Finance and Property, Head of Legal and Democratic Services	12	4
IT Audits (in conjunction with Stevenage Borough Council)					
IT Resilience	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Adapting to planned or unplanned events b) Restoration of service level c) Risk management	Risk Register	Sponsor: Deputy CEO	6	4
Cyber Security Assurance Mapping	Mapping to confirm appropriate lines of assurance in relation to: a) Security management and governance b) Security awareness c) Network security management d) Account access	Risk Register	Sponsor: Deputy CEO	10	2

Title	Description	Days
Shared Learning and Joint Reviews		

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Title	Description	Days
Joint Reviews	Joint review topics to be agreed by the SIAS Board.	4
Shared Learning	Production of SIAS Quarterly Shared Learning Papers.	2
Contingency		5
Client Management – Strategic Support		
Head of Internal Audit Opinion 2020/21	To prepare and agree the Head of Internal Audit Opinion 2020/21.	3
Audit & Governance Committee	To provide service linked with the preparation, agreement and presentation of Committee reports. Follow up of High priority recommendations.	12
Client Meetings and ad-hoc advice	Meetings with the Council's S151 Officer and other key officers and attendance at corporate groups. External audit liaison. Advice on internal control issues identified by the SAFS.	8
Plan Monitoring, Work Allocation and Scheduling	Audit Plan monitoring and reporting.	12
SIAS Development/EQA	Included to reflect the Council's contribution to developing the partnership and the external quality assessment due in 2021/22.	5
2022/23 Internal Audit Planning	Provision of services to prepare, agree and report the 2022/23 Annual Internal Audit Plan.	4
Completion of outstanding 2020/21 projects	Completion of outstanding work from 2020/21.	5

APPENDIX B – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22 – RESERVE LIST

Provided below is a list of reserve internal audits that may be introduced, if required, into the plan during 2021/22:

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Community Wellbeing	Associated Board strategy, terms of reference, performance management or governance framework.	Sponsor: Head of Housing and Health	To be determined prior to audit start
Garden Waste	A post implementation review of the new garden waste scheme	Sponsor: Head of Operations	
Subject Specific Procurement	An audit review of recent high value procurement activity for legislative compliance and value for money	Sponsor: Head of Strategic Finance and Property	
Emergency Planning	The internal audit may include: a) Ability to manage disruption and or loss of service b) Civil Contingencies Act and emergency preparedness	Sponsor: Head of Housing and Health	
Health & Safety	The audit may include: a) Effectiveness of guidance for safe working practice in different operational settings b) Effectiveness of service self-audits against the H & S management framework c) Effectiveness of risks assessments accessibility and review process in place d) Effectiveness of H & S training for all roles across the Council e) Effectiveness of audits on high and medium risk areas f) Effectiveness of high-risk monitor reviewed by SHSG and HR Matters meetings	Sponsor: Head of Human Resources and Organisational Development	

APPENDIX C – INDICATIVE INTERNAL AUDIT START PERIODS

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Corporate Capacity	Contract Management	Key Financial Systems	Key Financial Systems
Fly Tipping	COVID-19 Pandemic Response	Resources Benefits Realisation	Licensed Premises
Equalities	Property Investment	Capital Programme Delivery	Temporary Accommodation / Rough Sleepers
Audit Follow up	Safeguarding	Economic Development	Risk Management & Corporate Governance
	Cyber Security	Audit Follow up	IT Resilience

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East Herts Council Report

Audit and Governance Committee

Date of Meeting: 16 March 2021

Report by: Councillor Geoff Williamson, Deputy Leader and Executive Member for Financial Sustainability

Report title: Quarterly Corporate Budget Monitor – Quarter 3 (December 2020)

Ward(s) affected: All

Summary

- To provide a report on financial monitoring for East Herts Council for 2020/21 as at 31st December 2020.
- The net revenue budget for 2020/21 is £10.667m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 31st December 2020 predicts an overspend of £159k at the year end.
- The revised capital budget for 2020/21 is £64.323m, of which £27.401m is estimated to be carried forward to future years.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a. The net revenue budget forecast overspend of £159k in 2020/21 be noted (table 1);**
- b. The revised capital budget for 2020/21 is £64.323m, of which £27.401m is estimated to be carried forward to future years be noted (paragraph 5.1.1);**

1.0 Proposal(s)

1.1 Not applicable

2.0 Background

2.1 This report sets out the financial position for the financial year 2020/21 to date and provides forecasts for the outturn position.

2.2 The Council's revenue budget is made up of 5 areas; these are shown in table 1. The report that follows provides details of the forecast outturn position against these areas.

2.3 The 2020/21 Budget was set by Council on 29th January 2020. The Council's income and expenditure has been impacted by the Covid-19 pandemic, as previously reported to Audit & Governance & the Executive. This report contains estimates of the Covid-19 income loss scheme funding from the government to support the loss of fees and charges income and also Local Authority support grant.

2.4 The income loss scheme will involve a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter.

Table 1 – 2020/21 Revenue Forecast Outturn

	Original Budget 2020/21	Forecast outturn	Variance
	£'000	£'000	£'000
Net Cost of Services	15,511	17,218	1,707
Corporate Budgets	830	830	-
Capitalising Salaries	(150)	(62)	88
Net Use of Reserves	732	899	167
Funding	(6,256)	(8,059)	(1,803)
Net Revenue Spend	10,667	10,826	159
Funded by Council Tax	(10,667)	(10,667)	-
Overspend / (Underspend)	-	159	159

2.5 The report contains the following sections and Appendices:

Background Report Sections	
2.6	Net Cost of Services
2.18	Corporate budgets
3.0	Reserves
4.0	Funding
5.0	Capital budgets
6.0	Debtors

Appendices	
A	Capital
B	Debtors

2.6 Net Cost of Services

2.7 The Councils net cost of services budget for 2020/21 is £15.511m. An overspend of £1.707m is forecast in 2020/21. Table 2 overleaf shows this current forecast outturn position broken down by service area.

Table 2 – Net Cost of Services

	Original Budget 2020/21	Forecast outturn	Grant funding	Revised outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Chief Executive & Directors	383	390	-	390	7
Communications, Strategy & Policy	1,286	1,216	-	1,216	(70)
HR & Organisational Development	540	480	-	480	(60)
Strategic Finance & Property	1,595	1,955	-	1,955	360
Housing & Health	2,695	2,704	(40)	2,664	(31)
Democratic and Legal	1,269	1,218	-	1,218	(51)
Planning & Building Control	915	1,845	(422)	1,423	508
Operations	3,665	6,592	(1,975)	4,617	952
Shared Revenues & Benefits Service	1,683	1,683	-	1,683	-
Revenues & benefits retained costs	(386)	(402)	-	(402)	(16)
Housing Benefit Subsidy	(550)	(367)	-	(367)	183
Shared Business & Technology Services	2,417	2,341	-	2,341	(76)
Total Net Cost of Services	15,511	19,655	(2,437)	17,218	1,707

2.8 The use of reserves to fund Net Cost of Services expenditure is included in section 3.0.

2.9 Communications, Strategy and Policy

A forecast underspend of £70k is reported against this service. This is driven by salaries of vacant posts mostly from customer service roles whose recruitment has been put on hold since the pandemic as neither the Wallfields or Charrington's House reception is fully open meaning fewer staff are needed.

2.10 Human Resources and Organisational Development

A forecast underspend of £60k is reported. Most of this relates to an underspend on salary budgets due to having a lower number of apprentices than initially expected. As previously reported, recruitment was delayed initially due to the pandemic's impact on apprenticeship courses and whilst budgets were reviewed. Leadership Team have also reduced the number of apprentices, from 6 to 4, to ensure budget is maintained in years 1 and 2.

2.11 Strategic Finance and Property

A forecast shortfall in income of £360k is reported. As reported previously, this relates to:

- £41k reduced rental income from Charrington's House in relation to the current nationwide pandemic.
- £51k increase in service charge and business rates costs due to vacant space in building as site is to be redeveloped.
- £200k underachievement of the financial sustainability saving target due to delays in acquisitions, again caused by the pandemic
- £54k reduction in income from Millstream relating to loan interests due to timing of property purchases.

2.12 Housing and Health

A forecast underspend of £31k is reported for this service. This efficiency has primarily arisen from streamlining out-of-hours call-handling and proactively managing vacancies. This has offset reduced licence fee income due to Covid 19 net of government grants to cover losses.

2.13 Democratic and Legal

A forecast underspend of £51k is reported. Of this, £38k relates to salary underspends in Democratic services and £13k savings identified in Elections services.

2.14 Planning and Building Control

The service is forecast to be over budget by £508k as a result of reduced income and additional costs. Income is suppressed due to the impact of Covid-19 and the local impact of a national downward trend in application fee income and changes to the planning system. Figures in this report are net of anticipated grant income received to cover losses in fees and charges. Unbudgeted expenditure of £110k in relation to appeals costs in relation to Little Hadham and other sensitive planning and enforcement cases has been incurred in 2020/21. This also includes a number of judicial reviews against planning decisions that the Council has taken.

2.15 Operations

A forecast overspend of £952k is reported against the Operations service as a result of the continued impact of Covid-19 on income streams, particularly car parking income, and contract expenditure. This is net of anticipated grant income received to cover losses in fees and charges.

Not all income streams are eligible to receive government funding. Increased tonnages of waste as a result of national

lockdowns and has impacted on both the income from sale of kerbside dry recyclables, where a loss of £239k is forecast, and also in a loss of income from the Alternative Finance Model (AFM) of £370k. The County Council uses the AFM to reward Districts and Boroughs for recycling rates by redistribution of recycling credit.

An increase in materials handling costs of £100k is also forecasted due to increased contract charges as a result of Covid-19.

2.16 Revenues and Benefits Retained Costs

The revenues and benefits retained costs budget is forecast to overachieve by £16k. This is made up of a salary underspend of £68k, additional central government new burdens funding of £165k after expenses and a loss of income of £250k from summons costs due to lack of court dates in this financial year as a result of the pandemic.

2.17 Shared Business and Technology Services

A forecast underspend of £76k is reported against this service. This primarily relates to the IT cloud investigation project being slipped into next financial year. £63k of this was due to be funded from reserves, the use of reserves have been adjusted in section 3 of this report.

2.18 Corporate Budgets

Corporate budgets are costs and income received by the Council that are not service specific, these include income from the Council's investments, pension deficit contributions and New Homes Bonus grants to Town and Parish Councils. Table 3 shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2020/21 forecast outturn

	Original Budget 2020/21	Forecast outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	708	708	-
Interest Payments	207	207	-
Interest & Investment Income	(800)	(800)	-
Pension Fund Deficit contribution	715	715	-
Corporate Budget Total	830	830	-

Since Quarter 2 reporting the rates of return on investments have improved and we are now forecasting to achieve £800k as budgeted.

3.0 Reserves

3.1.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Table 4 reflects the forecast outturn position as at 31st December 2020.

3.1.2 In previous years the use of reserves to fund Net Cost of Services expenditure has been shown in table 2. A different presentation is being used in 2020/21, to aid transparency, and the use of reserves to fund Net Cost of Services expenditure is now shown in table 4.

Table 4: Use of reserves 2020/21

	2020/21 Budget	2020/21 Forecast Outturn	Variance
	£'000	£'000	£'000
Contributions to reserves	42	69	27
Contributions from reserves	(817)	(677)	140
Use of General reserve	(96)	(96)	-
Contribution to Priority spend Reserve	1,603	1,603	-
Use of Reserves:	732	899	167

3.1.3 It is forecasted that there will be a contribution from reserves of £677k in 2020/21. This is made up of funding for items included in the Net Cost of Services such as Harlow Gilston Garden Town project costs, the smoothing of the leisure contract costs, and one off IT project funding approved as part of the 2020/21 budget setting.

3.1.4 There is a reduction in the amount of reserves due to be utilised in 2020/21 in part due to the slippage of the IT cloud investigation scheme 63k. Plus budgeted salary funding no longer required due to additional grant money received in year.

3.1.5 Additional amounts totalling £27k forecast to be transferred into reserves include £13k of grant received in respect of elections services and £14k relating to the flexible homelessness grant.

4.0 Funding

These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 31st December 2020.

Table 5: 2020/21 funding

	Original Budget 2020/21	Forecast Funding 2020/21	Variance
Business Rates	(3,124)	(3,124)	-
(Surplus)/Deficit on collection fund	(300)	(300)	-
Government support grant	-	(1,803)	(1,803)
New Homes Bonus	(2,832)	(2,832)	-
Total Funding	(6,256)	(8,059)	(1,803)

4.1.1 The impact on collection rates for both Council Tax and Business Rates as a result of Covid-19 is being closely monitored by officers. The council is required to submit a Form NNDR1 to MHCLG by the end of January each year. The form contains the estimated outturn position and a forecast for business rates for the 2021/22 financial year. Based on this work there is an estimated deficit for Business Rates of £18.4 million as a result of changes in reliefs mandated by government as a result of the pandemic, increasing the provision for appeals by £3.4 million and the provision for bad debts by £1.03 million. Of the £18.4 million deficit the government has or will fund £13.6 million in section 31 grants direct to the General Fund or as part of the central share (the 50% of business rates that is paid over to MHCLG). Of the remaining £4.8 million, £0.2 million is Hertfordshire County Council's share leaving £4.6 million as the council's share.

Usually this is recovered in the next financial year. The Government will instead fund this deficit through an Irrecoverable Losses grant which will be paid in January 2022 into the General Fund. The government has also mandated that the deficit must be spread over the next 3 financial years. In addition a contribution to the Collection fund reserve of £2.554m was made in 2019/20. This can be utilised in this and future years to mitigate the impact of reduced collection in year should it be required.

4.1.2 The Council has received £1.803m grant from central government, as Local Authority support grant to enable us to manage increased expenditure as a result of Covid-19.

5.0 Capital Programme

5.1.1 The revised capital budget for 2020/21 is £64.323m, this includes £30.898m carried forward from 2019/20.

5.1.2 A review of the capital programme has been undertaken, with many budgets re-profiled due to covid-19 restrictions and delays. This has resulted in £27.401m of the 2020/21 budget, now forecast to be carried forward to future years. Appendix A provides an analysis of the projects and their budgets.

5.1.3 Members will recall that as part of the MTFP process the capital programme reporting has been overhauled and scheme budgets profiled over financial years. During the next financial year Members will see monitoring against that year's budget and the scheme total budget. Commentary will be provided for major in-year variances and if there is the need to carry forward budgets, as a result of slippage or re-phasing then the amounts will be much smaller. Members will therefore find monitoring and scrutinising the capital programme much easier and going forward.

6.0 Debtors

6.1.1 The total outstanding debt as at 31st December 2020 is £2.217m, an increase of £22k since Quarter 2.

6.1.2 The outstanding debt over 120 days totals £1.278m, an increase of £36k from the position reported at Quarter 2.

6.1.3 As reported previously there has been an increase in aged debt due to the current nationwide pandemic. However officers have been proactively working with debtors in agreeing payment plans/deferrals in order to pursue the debt.

6.1.4 As part of the year end closedown all services will be asked to review the £1.431 million of debt that is 90 days or more old and assess its collectability. It is important that debt on the ledgers is collectible so that credit control performance can be monitored. Having debt that cannot be realistically collected on the systems hides performance and does not help to see trends or issues. It also reduces the effectiveness of credit control measures on current collectible debts because too much time is taken up reviewing old and uncollectable debt. It is also demotivating to look at debt list which never seems to move because it is skewed by the old uncollectible debt.

6.1.5 All the proposed write offs will be submitted to Executive for approval as the sum is likely to be significant and otherwise would involve delegations to 10 officers with multiple officer delegated decision sheets being published simultaneously and a time lag until the Executive following to report the total. This, it could be argued, hampers transparency and scrutiny of write offs that Members feel they should undertake. Therefore for the purposes of this year end review only officers will forego delegation.

6.1.6 From the 2021/22 financial year debt write offs will be reported to Audit & Governance Committee then Executive quarterly. The Head of Strategic Finance & Property proposes to report

write offs against standard classifications as follows:

- a) **Bankruptcy/IVA** - debts from those individuals declared bankrupt or under an Individual Voluntary Arrangement;
- b) **Company ceased trading** - where the company has been wound up by the Official Receiver and there are insufficient funds from the liquidation to pay the bill or the company has been voluntarily wound up and liquidated before the council could undertake further recovery.
- c) **Deceased** - debts of deceased persons where there are insufficient funds in the estate;
- d) **absconded with no trace**; these are cases where we cannot trace a debtor who has moved with no forwarding address. Tracing is attempted via credit reference agencies or tracing agencies.
- e) **insufficient means to pay the invoice**, even by instalments, without causing hardship (the courts would remit debts where enforcement would result in hardship);
- f) **Charging Order** – in cases where the council has secured the debt by way of a charge on the property. In these cases any transfer or ownership cannot complete before the charge has been paid to the council. As there is no way to realistically estimate when that could occur the correct accounting treatment is to write off the debt in the ledger and then be written back onto the ledger when the cash is received to extinguish the charge.
- g) **Liability inconclusive** (which covers debts that Legal Services decide that the Council could not prove in court were due from the debtor); and
- h) **Statute of limitations** i.e. debts become statute barred after 6 years if the debtor has not made a payment or admitted the debt and if the council has not secured a County Court judgment (CCJ) against the debtor then all further routes through the courts are closed.

6.1.7 Appendix B analyses the profile of aged debtors.

7.0 Reason(s)

- 7.1 Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit & Governance Committee and the Executive with expenditure forecasts to the year end.
- 7.2 The Executive must consider the budget forecasts and ensure that action is taken in relation to any expenditure over spends or any underachievement of income so that the Council's financial resources are not exceeded.

8.0 Options

- 8.1 Not applicable

9.0 Risks

- 9.1 Not applicable

10.0 Implications/Consultations

Consultation was undertaken with budget managers/finance contacts to assist in writing this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit & Governance Committee and the Executive with expenditure forecasts to the year end.

The Executive considers the budget forecasts and ensures that action is taken in relation to any expenditure over spends or any underachievement of income so that the Council's financial resources are not exceeded.

Specific Wards

None

11.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

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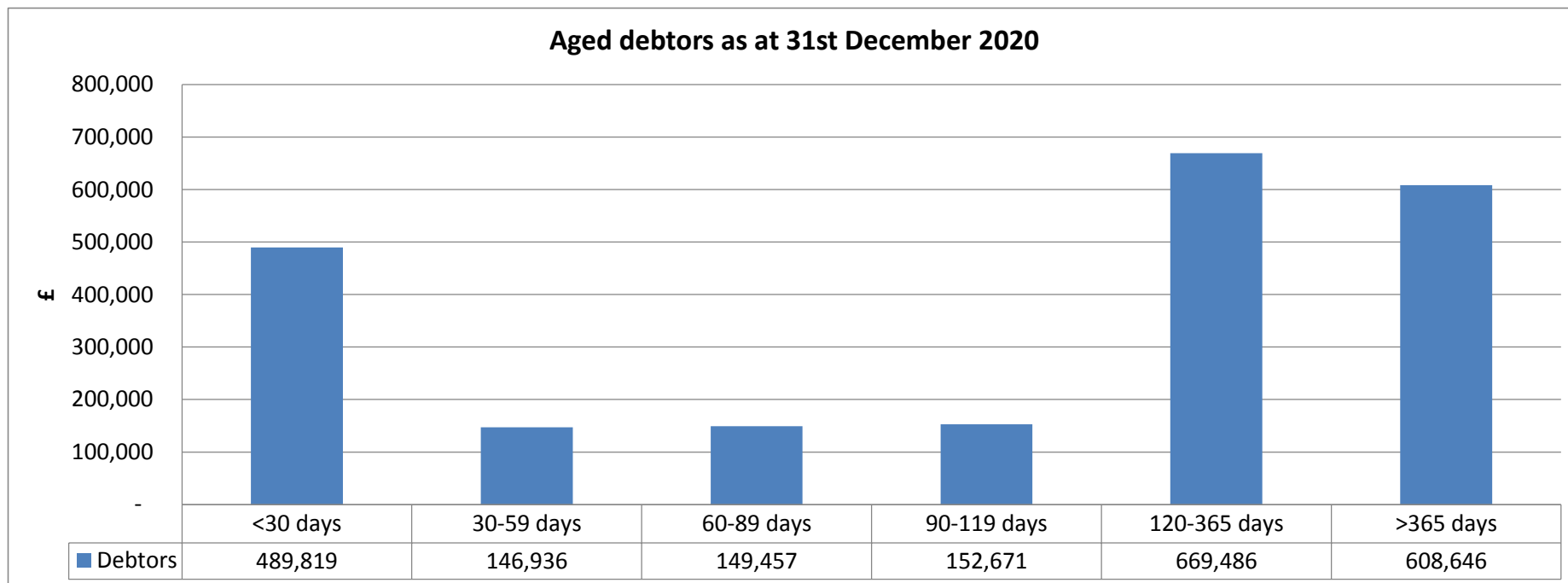
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Capital Forecast Outturn Quarter 3 December 2020

	Revised Budget 2020/21 £'000	Forecast Outturn 2020/21 £'000	Variance 2020/21 £'000	Carry Forward to 2021/22 £'000
Strategic Finance & Property				
Investment in operational assets	211	211	0	0
Boiler Replacement - Hartham Pool	23	23	0	0
Ward Freman - Pool Circulation Pipework	24	24	0	0
Car Park Resurfing	171	26	(145)	145
LED Lighting Upgrades	290	195	(95)	50
Solar Panels - Wallfields	45	0	(45)	45
Improve & renew structures along rivers and watercourses	82	82	0	0
Land Management Asset Register & Associated Works	50	50	0	0
Arts Centre - ORL	250	250	0	0
Northgate End	19,033	12,425	(6,608)	6,608
Financial Sustainability	3,945	0	(3,945)	3,945
Repayment of Loan	0	0	0	0
Land on London Road, BS	351	351	0	0
Hostel	1,825	1,838	13	0
Major Capital Project Contingency	2,500	0	(2,500)	2,500
Shared Business & Technology Services				
Rolling programme to be utilised on ICT projects subject to ITSG review	1,164	804	(360)	360
Operations				
Grange Paddocks Leisure Centre	15,862	13,009	(2,853)	2,853
Hartham Leisure Centre	9,605	900	(8,705)	8,705
Hartham pool filtration works	0	0	0	0
Ward Freman Leisure Centre	881	0	(881)	881
Hertford Theatre	1,066	1,066	0	0
Hertford & Beyond	8	8	0	0
Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19)	23	23	0	0

Play Area and other projects, Hartham Common, Hertford	375	375	0	0
Castle Park - HLF	1,509	200	(1,309)	1,309
Trinity Close - Open Space Project	127	127	0	0
Buntingford Depot site works for Residual Waste	208	208	0	0
Heat Detection Unit at Buntingford Depot	305	305	0	0
Housing & Health				
Decent Home Grants	120	20	(100)	0
Future Housing Schemes	5	0	(5)	0
Colebrook Court (Network Housing)	33	33	0	0
Energy Grants	20	20	0	0
Castle Weir Micro Hydro Scheme	25	20	(5)	
Community Capital Grants	155	155	0	0
Planning & Building Control				
Improvements to The Wash, Maidenhead Street & Bull Plain, Hertford	2	2	0	
Historic Building Grants -	20	20	0	0
Millstream Property Company				
Capital Loan (10 x properties per annum)	4,010	3,292	(718)	0
Current Capital Programme Budget Total	64,323	36,062	(28,261)	27,401

The following graph shows the age of the £2.217m of debts outstanding as at 31st December 2020



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East Herts Council Report

Audit and Governance Committee

Date of meeting: 16 March 2021

Report by: Executive Member for Corporate Services

Report title: Annual Review of Risk Management Strategy

Ward(s) affected: All

Summary

The report explains the key changes to the Risk Management Strategy proposed for 2021/22.

RECOMMENDATION FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) The Risk Management Strategy be reviewed and officers advised of recommendations that could enhance management of risk and the associated monitoring processes.**

1.0 Proposal(s)

1.1 Whilst the existing Risk Management Strategy remains fit for purpose, follows trade body guidance and received a 'good' audit rating, a number of changes are proposed. Their key changes are:

1.1.1 The risk scoring matrix has been expanded and scoring thresholds revised.

1.1.2 Target scores will no longer be set.

1.1.3 The format and content of monitoring reports has been revised. (The new format can be seen in the monitoring report also submitted.)

1.1.4 Monitoring of service risks at Leadership Team will be reintroduced.

2.0 Background

2.1 The Risk Management Strategy is reviewed annually by Leadership Team and the forerunners of Audit and Governance Committee. Performance, Audit and Governance Oversight Committee last considered on 19 May 2020. Leadership Team considered and agreed the updates proposed in February 2021.

3.0 Reason(s)

3.1 Risk management processes have been scaled back in recent years but it is proposed that monitoring and reporting increase from 2021/22. Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. A risk-managed approach to decision helps the council achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

4.0 Options

4.1 The risk scoring matrix has been expanded as a 3:3 matrix is considered too restrictive. Given the compact matrix and thresholds, most strategic risks monitored naturally fall in the top right corner giving the false impression of a council in crisis. Expanding the matrix provides a more realistic picture. (The likelihood axis referencing has also changed from numeric to alpha given the proposed reporting changes.)

- 4.2 The reporting template has been expanded to provide more comprehensive detail to Leadership Team and Members.
- 4.2.1 The existing title of 'risk' has been renamed 'vulnerability'.
- 4.2.2 The existing 'description' is now split between 'triggers' and 'consequences' for clarity.
- 4.2.3 Mitigation action (or controls) implemented or planned will continue to be recorded.
- 4.2.4 Given that triggers or consequences will change infrequently, a new section has been added to 'update on current position' and include comment on how other factors have altered such as financial variances, legislation changes etc. This avoids text being added to other sections or even missed.
- 4.3 Target scores – the level that risks can be managed down to - will no longer be set as these seem to add little to the process.
- 4.4 Reintroduction of service risk reporting and monitoring was proposed and agreed last year, but withdrawn immediately by Leadership Team. There is a commitment to undertake this year and risks will be managed at Leadership Team. Escalation processes will ensure that risks are escalated to Committee when necessary.
- 4.5 Terminology has been updated throughout the Strategy and the content streamlined to hopefully make it easier for staff to follow. Removing target scores should assist.
- 4.6 It is hoped that the changes will gain the approval of the committee and will ensure that staff understand how to identify and manage risk. Once the final content is agreed, all Members will be notified along with appropriate staff. Training will be provided where necessary and the committee report will

be updated to reflect scoring mechanisms.

5.0 Risks

5.1 Implementation of risk management produces many benefits for the Council which are documented within the Strategy.

5.2 The council is not obliged to have a Risk Management Strategy but failure to do so would not meet best practice and would leave a hole in the council's governance structure.

6.0 Implications/Consultations

6.1 The Risk Management Strategy remains based on guidance from the Association of Local Authority Risk Managers but also draws on experience of new senior officers. The processes proposed are considered proportionate to the size and needs of the council and changes hopefully reflect feedback received from members of Leadership Team, the Portfolio Holder and this committee.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

None specific but risk management can provide protection of budgets from unexpected losses. Better governance can be

demonstrated and the annual audit plan is risk based.

Health and Safety

None specific but risk management processes can provide a safer environment across the District and all services for the benefit of the public, staff and our contractors.

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix 1 is a clean version of the document. The second appendix is a comparison of the content.

7.2 If required, the existing Risk Management Strategy can be viewed [here](#).

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Risk Management Strategy 2021/22

Leadership Team
Audit and Governance Committee
Issued to all Members
Added to intranet

1 February 2021
16 March 2021
TBA
TBA

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Introduction

What is risk management and why is it important?

Risk management is the process by which risks are identified, evaluated and controlled. It can enable the effective use of resources, secure the assets of the council and successfully achieve objectives and deliver strategies.

Risk management is often associated with being cautious. In the context of service delivery in the current climate when public services face unprecedented challenges, success demands innovation and often involves identifying and taking opportunities that involve risk. Risk management should be about identifying and managing those risks so that appropriate risk taking delivers improvements for the council's stakeholders.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the authority, particularly projects and strategic decisions, including procurement and contracting. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

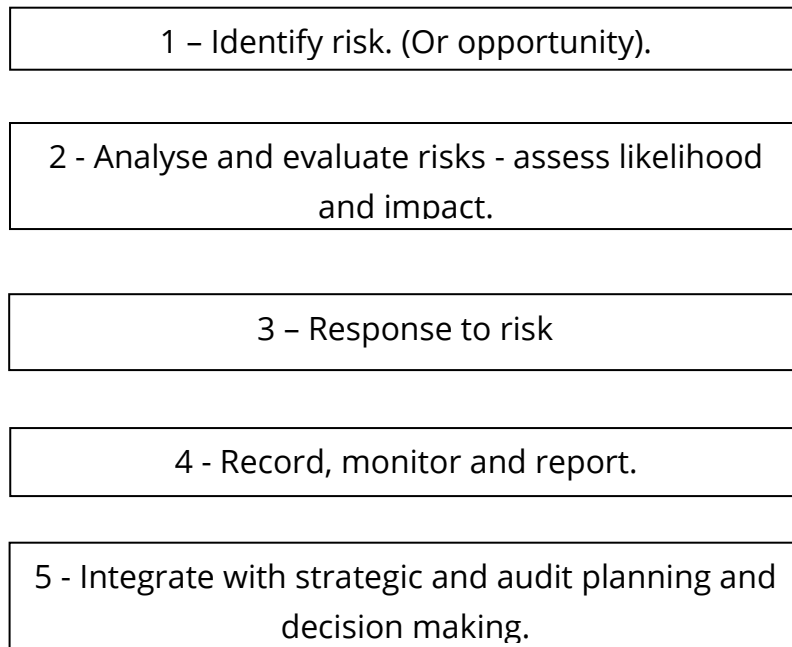
Issue and review

The Risk Management Strategy will be placed on the intranet and will be issued to all Members, Leadership Team and Senior Managers.

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS) and feeds in to the risk-based audit planning process.

Implementation of risk management

Implementing the strategy involves a 5-stage process:



Stage 1 - Identifying risk

Risk can be defined as the combination of the probability of an event and its consequences (*ISO/IEC Guide 73*) and can broadly be categorised into **strategic** and **operational** risks:

Strategic risks are the highest level 'business risks' faced by the authority and concern long-term strategic objectives. They can be affected by such areas as budgetary pressures, government policy, legal and regulatory changes and changes in the physical environment.

Operational risks are the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives.

Prompts and further risk examples feature at appendix one.

As explained in step four, an inventory of risks is prepared of those events which might create, prevent, accelerate or delay the achievement of objectives. It is important that those involved with the process clearly understand what the council wants to achieve in order to be able to identify the barriers. A variety of

people from across the organisation should input to ensure that all risks are identified.

Strategic risks are generally considered at an annual review with Leadership Team. Service or operational risks are identified through the service planning process, with service managers, at project meetings and / or through the committee reporting process.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

It is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- Savings that may be achievable or income that may be generated.
- Income generation initiatives.
- Tendering a large contract may also provide an opportunity to reshape service delivery.

The risk should be captured on the example template in appendix two. More information on recording and monitoring features in stage 4.

Stage 2 - Analysing and evaluating the risks

The likelihood of a risk occurring and its potential impact are scored using the criteria below. Thresholds have been set to ensure that scoring remains consistent across the authority including committee reports and project documentation. These thresholds will be reviewed annually.

It is recognised that increasing pressure on public finances means that local authorities are obliged to have more appetite for risk. The council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

	Description	Likelihood of occurrence	Probability of occurrence
Likelihood	4 High	Monthly	The event is expected to occur or occurs regularly
	3 Medium	Annually	The event will probably occur
	2 Low	1 in 5 years	The event may occur
	1 Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances

	Description	Financial	Reputation	Service / operation
Impact	A Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long term disruption to services
	B Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

The following matrix is used to plot risks to illustrate priority.

Leadership has set a tolerance level. Risks rated 'high' exceed the tolerance level are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken.

Revised Strategic Risk Score Summary Matrix

Impact	A	9	7, 10		1,8
	B		4,11	2,3	
	C			6	5
	D				
		1	2	3	4
	Likelihood				

IMPACT	Likelihood
A Critical	1 Very Low
B Significant	2 Low
C Marginal	3 Medium
D Minor	4 High

Stage 3 - Respond to risks

Risks may be able to be:

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should however be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The council will often retain overall accountability; and certainly for health and safety risks.)

Terminated - By ending all or part of a particular service or project.

It is important to recognise that in many cases controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

Stage 4 - Recording, monitoring and reporting

Risks are recorded on a risk register. The template with a completed example features at appendix 2.

The current score is recorded in the second column using the matrix above. A concise title is recorded in the 'vulnerability' column and the 'triggers' recorded in column four. These are descriptions of the threats faced with the 'consequences' listed in the fifth column.

Leadership Team will monitor the Strategic Risk Register and review the content quarterly to include scores and descriptions. Actions completed or planned to

mitigate risk shall be recorded and an updated position statement provided. This position statement should be used to record variances such as levels of funding, changing legislation or policy.

Any new risks should be added and obsolete risks deleted.

Each Head of Service will also maintain a risk register for their service and ensure that a risk register is also in place for each project. These will be monitored at least quarterly with project risks also reported to Leadership Team. Every officer responsible for managing risk is responsible for escalating that risk to the next level of management where appropriate.

A risk should be escalated if it could:

- Impact on the delivery of the council's strategic objectives.
- Significantly affect achievement of the Corporate Plan.
- Result in significant adverse publicity for the council.
- Result in litigation against the council.
- Require additional financial resources.
- Prevent delivery of a committed or planned action.
- Present a significant threat to the safety of the community.
- Events change and reassessment indicates a higher risk.

In exceptional cases where it is not possible to escalate to the next management level, the council's Head of Strategic Finance and Property should be contacted who will arrange for it to be reported to Leadership Team and / or Audit and Governance Committee as appropriate.

Stage 5 - Integrate with strategic and audit planning and decision making

In order to formalise and structure risk management at the council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial and audit planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance is issued annually to Leadership Team.
- Financial Procedure Rules apply to every Member and officer of the council and anyone acting on its behalf. The council encourages innovation,

providing this is within the framework laid down by the Financial Procedure Rules, and the necessary risk assessment and approval safeguards are in place.

- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- Risk management process can lead to the development of corporate policies and monitoring of compliance. E.g. health and safety, data protection and land management.

Roles and responsibilities

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the council faces.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Executive

- Allocate sufficient resources to address top risks.

Audit and Governance Committee

- To provide assurance of the effectiveness of the risk management process and monitor the effective development and operation of risk management policies in the council.
- Monitoring of the Strategic Risk Register.

Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the corporate governance of the council.
- Take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff.
- Advise on the management of strategic and other significant risks.
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.

Heads of Service

- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. health and safety, data protection.
- Ensure that all reports written for Members include risk commentary.
- To be individually responsible for their service risks and ensure that registers are maintained and reviewed at least quarterly.

Senior Managers and Project Managers

- Manage and monitor key risks effectively in each area of their responsibility, escalating to Leadership Team where necessary.

Strategic Finance and Property

- Advise on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.
- Co-ordinate risk management activities and prepare related reports for Leadership Team and Members.
- Review, develop and promote the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- Support the risk based audit planning process.

Shared Internal Audit Service

- To provide assurance to the council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

Summary

To summarise, the following principles will govern the way the council delivers effective risk management:

- Ensure that those responsible for managing risks understand how to identify and manage them.
- Ensure that the council's culture encourages risks to be identified, reported and managed to encourage appropriate risk taking to deliver innovative solutions to service improvement.
- Ensure that roles and responsibilities for identifying, assessing, managing, communicating and being accountable for risk are clear.
- Ensure that those managing risks have the authority and resources to do so and are accountable.
- Ensure that risk management is integrated into day to day management of the council's business.
- Ensure that risk registers are completed and regularly reviewed with appropriate reporting and escalation of risks to the management level above.

Appendix 1 –Examples of risks

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration’s manifesto commitment.	New political arrangements. Response to pandemic.
Finance	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Financial sustainability and income streams. Budget overspends. Level of council Tax. Level of reserves. Changes in interest rates. Inflation.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council’s ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development. Employment sites and ability to influence growth. Cost of living. Deprivation indicators.
Technological	Associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council’s ability to deliver its objectives.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in law or possible breaches of legislation.	GDPR. Human rights. TUPE regulations. Challenge to procurement exercise.
Continuity / service delivery	Ability to deliver services.	Impacts of pandemic. Loss of key staff, contractor, building, documents or IT.

Environmental	Relating to the environmental consequences of progressing the council's strategic objectives.	Land use. Recycling. Pollution. Extreme weather events.
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.
Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Resources and ability to deliver services and key projects. Staff restructure.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.

Appendix 2 – Risk Register template with example completed

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
1	A 4	Financial Resources	Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income. Failure to realise capital receipts to support capital expenditure. Council Tax Referendum levels set too low to generate sufficient tax revenue. Sudden economic down turn results in negative Tax Base figures because of increased local Council Tax support claims Members do not agree significant savings at budget setting leading to an unbalanced budget leading to a s.114 report.	<ul style="list-style-type: none"> • Reductions in services required. • Performance against community expectations and targets reduced. • Investment in improvement not possible or severely reduced. • Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration. • Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units. • Large numbers of staff redundancies. • Major media engagement. • Potential for MHCLG intervention. 	Head of Strategic Finance and Property	<p>Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years).</p> <p>Modelling of impact of grant settlement scenarios and function and funding changes. Three year MTFP savings programme. Transformation Programme in scoping stage to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement.</p> <p>Financial Sustainability Committee considering investments in infrastructure or operational assets that yield income or cost reductions that are not caught PWLB lending rules.</p> <p>New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs.</p> <p>Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others.</p>

Update on current position

- The lockdown has caused a loss of income of approximately £800,000 per month. The third national lockdown will be reviewed in mid-February but with the new variants of the virus and the vaccination programme underway the base planning assumption is that some form of restriction will remain in place until June at the earliest. Once restrictions are eased we expect a cautious and gradual lifting on a regional basis with close examination of data so it is likely to take some time for people to return to their previous patterns of behaviour.
- Total Government support of just over £2.9 million has been received to date for Council services. A further £63.6 million has been received by the Council and paid out to support business and the community in East Herts.
- Council's £2.9 million funding compensates for loss of transactional income but not items such as rent on investment properties. It also contains one off funding for new burdens administering grants for business and residents but is significantly less than the actual cost of administering these schemes.
- Rent payments on investment properties have no significant defaults to date. Rent reductions have been agreed for 2 tenants in Charringtons but this has to set against compensation that would have been payable when we need to move tenants out for handover for the Old River Lane regeneration as we have included appropriate break clauses as part of the new rent agreement.
- Government has committed to the income compensation scheme for the first quarter of 2021/2 and it is possible that they would extend the scheme to cover periods of restrictions beyond quarter 1.
- Once the pandemic has ended and the economy has started to recover, the Government will have to determine how it will manage public finances going forward. It is likely that a new phase of austerity may well follow and central funding for district councils is likely to be limited or reduced. The government may well change the local taxation system by abolishing Business Rates and Council Tax and replacing it with some other form of property related or land value taxation. The Government may also decide to impose reorganisation on local government to reduce the number of Councils significantly.
- Leadership Team and Service Managers have looked at agile working proposals and validated the likely maximum number of desks required going forward. Indicative figures at this stage indicate that Wallfields is not suitable and officers are now exploring options around sharing space with HCC or relocation elsewhere.
- Corporate policy on charging to be developed to ensure consistency across charges – there have been a number of below cost charges agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services.



Risk Management Strategy 2021/22

~~2020/21~~ Review

Leadership Team	<u>31</u> February <u>2020</u> <u>2021</u>
Performance , Audit and Governance Scrutiny Committee	<u>17</u> <u>16</u> March <u>2020</u> <u>2021</u>
<u>Issued to all Members</u>	<u>TBA</u>
<u>Added to intranet</u>	<u>TBA</u>

Introduction

What is risk management and why is it important?

Risk management is the process by which risks are identified, evaluated and controlled. It can enable the effective use of resources, secure the assets of the council and successfully achieve objectives and deliver strategies.

Risk management is often associated with being cautious. In the context of service delivery in the current climate when public services face unprecedented challenges, success demands innovation and often involves identifying and taking opportunities that involve risk. Risk management should be about identifying and managing those risks so that appropriate risk taking delivers improvements for the council's stakeholders.

Section 1 – Context

Policy statement

Risk is present in everything that we do, so it is our policy to identify, assess and manage the key areas of risk.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the authority, particularly projects and strategic decisions, including procurement and contracting. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

In order to obtain a clear picture of the risks that threaten the council's ability to achieve its objectives, it is important that the council determines its 'risk appetite' – the level of risk that is considered acceptable for the organisation to be exposed to.

Issue and review

The Risk Management Strategy reflects our 'risk appetite', the size of the Authority and the nature of our operations.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management within the council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the council.
- Formalise the risk management process across the Council.

Approval, communication, implementation and review

The Risk Management Strategy is placed on the intranet and is specifically will be issued to all Members, Leadership Team and Senior Managers.

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS) and feeds in to the risk-based audit planning process.

- **Operational risks** – the day to day issues faced by services and Project Managers.

Once identified, the next stage is to prioritise risks to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively.

There should also be a consideration of the positive or 'opportunity' risk aspect. (For more information see Section 3, 'risk identification').

National drivers behind strategic risk management

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to manage risks and performance through robust internal control and strong public financial management. Risk management and internal control are integral parts of a performance management system and are crucial to the achievement of outcomes. Robust and integrated risk management arrangements are required, and risk should be addressed as part of all decision making activities.
- Risk management is best practice in both the public and private sectors.

Benefits of risk management

Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. A risk-managed approach to decision making will help the council to achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

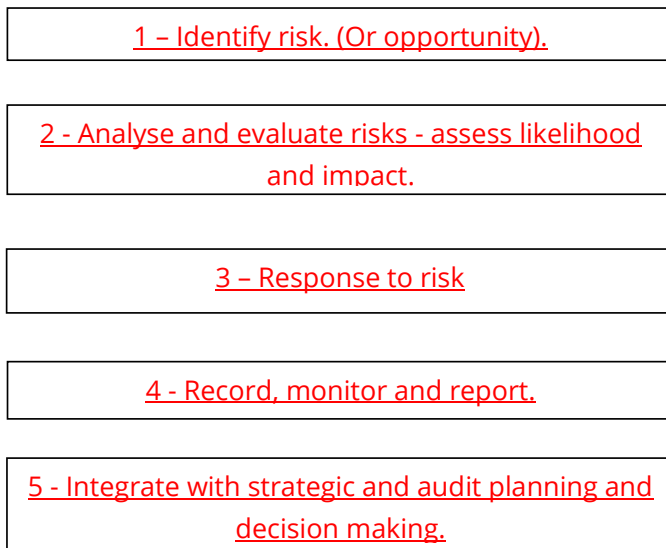
Implementation of risk management produces many benefits for the Council including:

- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.
- Protection of reputation.
- Increased chance of achieving strategic / project objectives as key risks are minimised.
- The possibility of becoming less risk averse because risks are understood.
- Improved performance (accountability and prioritisation) feeds into performance management framework.
- Better governance can be demonstrated to stakeholders.

Section 3 – Implementation of risk management

Implementing the strategy involves a 5-stage process:





Stage 1 -- Identifying risk

Risk identification

can be defined as the combination of the probability of an event and its consequences (ISO/IEC Guide 73) and can broadly be categorised into **strategic** and **operational** risks:

Strategic risks are the highest level 'business risks' faced by the authority and concern long-term strategic objectives. They can be affected by such areas as budgetary pressures, government policy, legal and regulatory changes and changes in the physical environment.

Operational risks are the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives.

Prompts and further risk examples feature at appendix one.

As explained in step four, an inventory of risks is prepared of those events which might create, prevent, accelerate or delay the achievement of objectives. (A list of prompts is included at Appendix 1.)

It is important that those involved with the process clearly understand what the council wants to achieve in order to be able to identify the barriers. A variety of

people from across the organisation should input to ensure that all risks are identified.

Strategic risks are generally considered at an annual review with Leadership Team. Service or operational risks are identified through the service planning process, with service managers, at project meetings and / or through the committee reporting process.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

It is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- ~~Taking a national or regional lead on policy development.~~
- Savings that may be achievable or income that may be generated.
- ~~A 'spend to save' initiative.~~
- Income generation initiatives.
- Tendering a large contract may also ~~provides~~provide an opportunity to reshape service delivery.

The risk should be ~~given a clear and concise title and~~ captured on the example template in appendix 2. A fuller description to include the root cause and the possible consequences of the risk if it occurs should also be provided separately two. More information on recording and monitoring features in stage 4.

Stage 2 – Analysing and evaluating the risks

The likelihood of a risk occurring and its potential impact are scored using the criteria below. Thresholds have been set to ensure that scoring remains consistent across the authority including committee reports and project documentation. These thresholds will be reviewed annually.

	Description	Likelihood of occurrence	Probability of occurrence	
Likelihood	3 Probable	Annually	The event will probably occur	
	2 Possible	1 in 5 years	The event may occur	
	1 Unlikely	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	
	Description	Financial	Reputation	Service / operation
Impact	3 Significant	>£400,000 p.a.	Adverse national media	Major fall in service quality
	2 Moderate	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	1 Minor	<£100,000	Public concerns restricted to local complaints	Little impact to service quality

The following matrix is used to plot risks to illustrate priority.

Impact	Significant 3			
	Moderate 2		Medium	
	Minor 1	Low		
		Unlikely 1	Possible 2	Probable 3
		Likelihood		

Risk appetite

~~A material risk is deemed to be any risk scored 3:2, 2:3 or 3:3. These exceed the Council's 'risk appetite' i.e. the level of risk~~

~~It is recognised that it is prepared to tolerate without need for ongoing monitoring or reporting. Where a risk rating exceeds this area of tolerance, demonstrable evidence of how risks are being mitigated will be required, together with proposals for future controls.~~

~~Increasing~~ increasing pressure on public finances means that local authorities are obliged to have more appetite for risk. The council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

	<u>Description</u>	<u>Likelihood of occurrence</u>	<u>Probability of occurrence</u>
<u>Likelihood</u>	4 <u>High</u>	<u>Monthly</u>	<u>The event is expected to occur or occurs regularly</u>
	3 <u>Medium</u>	<u>Annually</u>	<u>The event will probably occur</u>
	2 <u>Low</u>	<u>1 in 5 years</u>	<u>The event may occur</u>
	1 <u>Very Low</u>	<u>Less frequently than 1 in 5 years</u>	<u>The event may occur in exceptional circumstances</u>

	<u>Description</u>	<u>Financial</u>	<u>Reputation</u>	<u>Service / operation</u>
<u>Impact</u>	A <u>Critical</u>	<u>> £1m p.a.</u>	<u>Serious negative media</u>	<u>Catastrophic fall in service quality or long term disruption to services</u>
	B <u>Significant</u>	<u>£400,000 to £1m p.a.</u>	<u>Adverse national media</u>	<u>Major fall in service quality or serious disruption to services</u>
	C <u>Marginal</u>	<u>£100,000 to £400,000 p.a.</u>	<u>Adverse local media</u>	<u>Significant fall in service quality</u>
	D <u>Minor</u>	<u>< £100,000</u>	<u>Public concerns restricted to local complaints</u>	<u>Little impact to service quality</u>

The following matrix is used to plot risks to illustrate priority.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

Leadership has set a tolerance level. Risks rated 'high' exceed the tolerance level are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken.

Revised Strategic Risk Score Summary Matrix

Impact	<u>A</u>	<u>9</u>	<u>7, 10</u>	<u>1, 8</u>	<u>1, 8</u>
	<u>B</u>		<u>4, 11</u>	<u>2, 3</u>	
	<u>C</u>			<u>6</u>	<u>5</u>
	<u>D</u>				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	<u>Likelihood</u>				

<u>IMPACT</u>	<u>Likelihood</u>
<u>A</u> Critical	<u>1</u> Very Low
<u>B</u> Significant	<u>2</u> Low
<u>C</u> Marginal	<u>3</u> Medium
<u>D</u> Minor	<u>4</u> High

Stage 3 - Respond to risks

Risks may be able to be:

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The council will often retain overall accountability; and certainly for health and safety risks.)

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

Stage 4 - Recording, monitoring and reporting

Risks are recorded on a risk register. The template with a completed example features at appendix 2.

The Only risks that are considered to be at an unacceptably high level require monitoring, using the template at appendix 2. (All risk registers will be compiled in the corporate format to ensure consistency, of scoring in particular.)

~~Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.~~

~~A target risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.~~

~~The target risk score, planned and implemented controls and the associated cost will all be recorded on the risk register and updated quarterly.~~

~~Leadership Team is responsible for ensuring that strategic risks are managed and will receive a quarterly monitoring report. The report will subsequently be submitted to Performance, Audit and Governance Oversight Committee.~~

~~Project Managers will be required to maintain risk registers and key entries will feature on or contribute to the broader Strategic Risk Register.~~

~~The Operational Risk Register will comprise the highest level service and project risks and corporate issues that affect all services such as data management, health and safety and fraud. This register shall be reported quarterly to Leadership Team.~~

~~Strategic, project and high level operational risks are recorded on Pentana Performance (formerly called Covalent) for Members' benefit.~~

~~current score is recorded in the second column using the matrix above. A concise title is recorded in the 'vulnerability' column and the 'triggers' recorded in column four. These are descriptions of the threats faced with the 'consequences' listed in the fifth column.~~

~~Leadership Team will monitor the Strategic Risk Register and review the content quarterly to include scores and descriptions. Actions completed or planned to mitigate risk shall be recorded and an updated position statement provided. This position statement should be used to record variances such as levels of funding, changing legislation or policy.~~

~~Any new risks should be added and obsolete risks deleted.~~

~~Each Head of Service will also maintain a risk register for their service and ensure that a risk register is also in place for each project. These will be monitored at least quarterly with project risks also reported to Leadership Team.~~

Every officer responsible for managing risk is responsible for escalating that risk to the next level of management where appropriate.

A risk should be escalated if it could:

- Impact on the delivery of the council's strategic objectives.
- Significantly affect achievement of the Corporate Plan.
- Result in significant adverse publicity for the council.
- Result in litigation against the council.
- Require additional financial resources.
- Prevent delivery of a committed or planned action.
- Present a significant threat to the safety of the community.
- Events change and reassessment indicates a higher risk.

In exceptional cases where it is not possible to escalate to the next management level, the council's Head of Strategic Finance and Property should be contacted who will arrange for it to be reported to Leadership Team and / or Audit and Governance Committee as appropriate.

Stage 5 - Integrate with strategic and audit planning and decision making

In order to formalise and structure risk management at the council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial and audit planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance is issued annually to Leadership Team.
- Financial Procedure Rules apply to every Member and officer of the council and anyone acting on its behalf. The council encourages innovation, providing this is within the framework laid down by the Financial Procedure Rules, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- Risk management process can lead to the development of corporate policies and monitoring of compliance. E.g. health and safety, data protection and land management.

Section 4 – Risk management in projects and partnerships

Risk management needs to be a key part of the ongoing management of projects and partnerships, including shared services.

Project / Programme management

There is a need for consistent and robust approach to risk management in significant projects, both at the initiation stage and throughout the entire project. Guidance is available on the intranet.

Risk management should feature regularly on meeting agendas.

Partnerships

Reduced funding is leading to more public services and community projects being delivered through partnerships between the public, private and third sectors. Partnerships are essential to deliver benefits to residents, businesses and visitors, but they bring risks as well as opportunities.

Assurance should be gained and evidenced on risks associated with delivering services through third parties, and accountability should be clear and recognised.

Section 5 –

Roles and responsibilities

The following describes the roles and responsibilities that Members and officers have in introducing, embedding and owning the risk management process:

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the council faces.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that

are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Executive

- Allocate sufficient resources to address top risks.

~~Performance, Audit and Governance Oversight Committee~~

- To provide assurance of the effectiveness of the ~~corporate-risk assessment/management~~ process and monitor the effective development and operation of risk management policies in the council, ~~specifically including monitoring of the Risk Management Strategy and the Strategic Risk Register.~~
- Monitoring of the Strategic Risk Register.

Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the corporate governance of the council.
- Take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff.
- Advise on the management of strategic and other significant risks.
- ~~Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, senior managers and staff.~~
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
- ~~Create a culture where risk management is promoted, facilitated and appropriately undertaken by the council.~~

Heads of Service

- ~~To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. To be individually responsible for their service risks, health and safety, data protection.~~
- health and safety, data protection.
- Ensure that all reports written for Members include risk commentary.
- To be individually responsible for their service risks and ensure that registers are maintained and reviewed at least quarterly.
- ~~To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.~~

Senior Managers and Project Managers

- Manage and monitor key risks effectively in each area of their responsibility, escalating to Leadership Team where necessary.
- ~~Support production and monitoring of the operational risk register.~~

Strategic Finance and Property

- Advise on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.
- Co-ordinate risk management activities, ~~update Pentana Performance~~ and prepare related reports for Leadership Team and Members.
- Review, develop and promote the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- ~~Co-ordinate the Business Continuity Plan.~~
- Support the risk based audit planning process.

Shared Internal Audit Service

- To provide assurance to the council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

Summary

To summarise, the following principles will govern the way the council delivers effective risk management:

- Ensure that those responsible for managing risks understand how to identify and manage them.
- Ensure that the council's culture encourages risks to be identified, reported and managed to encourage appropriate risk taking to deliver innovative solutions to service improvement.
- Ensure that roles and responsibilities for identifying, assessing, managing, communicating and being accountable for risk are clear.
- Ensure that those managing risks have the authority and resources to do so and are accountable.
- Ensure that risk management is integrated into day to day management of the council's business.
- Ensure that risk registers are completed and regularly reviewed with appropriate reporting and escalation of risks to the management level above.

Appendix 1 – ~~Categories~~ ~~Examples of risks~~ ~~risks~~

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration's manifesto commitment.	New political arrangements. Response to pandemic.
Finance	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Financial sustainability and income streams. Budget overspends. Level of council Tax. Level of reserves. Changes in interest rates. Inflation.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development. Employment sites and ability to influence growth. Cost of living. Deprivation indicators.
Technological	Associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in national or European law or possible breaches of legislation.	GDPR. Human rights. TUPE regulations. Challenge to procurement exercise.
Continuity / service delivery	Ability to deliver services.	Impacts of pandemic. Loss of key staff, contractor, building, documents or IT.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use. Recycling. Pollution.

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		<u>Extreme weather events.</u>
<u>Environmental</u>	<u>Relating to the environmental consequences of progressing the council's strategic objectives.</u>	<u>Land use.</u> <u>Recycling.</u> <u>Pollution.</u> <u>Extreme weather events.</u>
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.
Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Resources and ability to deliver services and key projects. Staff restructure.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.

Appendix 2 - Template- Risk Register template with example completed

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
Code1		Description Financial Resources	Current Likelihood Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income. Failure to realise capital receipts to support capital expenditure. Council Tax Referendum levels set too low to generate sufficient tax revenue. Sudden economic down turn results in negative Tax Base figures because of increased local Council Tax support claims. Members do not agree significant savings at budget setting leading to an unbalanced	<ul style="list-style-type: none"> • Current Impact Reductions in services required. • Performance against community expectations and targets reduced. • Investment in improvement not possible or severely reduced. • Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration. • Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units. • Large numbers of staff 	Target Likelihood Head of Strategic Finance and Property	Controls introduced and those planned for future. To include financial impact. Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years). Modelling of impact of grant settlement scenarios and function and funding changes. Three year MTFP savings programme. Transformation Programme in scoping stage to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement. Financial Sustainability Committee considering investments in infrastructure or operational assets that yield income or cost reductions that are not caught PWLB lending rules. New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs.

		<p><u>budget leading to a s.114 report.</u></p>	<p><u>redundancies.</u></p> <ul style="list-style-type: none"> • <u>Major media engagement.</u> • <u>Potential for MHCLG intervention.</u> 	<p><u>Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others.</u></p>
<p><u>Update on current position</u></p>				
	<p><u>Describe the controls introduced and those considered / planned for the future.</u></p> <ul style="list-style-type: none"> • <u>These are to be costed with the sum listed here.</u> <u>The lockdown has caused a loss of income of approximately £800,000 per month. The third national lockdown will be reviewed in mid-February but with the new variants of the virus and the vaccination programme underway the base planning assumption is that some form of restriction will remain in place until June at the earliest. Once restrictions are eased we expect a cautious and gradual lifting on a regional basis with close examination of data so it is likely to take some time for people to return to their previous patterns of behaviour.</u> • <u>Total Government support of just over £2.9 million has been received to date for Council services. A further £63.6 million has been received by the Council and paid out to support business and the community in East Herts.</u> • <u>Council's £2.9 million funding compensates for loss of transactional income but not items such as rent on investment properties. It also contains one off funding for new burdens administering grants for business and residents but is significantly less than the actual cost of administering these schemes.</u> • <u>Rent payments on investment properties have no significant defaults to date. Rent reductions have been agreed for 2 tenants in Charringtons but this has to set against compensation that would have been payable when we need to move tenants out for handover for the Old River Lane regeneration as we have included appropriate break clauses as part of the new rent agreement.</u> • <u>Government has committed to the income compensation scheme for the first quarter of 2021/2 and it is possible that they would extend the scheme to cover periods of restrictions beyond quarter 1.</u> • <u>Once the pandemic has ended and the economy has started to recover, the Government will have to determine how it will manage public finances going forward. It is likely that a new phase of austerity may well follow and central funding for district councils is likely to be limited or reduced. The government may well change the local taxation system by abolishing Business Rates and Council Tax and replacing it with some other form of property related or land value taxation. The Government may also decide to impose reorganisation on local government to reduce the number of Councils significantly.</u> • <u>Leadership Team and Service Managers have looked at agile working proposals and validated the likely maximum number of desks required going forward. Indicative figures at this stage indicate that Wallfields is not suitable and officers are now exploring options around sharing space with HCC or relocation elsewhere.</u> • <u>Corporate policy on charging to be developed to ensure consistency across charges - there have been a number of below cost charges</u> 			

agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services.

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East Herts Council Report

Audit and Governance Committee

Date of meeting: 16 March 2021

Report by: Executive Member for Corporate Services

Report title: Strategic Risk Register – Monitoring 2020/21 Quarter 3 and Proposed Content for 2021/22

Ward(s) affected: All

Summary

The report provides details the changes to the Strategic Risk Register for quarter 3 and the proposed content for 2021/22.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) The 2020/21 quarter 3 Strategic Risk Register be reviewed and officers advised of any further action that could be taken to manage risk.**
- b) The proposed content of the 2021/22 Strategic Risk Register be reviewed and officers advised of any amendments considered appropriate.**

1.0 Proposal(s)

- 1.1 Quarterly monitoring of the Strategic Risk Register resumed in 2020/21 and this report details the controls introduced during quarter three.

- 1.2 The report also proposes the content of the register for the next financial year.
- 1.3 This report and the associated register are submitted in a new format that will be continued if preferable to Members.

2.0 Background

- 2.1 Leadership Team reviews the content of the Strategic Risk Register quarterly and provides updates that are escalated within this monitoring report to Audit and Governance Committee.
- 2.2 Although the register is a live document, a thorough review and 'brainstorm' exercise is undertaken annually at Leadership Team. This exercise took place on 1 February 2021, looking at the content for 2021/22.

3.0 Reason(s)

- 3.1 The Strategic Risk Register follows in this report. Please see appendix 1. It details significant business risks; essentially those that will prevent the council meeting its objectives.
- 3.2 The register has been submitted in the new format and using the new scoring methodology proposed to demonstrate to Members what officers are trying to achieve reporting-wise from 2021/22. However the register remains a work in progress. The resources risk provides the clearest indication of the desired format and content. The existing format register using the current scoring methodology features at appendix 2. Changes have been tracked.
- 3.3 Leadership team has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed in

order to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Heads of Service but these are often delegated. (Heads of Service are responsible for keeping all risks under review and taking action to reduce the impact of the risk on the council.)

3.4 A summary of business risks and the risk tolerance line is shown in summary in the matrix below. Risks in the red area of the grid are those actively managed by Leadership Team in accordance with the Risk Management Strategy. (Please see appendix 1 for reference numbers.)

Impact	Significant 3		5, 6, 7	1, 2, 8, 9
	Moderate 2		3	4
	Minor 1			
		Unlikely 1	Possible 2	Probable 3
	Likelihood			

3.5 The council’s most significant at present are:

3.5.1 Resources and primarily the reduction in government grant combined with the impact of the pandemic and higher demand for services. Lockdown has caused a loss of income of approximately £800,000 per month. Total Government support of just over £2.9m has been received to date.

3.5.2 The business economy and the ability to attract, maintain and sustain businesses within the District.

3.5.3 The response to the pandemic has seen a higher demand for services. Managing the council response has impacted productivity and some critical work. However there have been benefits such as agile working, increased self-service and a reduced carbon footprint due to lack of commuting.

4.0 Options

4.1 As per the Risk management Strategy report also submitted to this committee, the existing matrix suggests that the council is in crisis with the risks scored at the top right of the matrix. This is not a true reflection. Rescoring the risks, using the thresholds and matrix proposed for 2021/22, provides a more accurate reflection:

Revised Strategic Risk Score Summary Matrix

Impact	A	9	7, 10		1,8
	B		4,11	2,3	
	C			6	5
	D				
		1	2	3	4
	Likelihood				

IMPACT	Likelihood
A Critical	1 Very Low
B Significant	2 Low
C Marginal	3 Medium
D Minor	4 High

4.2 As mentioned in 2.2, Leadership Team also undertook a comprehensive review on 1 February 2021 to agree the content of the Strategic Risk Register for 2021/22.

4.3 No existing risks are to be deleted although some have been merged into other risks:

- Over runs on major projects have been merged into 1 Financial Resources as an overrun would be a trigger under this risk;
- Recession has been merged into 2 which is renamed Corporate Governance and external political environment.

4.4. The following risks are to be added:

- Child / Vulnerable Adult Protection
- Emergency planning / business continuity, in addition to the existing pandemic Covid-related risk
- Equalities
- Internal control. E.g. failure of internal control or unethical behaviour resulting in fraud etc.

4.5 The following risks will be separated from their 'parent' risk; the existing 'political change' risk:

- Climate change
- District Plan

4.6 If the reporting format is agreed by Members, the full content will be developed and reported within the quarter four risk

monitoring report at May's meeting.

5.0 Risks

5.1 This report details the top business risks facing the council.

6.0 Implications/Consultations

6.1 Leadership Team review 1 February 2021. The Executive Member for Corporate Services has also been consulted.

Community Safety

Risks relating to Community Safety e.g. Major incident, are contained within the Strategic Risk Register.

Data Protection

Risks relating to Data Protection, are contained within the Strategic Risk Register.

Equalities

Risks relating to discrimination, are contained within the Strategic Risk Register.

Environmental Sustainability

Risks relating to environmental sustainability, are contained within the Strategic Risk Register.

Financial

Risk Management and the regular monitoring of risk are important parts of the overall assurance framework. The use and reporting of risk management is a sign of a well-run council and usually results in lower insurance premiums.

Health and Safety

None specific but risk management processes can provide a safer environment across the District and all services for the benefit of the

public, staff and our contractors.

Human Resources

Risks relating to human resources, are contained within the Strategic Risk Register.

Human Rights

Risks relating to discrimination, are contained within the Strategic Risk Register.

Legal

Risks relating to Judicial Review and or major legal challenge, are contained within the Strategic Risk Register.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Please see the Strategic Risk Registers at Appendices 1 and 2.

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No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
1	A 4	Financial Resources	<p>Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income.</p> <p>Failure to realise capital receipts from disposals to support capital expenditure.</p> <p>External auditor challenges MRP Policy and capital financing decisions</p> <p>Council Tax Referendum levels set too low to generate sufficient tax revenue. Sudden economic Down turn results in negative Tax Base figures because of increased local Council Tax support claims</p> <p>Members do not agree</p>	<ul style="list-style-type: none"> • Reductions in services required • Performance against community expectations and targets reduced • Investment in improvement not possible or severely reduced • Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration • Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units • Large numbers of staff redundancies • Major media engagement • Potential for MHCLG 	Head of Strategic Finance & Property	<ul style="list-style-type: none"> • Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years) • Modelling of impact of grant settlement scenarios and function and funding changes • Three year MTFP savings programme • Transformation Programme in scoping stage to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement • Financial Sustainability Committee considering investments in infrastructure or operational assets that yield income or cost reductions that are not caught PWLB lending rules • New capital programme items must make a return for

Page 142	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>significant savings at budget setting leading to an unbalanced budget leading to a s.114 report.</p> <p>Delay and/or significant cost over runs on major projects</p>	<p>intervention</p> <ul style="list-style-type: none"> • Delay leads to cost increases beyond the ability of the council to finance the capital costs • Delays and cost overruns lead to non-delivery of savings requiring service offer reductions to compensate • Projected savings not achieved after project completion due to changes in market away from service offer 		<p>the investment in cost reductions or income on top of covering the interest and MRP costs</p> <ul style="list-style-type: none"> • Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others. • Business case reviews to ensure that projects make a return • Cost and income estimates commissioned from industry expert consultants to feed into business case • Project delivery by Major Projects Team with quarterly reports on progress to Leadership Team and Executive. • Construction insurance presentation held in November and quotes to be

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
				<ul style="list-style-type: none"> • Significant local media engagement • Reputational damage. 		<p>sought for relevant covers.</p> <ul style="list-style-type: none"> • Capital Programme is phased and financed across years and contingency built into budgets so can be re-phased if required.

Update on current position

1		<ul style="list-style-type: none"> • The lockdown has caused a loss of income of approximately £800,000 per month. The third national lockdown will be reviewed in mid-February but with the new variants of the virus and the vaccination programme underway the base planning assumption is that some form of restriction will remain in place until June at the earliest. Once restrictions are eased we expect a cautious and gradual lifting on a regional basis with close examination of data so it is likely to take some time for people to return to their previous patterns of behaviour. • Total Government support of just over £2.9 million has been received to date for Council services. A further £63.6 million has been received by the Council and paid out to support business and the community in East Herts. • Council's £2.9 million funding compensates for loss of transactional income but not items such as rent on investment properties. It also contains one off funding for new burdens administering grants for business and residents but is significantly less than the actual cost of administering these schemes. • Rent payments on investment properties have no significant defaults to date. Rent reductions have been agreed for 2 tenants in Charringtons but this has to set against compensation that would have been payable when we need to move tenants out for handover for the Old River Lane regeneration as we have included appropriate break clauses as part of the new rent agreement. • Government has committed to the income compensation scheme for the first quarter of 2021/2 and it is possible that they would extend the scheme to cover periods of restrictions beyond quarter 1. • Once the pandemic has ended and the economy has started to recover, the Government will have to determine how it will manage public finances going forward. It is likely that a new phase of austerity may well follow and central funding
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Update on current position

for district councils is likely to be limited or reduced. The government may well change the local taxation system by abolishing Business Rates and Council Tax and replacing it with some other form of property related or land value taxation. The Government may also decide to impose reorganisation on local government to reduce the number of Councils significantly.

- Leadership Team and Service Managers have looked at agile working proposals and validated the likely maximum number of desks required going forward. Indicative figures at this stage indicate that Wallfields is not suitable and officers are now exploring options around sharing space with HCC or relocation elsewhere.
- Corporate policy on charging to be developed to ensure consistency across charges – there have been a number of below cost charges agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services.
- Grange Paddocks and Northgate End construction work is underway.
- Hartham contract awarded and within budget in February with works commencing on site late March.
- Old River Lane /Arts Centre change in scope progressing and due to return to Council in March to sign off business plan
- Hertford Theatre due to commence later in 2021.

East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
2	B 3	Corporate Governance and external political environment	Brexit trade deal risks Planning Policy Changes	<ul style="list-style-type: none"> • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties. • Settled status for EU nationals not taken up with consequent Border Force enforcement action • Non-Tariff barriers leading to supply chain price increases and longer replenishment times. Some UK businesses may relocate to the EU making current domestic supplies into imports. • Government policy changes to introduce development zones, ends s.106 and CIL for government infrastructure levy 	Chief Executive	<ul style="list-style-type: none"> • Address issues of labour shortage with contractors at progress meetings. Raise skills shortages at the LEP to ensure we train young people. • Promote settled status application sand provide assistance through the CAB • Consider forward funding stockpile of materials subject to delays as part of contract mobilisation • Consider risks to supply chain as part of procurement exercises • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies

Risk ID	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>Local government reorganisation / Devolution</p> <p>Climate Change / Zero Carbon / Build Back Greener</p> <p>Changes to local taxation</p>	<ul style="list-style-type: none"> • Government impose unitary authorities and reduce exchequer grants by savings made • District required to be carbon neutral from 2030 and Government targets set with fines for non-achievement • Business Rates and or Council Tax replaced with Land Value Tax or Local Income Tax • Potential protests and non-payment campaigns • Measure may end land banking with developers commencing on multiple sites to build out permissions and avoid LVT • Uncertainty as to tax yields and redistribution 		<ul style="list-style-type: none"> • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies. • Work underway to progress carbon reduction and also exploring potential investments that support this aim but would also produce income for the council in the medium term. • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies. • LVT is in operation in Denmark, Estonia and Latvia and there are suggested routes to implementation already published. Local Income Tax would require key data from HMRC before implications could be

East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>Leadership / Management change</p> <p>Recession leading to increase in unemployment, business failure; low business growth and commercial property values decreasing significantly.</p>	<p>mechanisms cause difficulties budgeting</p> <ul style="list-style-type: none"> • Change in leadership politically sets radically different policy agenda and tone • Change in Leadership Team structure • Unemployment. • Empty properties / shops. • Lower rental income from council property portfolio. • Increased demand on council services. • Reduction in Council Tax Base due to LCTSS being a discount. • Reduction in Business Rates income to the safety net level 		<p>understood.</p> <ul style="list-style-type: none"> • Corporate Plan process • Member induction and training • Code of conduct • Monitoring Officer/ s.151 officer • HR policies • Estimates of workload v capacity • Corporate Plan process • European Regional Development Fund / MHCLG project to support businesses with advice and support on growing. Ware and Bishop's Stortford Launchpad to be grown. • COVID support grants and business rates reliefs for 2020/21 and 2021/22 to support businesses through the pandemic. • Broxbourne BC and CVS digital skills support

Update on current position

2

- Rydon’s report that there is a national shortage of bricklayers which may affect Northgate End redevelopment timescales although they are confident they can resolve the issue. This situation seems counter intuitive since ONS issued statistics showing 64% of bricklayers were furloughed and their wages fell by 8%. Officers shall continue to monitor the situation and seek to understand the situation but as bricklayers are considered a high vulnerability job, as it cannot be done remotely and therefore has a high risk of infection, there is perhaps a reluctance to come off furlough until they have been vaccinated.
 - As at 12 December 7,200 individuals with an East Herts address had applied for Settled Status. This indicates a strong appetite for EU citizens to remain in the district.
 - Officers are considering the lessons from how the Council has been able to operate during the pandemic. It is evident that working from home is possible on a greater scale and this will have implications for our future accommodation needs and reduce travel leading to lower carbon emissions
 - Council is actively targeting food waste reduction. The Climate Change Committee say that for the UK’s next carbon budget food waste must be reduced by 75% i.e. the vast majority of carbon emissions are from the production and transportation of food that is wasted. The UN report on food waste said that almost a billion tons of food was wasted and led to carbon emissions that if it were a country, would be third behind the USA and China
 - As at 4th January only 32 individuals in EH had made use of the digital skills scheme however we anticipate referrals will increase once furlough schemes come to an end.
 - Dayton Bell has been awarded the business support contract and the project was officially launched on 4th January.
 - 2 stage approach to mitigating recession following COVID-19: In the first lockdown the council supported over 2,200 businesses with £30m of government funded grants and £18m of reliefs. A further £6.8m has been paid out since November through different government grant schemes and a further 600 businesses have benefitted on top of the 2,200 above.
- £132,000 of ERDF funding has been allocated to support safe re-opening of High Streets and has covered work such as traffic management on high streets to encourage social distancing. Due to the second national lockdown retail businesses are again facing significant challenges and our most recent response has been to introduce a shop local campaign focused on on-line buying and takeaways / click and collect services.

Update on current position

- Council also commissioned a new service with Broxbourne Borough Council and the CVS to support newly unemployed residents get back into work by supporting them with digital skills such as interviewing over Zoom and MS Teams. Service launched 5th October 2020

Rank	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
3	B 3	Performance, resilience and security of IT systems	<p>Data and/or information lost causing breach of Data Protection Act</p> <p>Cyber-attack results in total loss of data and systems</p> <p>Investment in ICT does not result in savings</p>	<ul style="list-style-type: none"> • Substantial fine from Information Commissioner • Major media engagement • Reputational damage • Disruption to services potentially long-running • Inability to carry out enforcement as no records to check against • Resources devoted to recovery moved off to assist police investigation delaying recovery • Major media engagement • Reputational damage • Council becomes financially unsustainable 	Deputy Chief Executive	<ul style="list-style-type: none"> • Network Virtual Desktop configuration prevents download of data to local storage devices • Network firewall and security systems tested and monitored • Staff training • Confidential waste shredded • Massive reductions in printing since pandemic <ul style="list-style-type: none"> • Projects to include estimated benefits and monitored through benefits realisation reports. The investment requirements are tried and tested systems that have resulted in savings elsewhere.

Update on current position

3

- November's report showed that:
 - 3,752 spam emails were blocked
 - 7 impersonation attempts were blocked
 - 14 emails containing malware were blocked.
- Digital By Design is continuing to progress improved online interactions with the public. We are waiting on the results of the recent webchat trial. Online forms have been developed and added to the website in record time to enable businesses to claim government grants during the pandemic. We are starting to review the benefits and challenges that agile working has brought in order that we can harness where improvements have resulted.

ID	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
4	B 2	Staff capacity and skills to deliver services	<p>Loss of key staff</p> <p>Staff capacity unable to deliver projects</p> <p>Unable to recruit to key posts</p>	<ul style="list-style-type: none"> • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Staff cannot undertake level or volume of work to meet all priorities • Council does not deliver performance expectations • Opportunities lost to improve outcomes • Partners lose confidence in ability to deliver • Public lose confidence in ability to deliver • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Disruption to Council 	Head of Human Resources and Org Developmnt	<ul style="list-style-type: none"> • Staff development including the on-line learning pool • Succession planning for key staff within Services • Use of flexible retirement to ensure continuity of experienced staff whilst bringing on staff into roles • Prioritisation of work through the Corporate Plan and Executive Members • Major projects taken forward with corporate project management standards via the Major Projects Team • Market supplements where appropriate • Selective use of external resources and contingent labour through neutral vendor to drive down costs. • Internal communications emphasising welfare and mental health • Contingency planning

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			Industrial action	services <ul style="list-style-type: none"> • Poor customer service • Non-delivery of projects 		<ul style="list-style-type: none"> • Contingency planning

Update on current position

4		<ul style="list-style-type: none"> • Staff turnover had reduced for the 19/20 (1/4/19-31/3/2020) period to 10.1% from 19% (18/19) meaning that the regrading and pay proposals appear to have aided attraction and retention as planned. Turnover has continued to remain low which is common in the current pandemic and at end of quarter 3 this continues (in line with Q2) to be predicted 5.9% for 20/21, a reduction on last year of around 40%. • In line with savings required all recruitment must be approved by Leadership Team with enhanced justification and a requirement to explore either restructures or process changes to eliminate the need for the post. • The temporary labour supply arrangement went live in April 2020 which has reduced fees paid to agencies and ensures a wider pool of potential candidates. This is working fairly well with issues resolved with Matrix where they arise to improve the pooling. • The Indeed EHC branded website appears to be working well with only one post re-advertised externally before filling. Ongoing work has continued with the Communications team and HR to improve the online presence and promote the employer brand further. Case studies are being developed to support welcoming diversity. • Career graded posts are continuing to be used and proving successful for hard to recruit posts with all four Lawyer roles successfully filled. (Start dates pending). • A review of apprentices is continuing to both manage costs and support succession. This has been slowed by the pandemic, but we now recruiting into customer services as this allows progression into a range of services. • The Wellbeing survey was re-run alongside a full staff survey in December 2020 and the staff satisfaction rates received are high which is positive
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ID	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
5	C 4	Poor performance or failure of key partner or contractor	<p>Poor performance or failure of key partner or contractor</p> <p>Failure to mobilise major outsourced contracts properly and/or on time</p>	<ul style="list-style-type: none"> • Disruption to all Council services • Delays to major projects and projected savings not achieved • Additional costs resulting from response • Demand to partner organisations to provide mutual aid to support our response • Cost and time involved in unplanned procurement exercises • Major media engagement • Reputational damage • Disruption to council services • Damage to relations with outsourcing partner and potential damages claim • Major media engagement • Reputational damage 	Head of Operations	<ul style="list-style-type: none"> • Risk of contractor failure increased due to COVID. Regular discussions are continuing with contractors and key third sector partners to ensure no failures in delivery particularly during the pandemic • Credit risk scores are obtained for major contractors during the operation of the contract and particular attention is paid to trade news concerning contractors' financial health. • Offer of open book accounting to examine any potential cost increases as a result of changing circumstances. • Waste-related business continuity plans are also regularly reviewed. Brexit restrictions and the closure of Asian export markets will impact on the sale of and income may cease and costs

East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
						may increase. Talks are ongoing with other Hertfordshire authorities to determine alternative recycling operators. The council is investigating a circular economy option for the plastics waste stream in particular.

Update on current position

5		<ul style="list-style-type: none"> • Risk of business failure has increased due to COVID. Business continuity plans refreshed and regular dialogue maintained with contractors who have been informed the council would look sympathetically at cost increases provided the council was told in advance and the contractor undertook to use reasonable endeavours to resolve cost pressures themselves utilising furlough and other central government support. • Successful bid to the National Leisure Recovery Fund in partnership with SLM to support costs whilst reopening with reduced activities and reduced class sizes to maintain social distancing. • Contingency plans to step in should contractors fail. Principal route will be to use a TEKAL company to provide the service pending retendering as the company vehicle preserves the private sector T&Cs of employment. • Council has and is prepared to offer loans to help contractors with cashflow, subject to an assessment that they are a going concern 				
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6	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
6	C 3	Judicial Review and or major legal challenge	<ul style="list-style-type: none"> Council loses case 	<ul style="list-style-type: none"> Council policy (ies) can no longer be used Unregulated activity until soundly based policy put in place Large costs award against Council Reputational damage Major media engagement Monitoring Officer and or s.151 officer issues Report in the Public Interest MHCLG intervention Potential requirement to repeat procurement exercise and compensate unsuccessful bidders in first exercise Additional and or abortive costs 	Head of Legal and Democratic Services	<ul style="list-style-type: none"> All Executive, Committee and Council reports require sign off by legal and finance to ensure compliance with budget and policy framework and current legislation. List of policies maintained with review dates. Information Governance function strengthened to ensure compliance with data protection. Policies should be backed by evidence and Leadership Team consideration involves constructive challenge as well as formal Monitoring Officer and s.151 officer.

Update on current position

6		<ul style="list-style-type: none"> Four new solicitors starting with the Council following a successful recruitment process. First solicitor started in
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Update on current position

January, the final one set to join in April. The Contracts Lawyer, starting in March 2021, will allow for much greater control over the Council's major project work.

- Successfully recruited an Information Governance and Data Protection Manager who started at the beginning of 2021, providing the Council with greater resilience against data breaches.

Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control	
7	A 2	District Plan	Failure to refresh District Plan to timescales and /or refreshed District Plan found to be unsound at examination	<ul style="list-style-type: none"> • Planning becomes developer led rather than planning policy led through 5 year land supply test • Additional costs to redo work Additional costs of planning appeals and possible judicial reviews • Reputational damage • Loss of affordable housing and S.106 / community infrastructure levy benefits • Failure to meet 5 year Housing Land Supply requirements • Possible intervention by MHCLG 	Head of Planning	<ul style="list-style-type: none"> • Evidence based planning policy decisions • Strong focus on Member, Parish, partner and community buy-in

Update on current position

7		<ul style="list-style-type: none"> • The Council has reserves set aside for additional resources should services be stretched
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East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
8	A 4	Climate change	<p>Severe Weather causing major incident (includes flood, wind, snow, cold and heat)</p> <p>Drought</p> <p>Weather extremes require substantial retrofit costs for asset adaptations</p>	<ul style="list-style-type: none"> • Disruption to Council services as staff diverted to response • Additional costs of response • Service changes required if long recovery phase • Service change required to adapt e.g. heatwave early day starts • Major media engagement • Disruption to some services through water restrictions • Additional costs of support to vulnerable service users • Public health issues • Non-availability of capital resources may cause working conditions on some days to be unbearable. • Instances of abandoning assets where hold the 	Head of Housing & Health	<ul style="list-style-type: none"> • Business Continuity Plan Severe Weather section • Emergency Plan including specific response plans to flooding etc. • Health and Safety Policy details severe weather response • Council reducing carbon footprint for the district • Emergency Plan • Business continuity plan • Council reducing carbon footprint for the district • New modern workspace work stream of the Transformation Programme will address climate change issues in the design

Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			line defences against floods no longer viable <ul style="list-style-type: none"> Increasing attacks by non-native species causing biodiversity loss Increased costs arising from new operating requirements, e.g. sustained +30 degree heat requires refuse freighter insides to be degreased and jetted out regularly to prevent oils and fats combusting 		

Update on current position

8	<ul style="list-style-type: none"> Climate change motion agreed July 2019. Multi-agency environmental and climate change forum continues. Energy efficiency modifications to key existing buildings. Review of motor fleet with extended use of e-vehicles proposed. Carbon footprint reducing as a consequence of pandemic and homeworking. Future agile working will support. Engagement with insurers over design / materials for new buildings. 				
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East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
9	A 1	Child / Vulnerable Adult Protection	Child / Vulnerable Adult protection failure	<ul style="list-style-type: none"> • Possible legal action for damages • Possible prosecution • Major media engagement • Reputational damage 	Head of Housing & Health	<ul style="list-style-type: none"> • Safeguarding policy • Annual training for staff and Members

Update on current position						
9		• Member safeguarding training took place on				

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
10	A 2	Equalities	Council found to have discriminated	<ul style="list-style-type: none"> • Possible legal action for damages • Possible enquiry and report by Equalities & Human Rights Commission • Major media engagement • Reputational damage 	Head of Comms, Policy & Strategy	<ul style="list-style-type: none"> •

Update on current position						
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East Herts Council Corporate Risk Register

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
11	B 2	Internal control	Failure of internal control or unethical behaviour	<ul style="list-style-type: none"> • Qualified accounts • Possible Police involvement if fraud involved • Major media engagement • Reputational damage • Increased costs as a result of loss or fine or compensation payments 	Head of Strategic Finance and Property	<ul style="list-style-type: none"> • Key reconciliations carried out regularly. • Internal audit work planned and undertaken on key areas. • Assurance Mapping • Electronic workflow where controls much harder to circumvent • Separation of duties appropriate to the staffing numbers

Update on current position

11		<ul style="list-style-type: none"> • Audits remain mostly on track and there is sufficient audit scope for an assurance opinion to be given • Assurance Mapping approach to be introduced which will show visually where assurance is gained and also identifies duplications and unnecessary steps which will inform officers undertaking lean process reviews and help Audit & Governance Committee to see where there are risks and then internal audit resources can be directed there.
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No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
1	A 4	Outbreak of disease in humans	Pandemic and/or Public Health Emergency Declared	<ul style="list-style-type: none"> • Loss of staff and/or key skills due to illness and related absenteeism • Requirement to enable entire workforce to work from home • Requirement for Council and Committees to meet via video conference • Loss of income/additional costs • Loss of essential services /utilities/ suppliers • Demand from partner organisations to provide staff and other resources to support their response • Major media engagement • Disruption to all Council services • Increased risk of fraud from support programmes 	Head of Housing and Health	<ul style="list-style-type: none"> • Business Continuity Plan • Emergency Plan • Dynamic risk assessments and keeping office open and COVID secure in line with government guidance. • Agile working introduced and scaled up to ensure social distancing • Fraud alerts on pandemic circulated by SFAS

Update on current position

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No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
1	A 4	Business Continuity Plan / Emergency Plan	Major Incident Occurs Plan fails	<ul style="list-style-type: none"> • Loss of essential services / utilities/ suppliers • Demand from partner organisations to provide staff and other resources to support their response • Major media engagement • Disruption to all Council services • Unable to support partner organisations to provide staff and other resources to support their response • Possible legal action or public inquiry 		<ul style="list-style-type: none"> • Emergency Plan Major Incident protocols • Business Continuity Plan • Keep plans under review every 6 month and keep evidence. • Review of response after every incident • Training for staff in EP roles • Regular exercises once a quarter

Update on current position

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Strategic Risk Register 2020/21 quarter 3

Appendix 2

Old format, with changes tracked, for comparison

	Title	Description	Current		Target		Owner	Controls introduced or planned in 2020/21 quarter 3.
			likelihood score	impact score	likelihood score	impact score		
1	Resources	<ul style="list-style-type: none"> The lockdown has caused a loss of income of approximately £800,000 per month. <u>The third national lockdown will be reviewed in mid-February but with the new variants of the virus and the vaccination programme underway the base planning assumption is that some form of restriction will remain in place until June at the earliest. Once restrictions are eased we expect a cautious and gradual lifting on a regional basis with close examination of data so it is likely to take some time for people to return to</u> 	3	3	3	3	Head of Strategic Finance and Property	<u>Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years)</u> <u>Modelling of impact of grant settlement scenarios and function and funding changes</u> <u>Three year MTFP savings programme.</u> <u>Transformation Programme in scoping stage to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement.</u> <u>Financial Sustainability Committee considering investments in</u>

their previous patterns of behaviour.~~The restrictions are now easing but it is likely to take some time for people to return to their previous patterns of behaviour.~~

- Medium Term Financial Plan included a range of projects to reduce net expenditure. At the moment it is unclear when, and in some cases if, these projects can be delivered.
- Total Government support of just over £1.72.9 million has been received. A further £63.6 million has been received by the Council and paid out to support business and the community in East Herts.~~However, it remains unclear whether all of the Council's losses will be funded by central government.~~
- Government has committed to the income compensation scheme for the first quarter of

infrastructure or operational assets that yield income or cost reductions that are not caught PWLB lending rules.
New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs
Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others.
~~Council is in receipt of funding that compensates for loss of transactional income but not items such as rent on investment properties. Rent payments have no significant defaults to date. Rent reductions have been agreed for 2 tenants in Charringtons but this has to set against compensation that would~~

2021/2 and it is possible that they would extend the scheme to cover periods of restrictions beyond quarter 1.

- Once the pandemic has ended and the economy has started to recover, the Government will have to determine how it will manage public finances going forward. It is likely that a new phase of austerity may well follow and central funding for district councils is likely to be limited or reduced. The government may well change the local taxation system by abolishing Business Rates and Council Tax and replacing it with some other form of property related or land value taxation. The Government may also decide to impose

have been payable when we need to move tenants out for handover for the Old River Lane regeneration as we have included appropriate break clauses as part of the new rent agreement.

A detailed set of savings proposals and the detailed budget and MTFP work is underway and will be reported to Audit & Governance Committee in due course but includes costs benchmarking and also a transformation programme focused on agile working. Leadership Team and Service Managers have looked at agile working proposals and validated the likely maximum number of desks required going forward. Indicative figures at this stage indicate that Wallfields is not suitable and officers are now exploring options around sharing space with HCC or relocation elsewhere.

		<p><u>reorganisation on local government to reduce the number of Councils significantly.</u> Once the economy has started to recover, the Government will have to determine how it will manage public finances going forward. It is possible that a new phase of austerity may follow and central funding for district councils is likely to be limited.</p>						<p><u>Corporate policy on charging to be developed to ensure consistency across charges – there have been a number of below cost charges agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services.</u></p>
2	Political change (local or national)	<ul style="list-style-type: none"> • Planning policy changes. • Devolution. • Leadership / management culture. • Environmental sustainability and the need for carbon reduction across the council with an ambition to become carbon neutral by 2030. • Brexit risks: <ul style="list-style-type: none"> • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties. • Settled status for EU 	3	3	3	2	Chief Executive	<p>It is likely that we will see significant changes to both national and local policies following from COVID-19.</p> <p>Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies.</p> <p>Officers are considering the lessons from how the Council has been able to operate during the crisis. It is evident that working from home is possible on a greater scale and this will</p>

		<p>nationals with only half of the 4,000 registered in District having applied for settled status. (June 2019 data.)</p> <ul style="list-style-type: none">• Risk to business growth.						<p>have implications for our future accommodation needs.</p> <p><u>Brexit tariffs do not appear to be an issue due the UK/ EU trade deal, however there may be short term impact on supply chains as businesses adapt to new import / export requirements.</u></p>
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Performance, resilience and security of IT systems	<ul style="list-style-type: none"> • Risk of data breach / loss, business continuity incident or poor performance impacting service delivery. • Changing demand on council services and the requirement to invest in and encourage online interaction with customers. 	2	2	2	2	Deputy Chief Executive	<p>IT provision was greatly tested following the lockdown due to COVID-19. We were able to respond swiftly and effectively, enabling over 700 staff across the shared service to continue in their roles working from home. Road map implemented for ensuring IT security. Digital By Design work stream established and One Page Plan completed. Employees and members continue to deliver council services remotely and meetings are now conducted through video conferencing. In general IT systems have held up enabling the council to continue to support residents and businesses. We continue to deliver tightened cybersecurity and are now required by the Government to comply with Cyber Essentials, which we are now working towards. The Digital By Design group continues to explore more online interaction and a proof of concept for the use of webchat has commenced.</p>
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Despite continued cyber-attack attempts, we have been successful in blocking all such attempts. Our cyber security is reviewed monthly with reporting. There are plans to conduct a Cyber resilience exercise in the New Year to test our resilience further.

November's report showed that: 3,752 spam emails were blocked 7 impersonation attempts were blocked. 14 emails containing malware were blocked.

Digital By Design is continuing to progress improved online interactions with the public. We are waiting on the results of the recent webchat trial. Online forms have been developed and added to the website in record time to enable businesses to claim government grants during the pandemic. We are starting to review the benefits and challenges that agile working has brought in order that we can harness where improvements have resulted.

Capacity and skills to deliver services	<ul style="list-style-type: none"> Recruitment and retention of staff. Capability and skills to deliver services and projects. Succession planning. 	3	2	2	2	Head of HR and Organisational Development	<p>The temporary labour supply arrangement went live in April 2020 which has reduced fees paid to agencies and ensures a wider pool of potential candidates. This appears to be working well. This is working fairly well with issues resolved with Matrix where they arise to improve the pooling. The Indeed EHC branded website appears to be working well with only one post re-advertised externally before filling. A new online presence has been set up with Indeed to both improve the employer brand and to provide a more cost effective online recruitment presence; this went live from 1st of June 2020 and initial 4 vacancies on Indeed have performed well. Ongoing work has continued with the Communications team and HR to improve the online presence and promote the employer brand further. <u>Case studies are being developed to support welcoming diversity.</u> Staff turnover had reduced for the 19/20 (1/4/19-31/3/2020) period to 10.1% from</p>
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19% (18/19) meaning that the regrading and pay proposals appear to have aided attraction and retention as planned. Turnover has continued to remain low which is common in the current pandemic and at end of quarter ~~32~~ this continues (in line with Q2) to be it is now predicted ~~to be~~ 5.9% for 20/21, a reduction on last year of around 40%. Career graded posts are continuing to be used and proving successful for hard to recruit posts with all four Lawyer roles successfully filled. (Start dates pending). with the projects team creating a further post in July as part of a restructure and Legal looking at career post for four solicitor posts to attract and retain staff in this hard to recruit area. A review of apprentices is continuing to both manage costs and support succession. This has been slowed by the pandemic, but we now recruiting into customer services as this allows progression into a range of services. A wellbeing survey has ~~been undertaken (May 2020) and~~

~~followed up on to ensure staff are supported during the pandemic alongside a number of wellbeing and effective ways of working initiatives to further support employee wellbeing and the retention of staff.~~ The Wellbeing survey ~~will be~~was re-run alongside a full staff survey in December 2020 and the staff satisfaction rates received are high which is positive. In line with savings required a- All recruitment must be approved by Leadership Team with enhanced justification and a requirement to explore either restructures or process changes to eliminate the need for the post.

The development of agile working and costs/income planning are the current key focus in terms of staffing, resources and workforce planning for EHC moving forward in line with pandemic impact and the new ways of working required.

~~Government has brought in t~~The

£95k exit payment cap implementation that is still being considered by LGPS. Unions have lodged several legal cases which need to be heard to provide further clarity. ~~includes pension strain costs in the calculations. The Government Actuary's Department estimates that 86% of staff made redundant would be affected. Staff being made redundant at 55 and having access to their pension as required by law, would lose all of their redundancy pay, including the statutory element and their pension would be reduced by around 40%. The inclusion of pension strain in the cap calculation therefore means that compulsory redundancy will leave the majority of officers with no severance pay and a substantial reduction in pension benefits that could seriously affect their expected retirement lifestyle and potentially cause poverty in retirement. It is understood the Government plan to amend the Regulations requiring immediate access to~~

									pension to become voluntarily agreed between employer and employee but they have introduced the cap without that amendment. It is further understood that legal challenges are being brought against Government by various unions.
5	Poor performance or failure of key partner or contractor	<ul style="list-style-type: none"> • Risk that supplier, contractor or key third sector partner fails or fails to deliver. • Impact on services. • Delays to key projects and financial consequences. • Increased costs to maintain service delivery. 	2	3	1	3	Chief Executive	<p>Risk of contractor failure increased due to Covid. Regular discussions are continuing with contractors and key third sector partners to ensure no failures in delivery.</p> <p>Credit risk scores are obtained for major contracts during the operation of the contract and particular attention is paid to trade news concerning contractors' financial health.</p> <p>Waste-related business continuity plans regularly reviewed. Brexit may impact on the sale of materials contracts and costs may increase. Talks are ongoing with other Hertfordshire authorities to determine alternative business continuity planning options.</p>	

6	Infrastructure / growth	<ul style="list-style-type: none"> • Delivery of strategic projects and the risk that residents and key stakeholders are not supportive. • Management of housing growth to ensure that new developments are controlled, provide sustainable communities and with appropriate infrastructure in place. Threat to existing employments sites and the need to ensure that new sites are provided. • Reliance on partners and stakeholders. 	2	3	2	3	Chief Executive	<p>Grange Paddocks and Northgate End construction work is underway.</p> <p>Delays to the Hertford Theatre and Hartham Leisure Centre projects but public consultations now undertaken. <u>and Hartham planning application submitted contract currently out to tender.</u></p> <p>Old River Lane project final business case planning is underway and will be reported to a future Council meeting.</p> <p>Project delivery will be kept under constant review as government guidance changes.</p> <p><u>Construction insurance presentation held in November and quotes to be sought for relevant covers.</u></p>
7	Legal	<ul style="list-style-type: none"> • Risk of avoidable data breach caused by action of staff, contractors or partners, or resilience of systems. • Use of third party systems for virtual meetings during 	2	3	2	3	Head of Legal and Democratic Services	<p>Training provided re Zoom and centralised controls imposed on the East Herts corporate account requiring increased security features be enabled.</p>

COVID-19 pandemic and potential security problems associated with this.

- Capacity to respond to changing legislation after Brexit.
- Alternative service delivery models.
- Effective management of both large scale development projects and major procurement exercises.

COVID-19 restrictions re holding physical meetings have been intensified again, meaning that plans to move back to in-person Council meetings have been put on hold and these will continue as virtual meetings, most probably until the spring.

~~Steps being taken to address long term capacity and capability to respond quickly. Recruitment for an Information Governance and Data Protection Manager as well as 4 new permanent lawyer posts are underway, meaning that the service will be far more resilient if/once they are all recruited to..~~

~~Linked to above, one of the 4 lawyer posts is a Contracts and Procurement Lawyer, which if successful in recruiting to will provide much better in-house control over major project work. Successfully recruited an Information Governance and Data Protection Manager who started at the beginning of 2021, providing the Council with~~

							<p><u>greater resilience against data breaches.</u></p> <p><u>Four new solicitors starting with the Council following a successful recruitment process. First solicitor started in January, the final one set to join in April. The Contracts Lawyer, starting in March 2021, will allow for much greater control over the Council's major project work.</u></p> <p>Mandatory data protection and fraud awareness e-learning for staff.</p>
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Business economy	<ul style="list-style-type: none"> • Ability to attract, sustain and nurture businesses within the District. Insufficient space for existing business to grow. • Risk of being unable to ensure employment land is provided alongside new developments, or that employment land is lost to housing development. • Likelihood of a global recession following COVID-19 pandemic increased leading to increase in unemployment, low business growth and commercial property values decreasing significantly. • Loss of low skilled labour and exchange rates post Brexit could further increase risk to businesses. 	3	3	2	2	Head of Communications, Strategy and Policy	<p>2 stage approach to mitigating recession following COVID-19:</p> <p><u>In the first lockdown the Council has supported over 2200 businesses with £30m of government funded grants and £18m of reliefs. A further £6.8m has been paid out since November through different government grant schemes and a further 600 businesses have benefitted on top of the 2,200 above.</u></p> <p><u>£132,000 of ERDF funding has been allocated to support safe re-opening of High Streets and has covered work such as traffic management on high streets to encourage social distancing. Due to the second national lockdown retail businesses are again facing significant challenges and our most recent response has been to introduce a shop local campaign focused on on-line buying and takeaways / click and collect services.</u></p>
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Further work in each town centre underway in conjunction with town councils, police and business representative organisations. £132k of ERDF funding for re-opening the high streets safely will be administered between now and 31 March 2021 focusing on creating a safe environment (hand sanitizers, street furniture for traffic management, communications to businesses and residents)

Council also commissioning commissioned a new service with Broxbourne Borough Council and the CVS to support newly unemployed residents get back into work by supporting them with digital skills such as interviewing over Zoom and MS Teams. Service launched 5th October 2020. As at 4 January 2021 only 32 individuals in EH had made use of the scheme however we anticipate referrals will increase one furlough schemes come to an end.

European Regional Development Fund project to support businesses has been agreed with MHCLG. This will provide a step change in our approach by targeting specific sectors as well as growing the Ware and Bishop's Stortford Launchpad. Paper due to Executive 9th November. Dayton Bell has been awarded the business support contract and the project was officially launched on 4th January.

As at 12 December 7,200 individuals with an East Herts address had applied for Settled Status. This indicates a strong appetite for EU citizens to remain in the district.

Development of 20 Ha new employment land at key sites is being supported through the master planning process.

Steps being taken to protect existing employment land through introduction of Article 4 Directions on designated sites in

								January 2021 and robust negotiations on mixed development schemes in key sites such as Caxton Hill and the Goods Yard.
9	COVID-19 (Coronavirus) pandemic	<ul style="list-style-type: none"> Business continuity incident and emergency planning response, specifically resulting from the COVID-19 pandemic. 	3	3	2	3	Head of Health and Housing	<p>Providing advice to businesses on compliance with regulations and legislation.</p> <p>Grants to support new burdens such as COVID Marshalls and local track and trace have been received or announced.</p> <p>Additional funding announced by government to support November 2020 heightened restrictions.</p> <p>Pandemic Business Continuity Plan updated. <u>Corporate Business Continuity Plan reviewed and updated and due to be submitted to Leadership Team in quarter four with proposals for new business impact assessment.</u></p> <p>Legal advice sought for all major contracts in terms of force majeure.</p> <p>Comprehensive guidance placed on the intranet on homeworking, health and safety and HR matters.</p>

Likelihood	Description		Likelihood of occurrence		Probability of occurrence	
	3	Probable	Annually		The event will probably occur	
	2	Possible	1 in 5 years		The event may occur	
	1	Unlikely	Less frequently than 1 in 5 years		The event may occur in exceptional circumstances	
Impact	Description		Financial	Reputation	Service / operation	
	3	Significant	> £400,000 p.a.	Adverse national media	Major fall in service quality	
	2	Moderate	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality	
	1	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality	

Impact	Significant			High
	3			
	Moderate		Medium	
	2			
Minor	Low			
1				
		Unlikely 1	Possible 2	Probable 3
		Likelihood		

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East Herts Council Report

Audit and Governance Committee

Date of Meeting: 16 March 2021

Report by: Chairman of Audit and Governance Committee

Report title: Audit and Governance Committee - Draft Work Programme 2020/21

Ward(s) affected: All

Summary

- To invite Members to review and determine the future work programme of Audit and Governance Committee and any proposed amendments to the ongoing Work Programme.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE, that:

- (a) the main agenda items for the next meeting be agreed;**
- (b) the proposed consolidated work programme, at Appendix A, in relation to Audit and Governance matters, be agreed.**

1.0 Proposal(s)

- 1.1 Items previously required, identified or suggested for the work programme are set out in **Appendix A**. The Appendix is now presented as a consolidated report to include those issues for consideration by Overview and Scrutiny Committee. It was felt that consolidating the work of both Committees in one report would give Members of both committees a better perspective from the viewpoint of scrutiny.

2.0 Background

- 2.1 The draft agenda for the next Audit and Governance Committee is shown in **Appendix A**. Members are asked to confirm that these are the key items they wish to consider.
- 2.2 Whilst the timing of some items shown may have to change depending on availability of essential data (eg. from central government), etc members are asked to consider the future programme and add, remove or move items as they see fit.
- 2.3 In an effort to better plan the work of both Audit and Governance and Overview and Scrutiny committees a meeting was held on 3 March 2021 with the Leader, the Chairmen and Vice Chairmen of Overview and Scrutiny Committee and the Vice Chairman of Audit and Governance Committee. This meeting, to consider the work programmes of both Committees will be held on a quarterly basis and will also consider the items included in the Forward Plan. The aim of this is to provide a longer lead in time for consideration of key items for decision by the Executive and which may require scrutiny. Members should note that going the Forward Plan will contain items for decision over the next year.

3.0 Reason(s)

- 3.1 While Audit and Governance is not a Scrutiny Committee, it has a specific role of monitoring the budget and oversees a range of information such as inspection reports and action plan monitoring. It approves the Council's Statement of Accounts and is also the Council's Audit Committee and carries out Treasury Management functions. As a result, the work programme helps provide structure and identifies a clear reporting timeframe for those reports.

4.0 Options

- 4.1 Members have the option to include or exclude any items on

the proposed work programme, however, officers recommend approval of the listed items as consideration will fulfil the council's audit functions and the items reflect the issues previously raised by members. It is worth noting that this is a draft work programme which is continually reviewed and will evolve as the work programme develops triggered by external and internal influences.

5.0 Risks

5.1 If the Audit and Governance Committee chose not to consider the various audit and financial reports in the proposed work programme, subject to the Legal observations made later in this report, the council could potentially be at risk of not identifying potential issues and risks to the authority and thus taking mitigating actions.

6.0 Implications/Consultations

6.1 Information on any corporate issues and consultation associated with this report can be found within the body of this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

None applicable to this report apart from the benefits, as discussed

above, of member oversight of the council's key financial practices and policies.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

None applicable to this report but Audit and Governance is required to receive and consider reports and agree such reports as required by statute. These include for example, the Treasury Management Statement and Statement of Accounts.

Specific Wards – All wards

7.0 Background papers, appendices and other relevant material

Appendix A

Contact Member Mark Pope, Chairman of Performance Audit and Governance Oversight Committee
mark.pope@eastherts.gov.uk

Contact Officer James Ellis
Head of Legal and Democratic Services
Tel No: 01279 502170
james.ellis@eastherts.gov.uk

Report Author Lorraine Blackburn, Scrutiny Officer
Tel No: 01279 502172
lorraine.blackburn@eastherts.gov.uk

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
15 September 2020	<p>Update on the progress in relation to the Climate Change Action Plan and progress in relation to the 2030 Carbon neutrality aspirations.</p> <p><i>With the agreement of Members at the last (June 2020) meeting, updates would be presented prior to each meeting.</i></p>	Executive Member for Environmental sustainability and David Thorogood	22 September 2020	External Audit Update	Suresh Patel, Ernst Young

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Social Housing – Report of the Task and Finish Group (see note below).	Head of Housing and Health		SIAS Update	Simon Martin SIAS Audit Manager
	Large Scale Projects – Project Management in terms of Expenditure Vs Budget, delivery timescales <i>Members' briefing provided on 16 July on Hertford Theatre.</i>	Respective Project Managers .		SAFs Update	Nick Jennings Head of Service (SAFs)

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	<i>Request by Councillor Goldspink for an update on Hartham Leisure</i>				
	Policy for Enforcing Standards for Private Sector Landlords	Head of Housing and Health		Strategic Risk Register Quarterly Update	Graham Mulley Risk Assurance Manager
	Council Tax Reduction Scheme 2021/22	Head of Revenues and Benefits Shared Services		Annual Governance Statement	Head of Strategic Finance and property
				Statement of Accounts 2019/20	Head of Strategic Finance and Property
	Work Programme	Lorraine Blackburn,		Financial Monitoring	Head of Strategic Finance and Property

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
		Scrutiny Officer		Quarter 1	
3 Nov 2020	How the Council reacted to the Corona Virus	Invitation to the Leader and CE to present an interim report	17 November 2020	Section 106 Agreements: a) review of policy and also of the receipt and b) the utilisation of funds received	Helen Standen Dep CE and Jackie Bruce Infrastructure and Contributions Spend Manager
	Work Programme	Lorraine Blackburn, Scrutiny Officer		Corporate Budget Monitoring Quarter 2	Ben Wood, Head of Communications Strategy and Policy and Steven Linett Head of Strategic Finance
				Treasury Management	Head of Strategic Finance

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
				Outturn 2019/20 and Treasury Management Mid-Year Review 2020/21	
	Annual Complaints Report	Head of Communications, Strategy and Policy		Budget 2021/22 and MTFP Plan 2021-2024 Proposals	Head of Strategic Finance and Property
	Performance Report Quarters 1 and 2	Head of Communications Strategy and Policy		Standards Update	James Ellis Head of Legal and Democratic Services
	Revenues and Benefits Annual Report	Head of Revenues and Benefits Shared Services		Strategic Risk Monitoring 2020/21 Quarter 2	Graham Mully, Insurance and Risk Business Advisor

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Environmental Climate Change	Head of Housing and Health			
8 Dec 2020				Work Programme	Lorraine Blackburn, Scrutiny Officer
	Presentation by the PCC Mr David Lloyd and Cl Orton			GDPR and Data Retention	James Ellis Head of Legal and Democratic Services
				Members' Constitution Review Group	James Ellis Head of Legal and Democratic Services
PLEASE NOTE THAT THERE WILL BE A JOINT MEETING OF OVERVIEW AND SCRUTINY AND AUDIT AND GOVERNANCE COMMITTEES ON 10 FEBRUARY 2021 FOLLOWED BY THE USUAL MEETING OF A&G					
2 February 2021	Cultural Strategy	Jonathan Geall Head of Housing and Health	10 February 2021	*Budget 2021/22 and Medium Term Financial Plan 2021-24-	Steven Linnett Head of Strategic Finance and property
	Planning	Sara Saunders,		SIAS Internal	Simon Martin

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Enforcement Plan`	Head of Planning		Audit Plan Progress Report	
23 March 2021	Executive Member for Sustainability – Update on Portfolio				
	Draft Annual Scrutiny Report 2019/20	James Ellis / Head of Legal and Democratic Services and Lorraine Blackburn, Scrutiny Officer		External Auditor's Annual Audit Letter	EY
	Draft Annual Scrutiny Report 2020/21	James Ellis / Head of Legal and Democratic Services and Lorraine		Investment strategy 2021/22	Steven Linnett Head of Strategic Finance and property

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
		Blackburn, Scrutiny Officer			
	Review of Scrutiny – Centre for Governance and Scrutiny (CfGS)	James Ellis / Head of Legal and Democratic Services and Lorraine Blackburn, Scrutiny Officer		Capital strategy and Minimum Revenue Provision Strategy	Steven Linnett Head of Strategic Finance and property
8 June 2021	Executive Member for Corporate Services – Update on Portfolio		16 March 2021	Proposed Anti-Fraud Plan 2021/2022	Nick Jennings, SAFS
	RIPA and Use of Social Media - report back (Head of Legal and	Head of Legal and Democratic Services		SIAS Internal Audit Plan Progress Report	Simon Martin, SIAS

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Democratic Services)				
	Environmental Sustainability Action Plan (Agreed to report twice a year)	Head of Housing and Health		SIAS Draft Internal Audit Plan	Simon Martin, SIAS
	Annual Plan and updated Corporate Plan Regular Updates to OS	Head of Communications Strategy and Policy		Annual Review of Risk Management Strategy	Steven Linnett Head of Strategic Finance and Property
				Strategic Risk Register – Monitoring 2020/21 Quarter 3 and Proposed Content for 2021/22	Steven Linnett Head of Strategic Finance and Property

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
				Quarterly Corporate Budget Monitor – Quarter 3 December 2020	Steven Linnett Head of Strategic Finance and Property
				Local Government Association (LGA) Model Code of Conduct	James Ellis, Head of Legal and Democratic Services

Executive Responses to recommendations made by O&S Committee:

Parking Recommendations – Report of the Task and Finish group
(Considered by Executive on 27 November 2020) – Members updated via Chairman’s Announcements February 2021

Affordable Housing Research - Report and O&S Recommendations – (Considered by Executive on 5 January 2021) Members updated via Chairman’s Announcements February 2021

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Updates

Overview and Scrutiny Committee	Audit and Governance
	<p>Complaints lodged with the Monitoring Officer (Head of Democratic and Legal Support Services). When there are updates.</p> <p>Changes to Constitution Review Update (Head of Democratic and Legal Support Services): When there are updates.</p>

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
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Looking Forward – 2021 onwards

Overview and Scrutiny Committee	Due date	Audit and Governance	Due Date
RIPA and Use of Social Media - report back (Head of Legal and Democratic Services)	8 June 2021	Quarterly Corporate Budget Monitor – Quarter 3 December 2020	30 March 2021 (executive) Due to the timetable of meetings it is not possible to produce the report and send it to an Audit & Governance Committee meeting prior to consideration by Executive. The report will be circulated to Members of the Committee when ready and views sort and reported to Executive.
Environmental Sustainability Action Plan (Agreed to report twice a year)	8 June 2021 then 2 November 2021 June 2022 then	Standards Model Code and an update on Standards Issues generally	27 May 2021

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
(this is a working document and is subject to regular amendment) – last updated 8 March 2021

Overview and Scrutiny Committee	Due date	Audit and Governance	Due Date
	November 2022		
Carbon Reduction report	2 November 2021	GDPR and data retention	27 May 2021
Annual Plan and updated Corporate Plan Regular Updates to OS	8 June 2021	Section 106 Contributions (report annually)	9 November 2021
Cultural Strategy - Update on Development of "Smart Targets", Measurements and Monitoring Mechanisms	7 September 2021		
Planning Enforcement Plan – Update on new working practices	February 2022		

Notes:

Members will note the new format of the Consolidated Work Programme. It was felt that by combining both work programmes might provide Members with a better insight into the issues to be considered by both committees and respective timeframes and so aid the process of scrutiny. Additionally, Members should note that the Chairman and Vice Chairman of both Committees are now meeting quarterly with the Leader and Deputy Leader

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
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to consider both work programmes in the context of the Council's Forward Plan to facilitate better scrutiny and review where necessary.

Members are actively encouraged to review the Council's Forward Plan which details the decisions the Executive (and Council) will be taking over the next three months. The Centre for Governance and scrutiny has recommended that early involvement with the decision making process (and before decisions are taken) is good practice. Only decisions which are taken by the executive can be called in.

[Latest Forward Plan](#)