East Herts Council Report

Audit and Governance Committee

Date of meeting: 5 April 2022

Report by: Executive Member for Corporate Services

Report title: Monitoring of 2021/22 quarter three Strategic Risk Register, review of content of the Strategic Risk Register for 2022/23 and annual review of the Risk Management Strategy.

Ward(s) affected: All

Summary – The report details the changes to the Strategic Risk Register for quarter three and recommends that no changes are made to the content in 2022/23. The report also seeks approval to maintain existing risk management practices and processes.

RECOMMENDATIONS FOR Audit and Governance Committee:

A)   **The 2021/22 quarter three Strategic Risk Register be reviewed and officers advised of any further action that could be taken to manage risk.**

B)   **The risks monitored at present are retained for 2022/23.**

C)   **The Risk Management Strategy remains unchanged for 2022/23.**

1.0   Proposal(s)

1.1   This report details the controls introduced during quarter three, proposes that the general content of the Strategic Risk Register remains for 2022/23 and that no changes are made to the Risk Management Strategy.

2.0   Background

2.1   Leadership Team reviews the content of the Strategic Risk Register quarterly and provides updates that are relayed within this monitoring report to Audit and Governance Committee. Please see appendix 1.

2.2   This Committee also receives a report each March recommending the content of the Strategic Risk Register for the new financial year and recommending changes to the Risk Management Strategy.

3.0   Reason(s)

3.1   The Strategic Risk Register details significant business risks; essentially those that could prevent the council meeting its objectives.

3.2   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.)

3.3   A summary of business risks and the risk tolerance line is shown 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.

Impact		Likelihood			
	A	7, 9, 13	10	3	1, 8, 12
	B		4, 11	2	
	C			6	5
	D				
		1	2	3	4

Likelihood

		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

1	Financial resources
2	Corporate governance and external political environment
3	Performance, resilience and security of IT systems
4	Staff capacity and skills to deliver services
5	Poor performance or failure of key partner or contractor
6	Judicial review and or major legal challenge
7	District Plan
8	Climate change
9	Child / vulnerable adult protection
10	Equalities
11	Internal control
12	Outbreak of disease in humans
13	Business Continuity Plan / Emergency Plan

4.0   Options

4.1   No new strategic risks have been identified in quarter three and no risks have become obsolete.

4.2   Leadership Team has not proposed any changes to scores. The scoring of the IT risk (item 3) is due to be reconsidered when the current cyber security audit report is available.

4.3   The council's most significant risks at present remain:

4.3.1 The current financial climate and the impact on the council's medium and long term financial planning.

4.3.2 The response to the pandemic has seen a higher demand for services. Managing the council's response has impacted productivity and some critical work. Supply chains have been affected and costs have increased. However there have been benefits such as a reduced carbon footprint due to blended working (working from home part of the week) and reduced commuting, and increased levels of self-service.

4.3.3   Climate change and the need to reduce the council's carbon footprint.

4.3.4   Performance, resilience and security of IT systems.

4.4   The impact of the pandemic continues to influence a number of risks. (The improving situation will be reflected in quarter four updates, as will the worsening global supply chain issues):

4.4.1   Risk 1 - Financial resources: the uncertainty over post Covid economic and policy agenda, and the demand on council services. Rates of inflation and the global supply chain difficulties have impacted major capital projects.

4.4.2   Risk 2 – Corporate Governance and the external political environment: Administering Covid support grants, business rate relief and funding to support the safe reopening of high streets in the District. The pandemic has also presented an opportunity to develop customer self-help options given the reduction in visits to council offices.

4.4.3   Risk 4 – Staff capacity and skills to deliver services: The uncertainty over the future demand for council services, or support that the council may have to provide to partners including the NHS.

        Staff turnover had reduced during the pandemic but there has been an increase as the employment market stabilised and people are increasingly making lifestyle choices.

4.4.4   Risk 5 – Poor performance or failure of key partner or contractor: Risk of business failure remains due to the pandemic. The national shortage of HGV drivers places additional pressures on the waste contract and has caused supply chain difficulties and financial pressures for major

projects. There is an increased reliance on agency staff.

4.4.5   Risk 8 – Climate change: The pandemic had resulted in a reduction of the council's carbon footprint with fewer journeys to the office and reduced energy consumption. The blended working arrangements mean that most employees now remain at home for half of their work pattern. Many meetings now take place across various online platforms reducing business travel.

4.4.6   Risk 13 - Business continuity and emergency planning generally.

4.5   Given that Leadership Team review the Strategic Risk Register quarterly and update the content comprehensively, it is proposed that the risks to be monitored remain the same for the start of 2022/23, although there will of course be tweaks to content as necessary in quarter four.

4.6   In view of the major changes made to the Risk Management Strategy for 2022/23, and the favourable feedback received from Members and Officers, no changes are proposed for 2022/23. (The Strategy is provided at appendix 2.)

5.0   Risks

5.1   This report details the top business risks facing the council and appendix 2, the Risk Management Strategy, details why it is important to manage risk and the processes that are in place.

6.0   Implications/Consultations

6.1   Leadership Team reviewed on 15 March 2022. The Executive Member for Corporate Services has also been consulted.

Community Safety

No

Data Protection

None specific but the topic features within the Strategic Risk Register.

Equalities

None specific but the topic features within the Strategic Risk Register.

Environmental Sustainability

None specific but climate change features within the Strategic Risk Register.

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

None specific but legal matters feature within the Strategic Risk Register.

Specific Wards

No

7.0   Background papers, appendices and other relevant material

7.1   Please see the Strategic Risk Register with changes tracked at appendix 1 and the Risk Management Strategy at appendix 2.

Contact Member

Councillor George Cutting, Executive Member for Corporate Services

george.cutting@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and Property
Tel: 01279 50 2050 *steven.linnett@eastherts.gov.uk*

Report Author

Graham Mully, Insurance and Risk Business Advisor,
Tel: 01279 502166 *graham.mully@eastherts.gov.uk*