Norfolk County Council

Audit Committee

Date: **Thursday 21 April 2022**

Time: **2 pm**

Venue: **Council Chamber, County Hall, Martineau Lane, Norwich NR1 2DH**

Membership

Cllr Ian Mackie (Chairman)
Cllr Robert Savage (Vice Chairman)

Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Saul Penfold
Cllr Karen Vincent
Cllr Tony White

Advice for members of the public:

This meeting will be held in public and in person.
It will be live streamed on YouTube and, in view of Covid-19 guidelines, we would encourage members of the public to watch remotely by clicking on the following link:
https://www.youtube.com/channel/UCdyUrFjYNPfPq5psa-LFIJA/videos?view=2&live_view=502which

However, if you wish to attend in person it would be most helpful if, on this occasion, you could indicate in advance that it is your intention to do so. This can be done by emailing committees@norfolk.gov.uk where we will ask you to provide your name, address and details of how we can contact you (in the event of a Covid-19 outbreak). Please note that public seating will be limited.

As you will be aware, the Government is moving away from COVID-19 restrictions and towards living with COVID-19, just as we live with other respiratory infections. To ensure that the meeting is safe we are asking everyone attending to practise good public health and safety behaviours (practising good hand and respiratory hygiene, including wearing face coverings in busy areas at times of high prevalence) and to stay at home when they need to (if they have tested positive for COVID 19; if they have symptoms of a respiratory infection; if they are a close contact of a positive COVID 19 case). This will help make the event safe for all those attending and limit the transmission of respiratory infections including COVID-19.

A g e n d a

1 **To receive apologies and details of any substitute members attending**

2 **Minutes** Page 4
To confirm the minutes of the meeting held on 3 February 2022.

3 **Members to Declare any Interests**

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
  - Exercising functions of a public nature.
  - Directed to charitable purposes; or
  - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

If that is the case then you must declare such an interest but can speak and vote on the matter.

4 **To receive any items of business which the Chairman decides should be considered as a matter of urgency**

5 **Governance, Control and Risk Management of Treasury Management 2021-22** Page 9
Report by the Executive Director of Finance & Commercial Services

6 **External Audit Update** Page n/a

Tom McCabe
Head of Paid Service
Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 11 April 2022

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Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 3 February 2022 at 2pm at Council Chamber, County Hall, Martineau Lane Norwich

Present:

Cllr Ian Mackie – Chairman
Cllr David Bills
Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Saul Penfold
Cllr Philip Duigan
Cllr Tony White

Officers in attendance:

James Bullion	Executive Director for Adult Social Services
Jonathan Hall	Committee Officer
Simon George	Executive Director for Finance & Commercial Services
Thomas Osborne	Risk Management Officer
Adrian Thompson	Assistant Director of Finance (Audit) / Chief Internal Auditor

1 Apologies for Absence

1.1 Apologies were received from Cllr Karen Vincent (Cllr Philip Duigan substituting) and Cllr Robert Savage (Cllr David Bills substituting).

Since the previous meeting in October 2021 there had been a change of membership to the committee. Cllr Michael Dalby had been replaced by Cllr Tony White. The Chairman welcomed Cllr White to the committee.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 14 October 2021 were agreed as an accurate record.

3 Declaration of Interests

3.1 None declared.

4 Items of Urgent Business

4.1 The Chairman advised he had a couple of items to bring to the committee's attention:

1. East of England Audit Committee Chairs Forum

The Chairman advised the Committee that the Council have offered to and been accepted by the East of England Local Government Association (EELGA) to be the host as they seek to establish a forum for Audit Committee chairs in the East of England region. The EELGA are grateful to Norfolk for stepping forward for this important project. It was noted that such initiatives are a priority for central government currently, as well as for the local government sector. The Chairman shared the EELGA's confidence that together something that will add real value will be created. Further details were awaited, and the Committee will be advised of developments.

2. Risk Management

Ahead of the first substantive item on the agenda the Chairman advised that members had previously asked for an update on the departmental risk of '**Failure of providers to provide care to vulnerable people' (RM14464)**, presented at Appendix D as part of the report for item 5. The Executive Director of Adult Social Services attended the meeting to update the Committee on the action being taken to mitigate this risk**.**

5. **Risk Management Report**

5.1 The committee received the report by the Executive Director of Finance & Commercial Services referencing the corporate risk register as it stood in February 2022 following the latest review conducted during December 2021.

5.2 The Risk Management Officer introduced the report and highlighted the following:

- The Council were still working through the implications of the COVID Pandemic although the general position was improving there were still some significant concerns.
- The winter pressures had been managed by working closely with the Resilience Team, departmental management teams and Directors of Operations.
- The significant changes to the corporate risks since the last report were: **RM031 NCC Funded Children's Services Overspend** which had increased likelihood from a 4 to a 5 and the risk score from 20 to 25. **Risk RM032a** had been refreshed to cover capacity to manage multiple disruptions to business. A new risk **RM034 Supply Chain Interruption** had been added to the register. This risk looks at the effects of disruption to any of the Council's key supply chains.
- A presentation (available on the Committee's web pages) was undertaken by Executive Director of Adult Social Services concerning **RM14464 Failure of providers to provide care to vulnerable people**. The presentation highlighted actions being taken within 6 key areas to mitigate the risk.

5.3 In response to questions to the Executive Director of Adult Social Services the following was noted:

- The pressures on the department currently means that there is a backlog of care assessments waiting to be undertaken.
- Care providers should self-report any incidences within their premises to the Care Quality Commission (CQC) within hours of the event happening. Any repeated issues or patterns of incidents were investigated, although these investigations had become difficult to undertake during the pandemic.
- The narrative around working within the care sector needs improvement to encourage more workers to join. Pay was an issue with the sector generally paying only a few pounds more an hour than the main

supermarkets. A £2 per hour pay increase for care workers amounted to an approximate increase in the Adult Social Services budget of £40m an annum.

- Whilst Norfolk was bottom of the Eastern region for CQC assessments of care homes, this did not necessarily mean that neglect of residents was taking place. The assessments covered a wide spectrum of activities and poor performing care homes for example may be struggling with paperwork or medicine management.
- It was noted that the County was in a much stronger position than previously with collaborative working with NHS colleagues taking place and a more robust strategic management approach to enable progress to be made.
- The Safeguarding Adults Board deals with all incidents of whistle blowing and is therefore independent of the Council's processes. This should provide confidence to families to report areas of concern.
- The Executive Director of Adult Social Services agreed to consider training for members in their role when they were asked to look into any issues arising from an individual's care and the processes that are in place to help.

5.4 In response to questions to the Risk Management Officer the following was noted:

- The potential over spend for Children's Services, although not referenced in the report, was estimated to be in the region of £5m. The officer pledged to return to members by email with details and reasons of areas creating the potential over spend.
- Risks were monitored on a regular basis, and officers were frequently in touch with risk owners and reviewers concerning mitigations and actions. Risks are reported on a quarterly cycle to the Corporate Board and Cabinet.
- The officer pledged to return to members by email with an update on the Norfolk Investment Framework (**Risk RM022b**) which will draw down funding from the Shared Prosperity Fund to replace the EU funding.

5.5 The committee **AGREED** to note and endorse:

a. The key messages as per paragraphs 2.1 and 2.2 of this report
b. The key changes to the corporate risk register **(Appendix A)**;
c. The corporate risk heat map **(Appendix B)**;
d. The latest generic corporate risks (**Appendix C)**;
e. The latest departmental risk RM14464 **(Appendix D);**
f. The Scrutiny options for managing corporate risks **(Appendix E)**;
g. The Background Information **(Appendix F)**;

6. External Audit Reports

The committee received the report by the Executive Director of Finance & Commercial Services and this was presented by the External Auditor from Ernst & Young LLP. The key points were noted:

- The report covers the audit process of both the County Council and

Norfolk Pension Fund accounts.

- PWC had approved the Norse accounts on 10th December 2021 to allow the external auditors to complete the audit process.
- There were no significant new issues that had evolved since the External Auditor issued his report from 14th October 2021 meeting.
- The final audit certification can not be issued as details are awaited for the approach and instructions on the whole of government accounts. When the information becomes available from National Audit Office and HM Treasury the final audit certificate can be issued and the audit year closed.
- A new element of the annual auditors report was the value for money commentary and no changes had been recommended since the draft wording was issued to the committee in October 2021, and the comment formed part of the published documentation.

6.1 In response to questions to the External Auditor the following was discussed and noted:

- Thresholds existed for businesses within the County Council's accounts meaning small and dormant companies would not form part of the audit.
- The County Council does hold significant reserves, although many of these were earmarked for particular purposes, this did not prevent them from being redirected to fund emergency and unpredicted spent.

6.2 The Committee **AGREED** to:

- Note the PSAA scale fees for 2021-22, the action the government is taking to help tackle audit delays.
- The External Auditor's Norfolk County Council and Norfolk Pension Fund 'Auditor's Annual Report Year ended 31 March 2021.

7. **Norfolk Audit Services Report for the Quarter ending 31 December 2021**

7.1 The Committee received the report by the Executive Director of Finance & Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress of the delivery of the internal audit work and advised on the overall opinion of the effectiveness of risk management and internal control which was considered to be adequate.

7.2 In response to questions the following points were noted:

- The small number of fraud cases, seven in total, was not considered to be an issue and reflected a good approach and process to the issue. All referrals of such activity is taken seriously and investigated thoroughly.
- The officers pledged to return to members via email to provide an up to date position concerning point 1 of Appendix A relating to authorised access of data centres and point 3 concerning the value for money assessment of On Street Civil Parking Enforcement. In relation to point 3 concerns were expressed particularly about the South Norfolk area.

7.3 The committee **AGREED** to:

- The key messages featured in the quarterly report, that the work and assurance meet their requirements and advised if further information is required

8. **Internal Audit Strategy, Approach and Audit Plan for 2022/23**

The committee received the report by the Executive Director of Finance & Commercial Services and was introduced and presented by Assistant Director of Finance (Audit). The annual plan details how the department's planned approach and work plan fits in with the governance arrangements of the council and how it meets audit standards and the financial legislative duties.

8.1 In response to questions the following was discussed and noted:

- It was thought that the scrutiny of the partnership arrangement between the Council's Adult Social Services department and Newton Europe was beyond the remit of the committee. However, the arrangement would be audited in the normal way as part of the Council's audit process. It was envisaged that the Executive Director for Adult Social Services would return to the committee in the future to report on how the arrangements had worked to mitigate the known departmental risks as identified on the risk register.

8.2 The committee **AGREED** to:

- The Internal Audit Strategy, the approach to develop the Audit Plan for 2022/23 and the Audit Plan for 2022/23, supported by the 'Days Available to Deliver NAS Services 2022/23 (Appendix C) and the 'Detailed Audit Plan for the Audit Year 2022/23 (Appendix D), and that this work will deliver sufficient scope for the assurances required.
- The arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Chief Internal Auditor (described at paragraph 2.24 of this report), and any other relevant statements of best practice.
- The approach to minimise the audit burden during the pandemic response continues and is risk based, necessary, proportionate and that normal coverage will resume on a risk assessed basis at the earliest opportunity. The reasons for deferring any audits will be reported to this Committee.

9. **Work Programme**

The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme. The Committee considered and **noted** the report.

Meeting ended at 3.18pm

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Audit Committee

Item No:5

Report Title: Governance, Control and Risk Management of Treasury Management 2021-22

Date of Meeting: 21 April 2022

Responsible Cabinet Member: Cllr Andrew Jamieson (Cabinet Member for Finance**)**

Responsible Director: Simon George, Executive Director for Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions:

Executive Summary / Introduction from Cabinet Member

As part of its terms of reference, the Audit Committee has responsibility to "consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice".

The purpose of this report is to provide assurance to the Committee as to the adequacy and effectiveness of these arrangements. This report demonstrates that appropriate arrangements are in place, reflecting best practice and can assure the Committee that there are effective governance, control and risk management arrangements in respect of Treasury Management.

Recommendations:

1. To consider and agree this report, which provides assurance to the Audit Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

1. Background and Purpose

1.1. Treasury management in local authorities is tightly regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by Government. This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.

1.2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

"*The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*."

1.3. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.

1.4. CIPFA's Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA's latest version of the Code was released in December 2021. The main changes to the updated Treasury Management Code are as follows:

- Investment management practices and other recommendations relating to non-treasury investments should be included within the Treasury Management Practices (TMPs)
- The Liability Benchmark has been introduced as a new Treasury Management Indicator to be reported by local authorities on a quarterly basis
- Environmental, Social and Governance (ESG) risks are incorporated into the TMP1 (Risk Management) and TMP 13 has been removed
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

1.5. These changes are to be fully implemented in financial year 2023-24 and local authorities are encouraged to begin implementing these provisions in the 2022-23 financial year.

1.6. The specific clauses and policy statements which the County Council adopted in February 2010 as part of its financial regulations and procedures remain materially the same. These recommended clauses are incorporated in Section 4.7 of the Council's Financial Regulations.

1.7. Complementary to the CIPFA Treasury Management Code, the Department of Levelling Up Housing and Communities',(DLUHC's) Investment Guidelines require the full Council to approve an Annual Investment Strategy and an Annual Capital Strategy.

1.8. In December 2008, Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. The Panel's responsibilities include:

- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.
- Receive detailed reports on the Council's treasury management activity, including reports on any proposed changes to the criteria for "high" credit rated institutions in which investments are made and the lending limits assigned to different counterparties.
- Receive presentations and reports from the Council's external Treasury Management advisers.
- Consider the draft Treasury Management Annual Report and Mid-Year Monitoring Report prior to their submission to Cabinet and full Council.

1.9. Following a full tender process in 2019, Link Asset Services being engaged for 8 years from 1 September 2019 as the Council's Treasury Management adviser, with the option to extend the contract for a further 2 years

2. Proposal

2.1. The Audit Committee is requested to consider and agree this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management

3. Impact of the Proposal

3.1. The County Council's treasury management operations form an important part of the overall financial management of the authority. These operations are designed to comply with statutory and regulatory requirements, including appropriate Member scrutiny and reporting.

4. Evidence and Reasons for Decision

4.1 An "Annual Investment and Treasury Strategy 2021-22" was approved by the Cabinet on 1 February 2021 and then County Council on 22 February 2021, to coincide with the Council's annual budget proposals. Prior to consideration by Cabinet, the Strategy had been discussed and approved by the Treasury Management Panel.

4.2 The Annual Strategy report provided interest rate forecasts, the Council's borrowing strategy, criteria for choosing investment counterparties, monetary limits and deposit periods, and capital and treasury management prudential indicators. The strategy also incorporates the Council's minimum revenue provision (MRP) policy which sets out how the Council will set aside monies for the repayment of debt.

4.3 During financial year 2021-22, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- annual report following the year-end describing activity (Cabinet 7 June 2021 and County Council 27 September 2021)
- a mid-year treasury update report (Cabinet 6 December 2021)
- an annual treasury strategy in advance of the 2022-23 financial year (Cabinet 31 January 2022 and County Council 26 February 2022).

To aid transparency these reports were presented as agenda items and reports in their own right, rather than as appendices to other reports.

4.4 Following this financial year-end, the "Annual Treasury Management Report 2021-22" is due to be approved by the Treasury Management Panel in May 2022 and Cabinet in June / July 2022, for presentation to County Council.

4.5 The Annual Report reviews treasury activities undertaken in the previous 12 months (April to March) and contains details of performance against key treasury management indicators and budgets. It also provided confirmation that all treasury investment during the year was in accordance with the approved investment criteria.

4.6 The Council incorporates the governance requirements of the CIPFA Treasury Management Code and the MHCLG Investment Guidelines relating to "non-treasury investments" into its Treasury Management reports. A summary of non-treasury investments (including loans to subsidiaries) is included along with a short commentary on the proportionality of these investments in the context of the Council's capital programme and revenue budgets

4.7 In addition, following changes to the Public Works Loan Board (PWLB) lending arrangements in November 2020. The local authority s151 officer must provide annual confirmation that there is no intention to purchase investment assets primarily for yield at any point in the next three years. Schemes approved in the Council's capital programme are all within Norfolk and relate to policy initiatives such as economic development. There are no schemes which include the purchase of assets primarily for yield.

4.8 Through 2021-22, the Treasury Management Panel provided scrutiny of treasury activity. Reports to Cabinet are amended where appropriate to incorporate comments or views expressed by the Panel. There are no outstanding actions or recommendations from meetings of the Panel during 2021-22.

4.9 The Panel received training in November 2021 in the form of a presentation from Link Group, the Council's external treasury advisors. This covered the general treasury management environment, the economic outlook and impact of the pandemic, review of borrowing options following the short-term dips in PWLB interest rates in November 2021 and the Bank of England Base Rate forecast for 2022-23.

4.10 In addition to the specific treasury management reports, throughout 2021-22 Cabinet received regular short treasury management summaries within monthly Finance Monitoring reports. These provided key treasury management information such as the levels of cash balances.

4.11 The County Council's external auditor (Ernst & Young) performs audit tests in order to inform their annual audit of the Council's Statement of Accounts. For example, they seek independent verification of material investment and debt balances.

4.12 Transaction testing of key controls is supplemented by a triennial full internal audit review, supplemented by further work if significant changes to systems or processes are identified. The full triennial internal audit review was undertaken in 2021, with a final report issued on 24 March 2021. One low priority finding was identified and action taken to address this by updating the Risk Register for Treasury Management for mitigating actions taken to date.

5. Alternative Options

5.1 In order to comply with best practice and Codes of Practice, no viable alternative options have been identified.

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6. Financial Implications

6.1 The expenditure and income relating to treasury management activities falls within the parameters of the Annual Budget agreed by the Council.

7. Resource Implications

7.1 There are no direct staff, property or IT implications arising from this report.

8. Other Implications

8.1 Legal Implications:
None identified.

8.2 Human Rights Implications:
None identified

8.3 Equality Impact Assessment (EqIA) (this must be included):
No issues or implications identified. An overall summary Equality and rural impact assessment report is included on page 284 of the Monday 22 February 2021 Norfolk County Council agenda. CMIS > Meetings

The Council is maintaining a dynamic COVID-19 equality impact assessment to inform decision making during the pandemic.

8.4 Data Protection Impact Assessments (DPIA):
DPIA is not required as the data reported in this paper does not drill down to the personal data level.

9. Risk Implications / Assessment

(This must be included in decision-making Cabinet reports only)

9.1 In December 2021, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focussed on non-treasury investments including, for example, capital loans and property investments. Full implementation of the new Code will be required in 2023-24 and will feature in Treasury Management Reports accordingly.

9.2 Despite the move to hybrid home working imposed as a result of the Covid 19 pandemic, the Council's treasury management operations have been carried out in accordance with best practice and in compliance with legislative and regulatory requirements. Although there have been some practical changes resulting from remote working, such as the acceptance of e-mail authorisations in place of handwritten signatures, the Banking and Treasury Team have maintained a full service throughout the year with the same level of authorisation, reconciliation and control.

9.3 Covid-19 responses and measures have had some impact on interest rates in the period covered by this report, with some short -term nil or negative interest rates on offer. In addition, due to patterns of expenditure and government grants, cash-flow forecasting has been more uncertain. However, this has not changed the Council's investment strategy: as in previous years, a balance is maintained with the Council's bank with investments currently with UK retail banks, UK money market funds, or UK local authorities.

9.4 The Bank of England Base Rate was increased 0.2% in December 2021 and has since increased again to 0.5% in February 2022. The base lending rate is forecasted to increase to over 2% in the coming year. Returns on the investment of surplus cash are forecast to remain minimal.

9.5 Changes to IFRS 16 (the financial accounting standard relating to leases), mean that the Council has to bring operating leases and other "right of use" arrangements, including "embedded leases", onto its balance sheet from April 2022. This will affect the Council's statement of accounts and will increase the Council's stated capital financing requirement. However, it is not likely to alter financing decisions or impact the Council's general fund. CIPFA have launched a consultation into the proposal to defer the implementation of IFRS16 to April 2023 and the findings of this consultation are due to be published at the end of March 2022.

9.6 The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and C7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Executive Director of Finance and Commercial Services) and the other Chief Officers. The regulations and procedures are reviewed and updated annually.

9.7 The Finance Management Team is responsible for maintaining a departmental risk register. There are currently no "High" risks identified relating to Treasury Management activities.

10. Select Committee Comments

None.

11. Recommendations

Recommendations are set out in the introduction to this report.

12. Background Papers

None.

Officer Contact
If you have any questions about matters contained within this paper, please get in touch with:

Officer name: Joanne Fernandez Graham
Telephone no.: 01603 306228
Email: j.fernandezgraham@norfolk.gov.uk

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Audit Committee

Item No:7

Decision making report title: Audit Committee Terms of Reference

Date of meeting: 21 April 2022

Responsible Cabinet Member: N/a

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a key decision? No

Executive Summary

This report introduces the Audit Committee's Terms of Reference. The terms of reference for the Audit Committee are considered as part of a regular formal review, as set out in its terms of reference. The last review was at the 31 January 2019 meeting of this committee. The terms of reference were due to be reviewed in January 2020 and again in January 2021 however due to Covid19 pressures these reviews did not take place.

In October 2021 this Committee received a yearly update of the Audit Committee. That report included the conclusions drawn from the completion of a CIPFA Self-assessment tool undertaken in the Autumn of 2021. The conclusions were 'the Audit Committee has a high degree of performance against the good practice principles set out in CIPFA's position statement. Completion of the Self-assessment tool highlighted that the Audit Committees terms of reference are consistent with guidance and best practice, subject to further strengthening by:

1. including in the Committee's terms of reference (as consequential changes) these roles from the CIPFA position statement:
    - considering the effectiveness of arrangements and the control environment and risk related issues in relation to partnerships and collaborations with other organisations
    - monitoring the effectiveness of the control environment, including arrangements for ensuring value for money and supporting standards and ethics
    - supporting standards and ethics arrangements
2. considering a future report on the CIPFA's position statement for 'wider roles' and agree if there are any actions that need to be taken
3. receiving updates on regulations and guidance concerning independent members and, if required, consider any such requirement
4. considering a future report on the CIPFA 'assessment tool – evaluating effectiveness'

The areas of further strengthening in respect of point 1 above have been considered and incorporated into revised Audit Committees terms of reference, as consequential changes at **Appendix A**. <u>For ease of reference the changes made are underlined.</u> Points 2, 3 and 4 will be reported to future meetings.

The Council has established a Norfolk County Council owned Companies Governance Panel. Since the above update report and in light of some difficulties reported by other Councils regarding their commercial arms, best practice has indicated that Audit Committees should consider the effectiveness of the Locally Owned Trading Companies governance arrangements. This assurance would be best achieved through relevant update reports from the Norfolk County Council owned Companies Governance Panel to the Audit Committee, that controls and risk management are in place and that they are effective. That best practice has been added to the terms of reference.

Recommendations

- **To consider and agree the proposed Terms of Reference at Appendix A and that the Director of Governance makes these consequential changes.**

1. Background and Purpose

1.1 The Audit Committee's Terms of Reference are set out in the Council's Constitution at (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12. The Audit Committee are deemed 'Those charged with Governance', on behalf of the Council. The Committee forms part of the Council's System of Internal Control and Risk Management and performs specific functions required by statutory regulations. Key objectives of this Committee are to provide proactive leadership and direction on audit governance issues and champion sound proportionate audit, internal control and risk management throughout the Council.

1.2 The terms of reference for the Committee are considered as part of a regular formal review, as set out in the terms of reference. The last review was undertaken in January 2019.

The terms of reference include that the Committee should 'Review the Committee's own terms of reference to ensure they are current'. The Committee's Terms of Reference form part of the Council's Constitution (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12.

These revised Terms of Reference are compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2017 and the Local Authority Guidance Note of April 2013. Key areas from the CIPFA publication ‘CIPFA guidance ‘Audit Committees - Practical Guidance for Local Authorities and Police 2018 Edition’ have been incorporated into the TOR to help ensure that the Council complies with the CIPFA Self-assessment tool.

2. Proposals

2.1 The Audit Committee are recommended to consider and agree the proposed revised Terms of Reference, at Appendix A and that the Director of Governance makes these consequential changes.

3 Impact of the Proposal

3.1 These revised terms of reference provide assurance over the role and responsibilities of the Audit Committee, incorporating the further strengthening of the terms of reference identified and reported in the yearly update of the Audit Committee in October 2021.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no property implications.

7.3 **IT:** There are not I.T. implications.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

CIPFA's position statement
CIPFA: Audit Committees Practical Guidance for Local Authorities and Police Edition 2018.

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name: Adrian Thompson
Tel no.: 01603 303395
Email address: Adrian.thompson@norfolk.gov.uk

IN TRAN communication for all

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Appendix A

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE – Proposed (changes underlined)

A Governance

1 Consider the Annual Governance Statement, and be satisfied that that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, <u>the effectiveness of the Whistleblowing policy</u> and includes an agreed action plan for improvements where necessary.

B Internal Audit and Internal Control

1 With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.

2 Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

3 Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including <u>arrangements for ensuring value for money, supporting standards and ethics and</u> risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary. The Chairman can request a sample of audit reports to review periodically.

4 Consider reports showing progress of all clients against the audit plan and proposed amendments to the Council's audit plan.

5 Ensure there are effective relationships between internal audit and external audit, other inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

C Risk Management

1 Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

2 Consider the effectiveness of the system of risk management arrangements.

3 Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary. This includes where the Council may work in partnership and collaboration with other organisations.

4 Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.

5 Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.

6 Report annually to full Council as per the Financial Regulations.

D Anti-Fraud and Corruption and Whistleblowing

1 Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the council.

2 Consider the effectiveness of the Council's anti-fraud and corruption and Whistleblowing arrangements.

3 Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary

E Annual Statement of Accounts

1 Consider the external auditor's reports and opinions, relevant requirements of International Standards on Auditing and any other reports to members with respect to the Accounts, including the Norfolk Pension Fund and Norfolk Fire-fighter's Pension Fund, and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.

2 Consider the External Auditor's Annual Governance Report and endorse the action plan contained in this Report and approve a Letter of Representation with respect to the Accounts.

F External Audit

1 Consider reports of external audit and other inspection agencies

2 Ensure there are effective relationships between external audit and internal audit

3 Consider the scope and fees of the external auditors for audit, inspection and other work.

G Norfolk Pension Fund

1 Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the relevant Governance reports of the Norfolk Pension Fund.

H Treasury Management

1 Consider the effectiveness of the governance, control and risk management arrangements for Treasury management and ensure that they meet best practice.

I Council Owned Trading Companies

1 Consider the effectiveness of the governance, control and risk management arrangements for Norfolk County Council owned Companies through relevant reports of the Norfolk County Council owned Companies Governance Panel.

J Administration

1 Review the committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.

2 Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.

3 Consider the six monthly and Annual Reports of the Chairman of the Committee.

Audit Committee

Item No:8

Report Title: Norfolk County Council’s Insurance Cover

Date of Meeting: 21 April 2022

Responsible Cabinet Member: Not applicable

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions:

Executive Summary

The Council’s Constitution includes in the Audit Committee’s Terms of Reference (part 4.4) for risk management to, ‘Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council’s risk management Policy and Framework and that proper insurance exists where appropriate.

Providing insurance cover is one of the accepted methods of reducing the impact of risks to the Council and subsidiary companies. The payment of a premium to an insurer, thus offsetting the risk, allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the insured against financial loss.

This report provides the Audit Committee with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance and Commercial Services Department.

The report provides members with assurance as to how the insurance provision is delivered and how claims against the Council and subsidiary companies are managed by the Insurance Team.

Recommendations:

1. **To Consider and agree that proper insurance provision exists where appropriate, as confirmed by external and internal reviews and accept the report.**

1. Background and Purpose

1.1 Audit Committee members requested that they might have an annual report containing information about the insurance cover that is in place for Norfolk County Council and subsidiary companies.

1.2 Until 1992 the Council was insured with "Ground-up cover", this is where an insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level as all the risk was held by the insurer. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.

1.3 To accommodate this decision, it was necessary to create an Insurance Fund to cover the element of the self-insurance to the £100,000 level as the Council would be responsible for all claim payments up to that value. Since the mid 1990's our deductible across liability and motor policies has been increasing to the current £276,000, with Material Damage (Property) set at £250,000. The result of these higher levels of deductibles is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge; the Fund is then used to cover settlements up to the levels of the deductibles.

1.4 Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around settlement in conjunction with the insured. The insurer will investigate, review, and decide upon liability, making their recommendations to the insured. Where there is a deductible, the insured will have responsibility and conduct of the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims and therefore the associated costs.

2. Proposal

2.1 This report seeks to provide information and assurances to Members that there is adequate provision regarding the placement of insurance cover, managing claims and the associated risk mitigation measures throughout the Council and subsidiary companies.

3. Impact of the Proposal

3.1 It can be demonstrated that there is adequate insurance provision in place to protect the employees and assets of the of the Council and subsidiary companies.

4. Evidence and Reasons for Decision

4.1 There are many risks the Council and subsidiary companies face in delivering the services they provide. When risks have been identified, there are several industry accepted methods for treatment or mitigation of these risks.

4.2 There are four accepted methods of treating and mitigating identified risks:

- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
- **Reduce:** Take actions to reduce the impact of the activity, e.g., contingency arrangements. Act to reduce the likelihood e.g., alternative systems, increased training, physical improvements to premises etc.
- **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it with agreed constraints.
- **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.

4.3 Risk transfer is usually accomplished using an insurance policy, although not exclusively. This is, at its most basic, a voluntary agreement between two parties, the insurance company, and the policyholder, in this case, the Council. In such an agreement the insurer takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurer will make good the agreed financial loss.

4.4 For providing this type of cover against loss the insurer charges a fee, or insurance premium, for accepting the risk which is based on the level of perceived risk. In addition, there may be deductibles, reserves, reinsurance, and other financial agreements that modify the financial risk the insurer is willing to take on.

4.5 Changes to the Insurance Act have placed a higher responsibility on those seeking insurance cover to disclose all salient facts. There is a "Duty of fair representation" within the Act that requires "the insured to make a fair presentation of risks". A breach by the insured to follow this part of the Act allows the insurer, to at worst, to withdraw cover, at best, charge additional premiums to maintain cover.

4.6 Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the risks and future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.

4.7 Most risks that are identified can be insured against. However, the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claim's history of the organisation and how effective risk mitigation measures are that have already been implemented. The insurer will also look at what additional measures could be or are being implemented to reduce the perceived risks. The insurer will undertake audits of activities and surveys of property to determine how effective risk mitigation is.

4.8 The cost of cover or the premiums that are to be charged is also dependent upon the level of deductible that is attached to the policy. The greater the deductible generally the lower the cost of cover will be. The insured will then be responsible for investigating and funding, if liability is accepted, the full costs of any claim up to the agreed deductible, and should the claim exceed this, the insurer will be responsible for covering the balance.

4.9 **Insurance provision.**

Norfolk County Council retains a number of different insurance policies however, only Employer's Liability insurance is a legal requirement under the Compulsory Insurance Act 1969. We hold other policies out of necessity to provide adequate protection to the Council and subsidiary companies, employees and third parties. All other protection could be underwritten by the Council, however, this would require the Council holding a limitless fund, sufficient to finance the total cost of all settled claims.

There are four main policy types that Norfolk County Council and the subsidiary companies hold cover on:

Employers Liability – As an employer, the Council has insurance against claims from employees for an alleged breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council. The limit of indemnity on this policy is £50 million with a deductible of £276,000.

Public Liability – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the highway as the Highway Authority. Currently the limit of indemnity on this policy is £50 million with a deductible of £276,000.

Property or material damage insurance – Cover for material damage to property owned by the Council and covers damage to both the physical property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250,000. Contents values are based on reports provided by the individual services.

Motor insurance – Cover for any motor vehicle which is the property of or in the custody or control of the Council and subsidiary companies. Currently the limit of indemnity on this policy is £50 million with no excess. Although it is compulsory for all drivers to hold Motor insurance, the Road Traffic Act 1988, Section 144 provide an exemption to County and District Councils to self-insure all losses if they consider it appropriate.

4.10 There are a number of addition policies that the Council currently hold as follows:

Airside cover – Cover for incidents on the airside (live side) at an airport, this is specifically for the activities of the NFRS should they be required to attend to an incident at the airport.
Terrorism cover - Policy to cover acts of terrorism against County Hall only.
Fidelity Guarantee – Cover for direct acts of fraud, theft or dishonesty by an employee in the course of their employment.
Contract works - All risks policy to cover loss or damage to contract works undertaken for and on behalf of the Council.
Fine Art All Risks cover – Cover for art and collectables owned or on loan to the Council.
Travel insurance – Cover for all authorised trip members worldwide, including school travel and the policy covers specialist medical assistance and repatriation if necessary.
Professional Indemnity – Covers financial loss as a result of acts or omissions in the professional services provided by the Council. A £5m limit of indemnity is included within the Public Liability police, however an additional level of cover has been procured for NP Law because of the nature of the risks involved in providing that service.

4.11 As part of the insurance service provided by the Insurance Team there are several small, individual and explicit or bespoke policies that have been purchased to cover very specific risks. Examples would be cover for asbestos surveys and removal, use of drones, and hired in plant cover.

4.12 The same main policy coverage extends to all the activities that are undertaken by the Council and subsidiary companies, such as Norse, Independence Matters and Repton Developments.

4.13 Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium, we are required to pay tax on all insurance policies purchased, the current level of Insurance Premium Tax (IPT) is 12%.

4.14 Prior to the annual insurance renewals, questionnaires are sent to Heads of Service and Executive Directors to identify all risks within individual service areas. The responses are then collated and provided to the insurers so they can assess the annual risks and calculate appropriate premiums. As previously noted, failure to present all our risks may breach the Insurance Act requirements. Heads of Service and Executive Directors are required to sign off each renewal questionnaire confirming that the information contained is true and accurate and reflects the current risks to that service or company.

4.15 At present our main policies, Casualty (Employers and Public Liability) and Motor are placed with Zurich Municipal, Material Damage (Property Damage) is placed with AIG. Smaller or more specialist cover is placed with various specialist insurers through our broker, Aon.

4.16 The premiums charged are competitive market rates for the risks related to the activities of the Council and subsidiary companies. Those rates are then passed on to the individual areas through the annual premium calculations. If an individual area was to look to the market for an individual premium it would find that the rates would be much higher because the risks are more concentrated within a smaller portfolio. The insurer is more comfortable when spreading the risk over a number of areas/elements rather than a single entity.

4.17 As an example, our property asset is insured on a portfolio basis against the rebuild value of each property, there are a small number of properties that are demolition only where there is no intention to rebuild. The insurance market sees the high portfolio value, over £1.5bn, but assess the risk as low because the properties are spread across numerous sites. If a single building was to seek insurance cover the premium would need to reflect the individual value of the property and the high level of risk on the specific site. By working on a portfolio bases, we are able achieve much lower levels of premium per property than as individual sites.

4.18 Internal insurance premiums are calculated based on a number of factors, the Insurance Fund requirements, external premiums and the costs of the Insurance Team. In the first instance top level calculations are produced using this data, and cover the main policies, Liability, Motor and Material Damage. At this top-level, costs are allocated on a pro-rata basis, Liability on Fund requirements, Motor on fleet size and Material Damage on property and contents values.

4.19 Once the top-level calculations are complete further analysed is carried out based on the individual questionnaire responses, the 5-year claims history and estimates of current claims. Once these calculations are complete, each individual area within the Council and subsidiary companies is notified of the premiums with breakdowns of the figures. The annual renewal reports are sent to each area of the Council and subsidiary companies, outlining the policies that are in place for that specific area with the annual premium costs. In addition, an overall service report is sent to each Executive and company Director noting all policies the individual service has.

4.20 **Claims Handling.**
The Council is self-insured to the level of £276,000 (£250,000 – Property) which results in the Insurance Team having full conduct of all claims that are valued below that figure. The team has the capacity and experience to make final decisions on all such claims, ensuring the best possible outcome for the Council and subsidiary companies. The insurers have, as part of the insurance contract, authorised the team to act on their behalf within the excess layer. The team has full authority to manage and where necessary, settle claims in the best possible interests of the Council and subsidiary companies.

4.21 All areas of claims brought against the Council and subsidiary companies within the deductibles are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance Team has been managing claims for almost 30 years and has considerable experience in all classes of business and areas of claim. As the team is in-house, there is ready access to the appropriate officers and Senior Managers in service areas against which claims have been brought and access to IT systems and electronic record data as required. Data that is stored is available to investigators without special permissions as it remains within the Council and is being used for the investigation of the insured's activities.

4.22 Claims can be brought against the Council and subsidiary companies in several ways, a claimant in person may complete a claim form or write a formal letter of claim. Claims may come in through the Ministry of Justice portal, this is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. No matter how the claim is brought it must contain clear and specific allegations of a breach and a clear description of the location. Once the claim has entered the claims management system it is allocated to the appropriate level of handler.

4.23 Claim are allocated to individual handlers who are supervised by Claims Manager. The handler will carry out a full investigation into the allegations and make decisions on the validity of the claim. Claims Managers carry out regular audits on claim files and authorises all payments to ensure there is a consistent approach to claims handling across the team. This also enables managers to identify trends and have an insight into developing areas of concerns. These are fed back to service areas and often discussed at industry forums where representatives from other local authorities, insurers, legal service providers and brokers come together to review such trends.

4.24 The team handled almost 1800 claims in 2021. This is a slight reduction on previous years and continues to be accounted for by the Covid-19 restrictions. Less people were out in the community or travelling to places of work, this also resulted in a reduction of vehicles on the highway. This year has also seen further reductions in the overall motor fleet operated by the Council and subsidiary companies, reducing the vehicle damage claims compared to previous years.

4.25 Some 750 of claims received were liability claims, the majority of which were brought as Public Liability claims. These claims include alleged slips and trips on the highway, damage to vehicles from alleged highway defects and claims arising from alleged failures in both Children's and Adult Services. A small number of claims were brought as Employers Liability claims where the individual is an employee or is treated as an employee for the purpose of insurance, such as volunteers acting in the appropriate capacity and under the supervision and control of NCC.

4.26 All claims against the Motor Policy will be related to an incident involving vehicles either owned or under the control of the Council or subsidiary company. Some incidents will involve a third-party where our vehicle has collided with a vehicle or property owned by the third-party. Most of these claims will involve a light commercial vehicle, a car or a van. A number will involve heavy commercial vehicles, refuse freighters, highway vehicles and specialist vehicles such as fire appliances. There have been some 570 motor claims this year. All property claims will relate to damage to a property or contents owned by the Council and subsidiary companies, and we have seen just under 450 claims this year.

4.27 Claims are reserved (the estimate based on potential cost of settlement including, all potential legal costs and the costs of experts) against the information provided by the third party or their representatives. Reserves are amended as new information is obtained and as negotiations are undertaken. An alternative option, worse case reserving, fixes a very high figure that is reduced as new information is obtained. This method requires a very high level of Fund reserve and ultimately impacts on external and internal premiums.

4.28 Where a claim reserve is higher than the deductible based on all the information available, the insurer has a right to take over conduct of the claim. Should that be the case, the insurer will work in conjunction with the handler and Claims Manager to investigate the allegations, and where necessary, negotiate and achieve the best possible outcome.

4.29 Allegations related to liability claims must be linked to a breach of statute or brought in negligence. It is for the claimant to bring the allegations of what statute/s they consider have been breached or where they believe there has been negligence on the part of the Council or subsidiary company. It is then for the handler to fully investigate the allegations and determine if there is a defence based on information for the service or if there is a legal precedent (case law) to base a defence on.

4.30 Where there are property damage claims, the handler acts as the Loss Adjustor and provides immediate recovery/restoration provision. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre-incident condition as soon as possible. The handlers will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. As part of this service, handlers work with contractors and NPS where building works are necessary to ensure best value and speedy responses. Where property damage exceeds the excess, we will work with the insurer and the nominated external Loss Adjuster to ensure the best possible outcome for the building users.

4.31 Where a claimant or the claimant's representative is dissatisfied with a denial, they can refer the claim to the Courts and the claim will become litigated. The handler will work in conjunction with one of our panel solicitors to develop our defence to the allegations. Handlers will take witness statements, collate additional documentation, meet with barristers, and eventually attend court to support our witnesses. Whilst in court, they record the salient points of the case for future learning and feedback.

4.32 Decisions on liability are clear cut, and handlers are trained to review all relevant information to ensure that the correct decision is reached. There is no opportunity to mediate or negotiate on this position, either the Council has breached a duty or been negligent, or it has not. What is open to negotiation is the value of the claim and what the claimant may have contributed to the loss, pre-existent injuries/illness or local knowledge of the location etc. Handlers will assess evidence of loss and offer an appropriate level of compensation considering all these factors. The team does not have the ability to pay any ex-gratia compensation if there has been no breach of statute or duty. The team always seeks to settle claims on the best possible terms, minimising the cost to the Insurance Fund and possible premium increases and mitigate any potential reputational risks.

4.33 Denial rates (closing a claim with no payment to the third party) forms part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 60% (it should be noted that this figure is based on a very small sample). The overall Public Liability denial rate (including highway related claims which are currently at 83%) is 80%. Clearly denial rates are very dependent upon what the individual departments and teams are doing and what policies and practices are in place. Claims can only be defended and denied if there is sufficient documentation and evidence to prove the Council and subsidiary companies have complied with all that is required to do including our own policies, procedures, and guidance.

4.34 It is not possible to place an actual financial figure on the claims that are denied in any given period. However, it is evident that the better the denial rates are, the smaller the strain on the Fund, which in turn is reflected in the costs of both external and internal premiums.

4.35 Where a claim must be settled, the team will provide feedback to the individual departments and managers. This process is used to improve and enhance further our future ability to defend similar claims. Sometimes this will require a change in working practices or consideration of how the activity can be delivered in a different way to mitigate the identified risks.

4.36 As part of the handling process, fraud indicators are checked at each stage during the life of the claim. Where there are concerns raised, further investigation and checking is undertaken. The insurance industry is seeing fraudulent claims in several main areas including motor, where the incident is staged, housing damage where tenants are exaggerating the material damage and the exaggeration of injuries by liability claimants. Recent Court cases have seen the judiciary willing to dismiss claims for exaggerated injuries and in extreme cases charge those who brought the claim with fraud.

4.37 As part of this investigation process, the team is looking for signs of fraud, comparing photographs, statements, allegations, and medical records for inconsistencies. Where fraud is suspected we can refer a claim to one of our panel solicitors who have teams with access to sophisticated fraud detection systems. Should fraud be identified we will refer the findings in the first instance back to the claimant or their representative for consideration and suggest discontinuance.

4.38 Reports are regularly produced from the Claims Management system to identify and address any specific claim trends and where these are identified, referred to the departments involved. This has proved very useful to the Highways Team in that it enables Engineers to target areas of need when considering proactive maintenance works.

4.39 There are various future risks that are being highlighted by the insurance industry and our legal providers. Insurers and solicitors are seeing an increase in claims around Human Rights legislation linked to both Children’s and Adult Social Services. There has also been concerns raised linked to e-scooters and the use on the highway. There is currently a disconnect between those provided by recognised hire companies as part of on-going trials and those privately owned. The government is working with the various stakeholders to bring in appropriate legislation and possible insurance products to cover the use of such vehicles.

4.40 **Insurance Fund**
The Insurance Fund is the financial provision that is used to pay settlement compensation and costs to successful claimants including any associated legal and medical costs. The Fund is maintained by the collection of premiums paid by the departments against the policy cover provided.

4.41 For some classes of insurance, it can take several months or even years to report, investigate, pay, and close claims. For some large and complex claims, courts may need to decide on liability, and this can add more time to the process. Claims relating to abuse or long-term disease such as mesothelioma can be open for many years until a final settlement can be agreed.

4.42 As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses and new information is available. The total value of a claim (the incurred amount) is the amount paid to date plus the "outstanding" amount still to be paid, as money is paid out on a claim, the reserve will be reduced accordingly.

4.43 The Council and subsidiary companies carry large deductibles, and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The Fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years, as well as claims in the current policy year.

4.44 **Assurance**
Each year the claims profile for the Council and all subsidiary companies is evaluated by external actuaries who considers claims arising from Employers Liability and Public Liability that are retained in respect of the period 1 April 1993 to current. The purpose of the review is to estimate the reserves required in the Fund to cover the known and potential liabilities. The investigation uses actual claim figures and statistical analysis to calculate how claims are expected to change over time before they are eventually concluded. The annual review is undertaken by an external Actuary to ensure industry compliance and to give assurance the fund is adequate to meet the need.

4.45 Whilst considering the actual claims held on the book of liabilities, the review also looks at the whole insurance market to determine what may be brought against the Council and subsidiary companies in future years. These claims are known as incurred but not reported (INBR), the incident may have occurred but has not been developed into a claim and the review provides statistical analysis of what value may be placed on such claims. An allowance is then made within the fund to cover such claims should they arise at a future date.

4.46 As part of the general auditing process, Claims Managers carry out random reviews of files at various points throughout the life of a claim to ensure consistency. We also have remote training sessions with members of our panel solicitors who provide training and assurance in the context of national standards. Where a claim is litigated all documentation and information will be reviewed in conjunction with legal experts to ensure there is an effective course of action in defending.

4.47 As part of the offering from our legal providers feedback is given to senior managers on the files and the way claims have been conducted by team members. As international legal companies they can benchmark how the Insurance Team is operating against other similar organisations. Feedback is given at regular meetings with providers where this information is discussed, findings are then discussed with team members.

4.48 We are still undertaking remote claims management strategy meetings with claims handlers on a regular basis. Handlers can bring unusual or more difficult claims to a collective Teams meeting with managers and other handlers where strategy and further action can be discussed. This provided training opportunity to team members and imparts knowledge and experience across the team. These meetings also provide a level of consistency across claims handling and investigation. This also provides an arena to discuss claims that have been denied and the claimant has asked for a formal review by a manager.

4.49 **Internal Audit – Insurance Governance Arrangements**
The audit was part of the 2021-2022 Internal Audit Plan as agreed with the Executive Director of Finance and Commercial Services and approved by the Audit Committee on 21st January 2021. The objective of the audit was to provide assurance that the governance framework in place to manage the insurance arrangements is adequate and effective.

4.50 The overall risk in relation to the audit was identified as the failure to comply with statutory/regulatory, the NCC constitution, Financial Regulations and Procedures requirements in respect of the insurance governance arrangements for the Council and subsidiary companies.

4.51 The report has been issued and the opinion is that there are 6 medium priority findings which may have a moderate impact on the achievement of the objectives and goals of the area of audit.

4.52 **Key findings**

1. The Constitution and Financial Regulations should be clearer on when and how Cabinet should receive assurance regarding insurance arrangements.
2. An Insurance Strategy should be developed and would set out and provide assurance on the vision, mission, objectives and medium-term plans for the function.
3. The Annual Insurance report to the Audit Committee could be strengthened by giving assurance that Executive Directors and DMT's are consulted on insurance matters.
4. Executive Directors and DMT Officers should be reminded of their responsibilities at Section C 1.4 of the Financial Procedures and reminded of their responsibilities regarding insurance.
5. The annual insurance renewal questionnaires should include information to set out what the expectation and requirements of their roles and responsibilities are in contributing to the annual risk assessment.
6. Where questionnaires are not returned the report should state that policy arrangements have been made based on assumptions made by the insurance team due to failure to return a risk assessment.

4.53 It has been agreed that if not already implemented the recommendations will be addressed within the agreed timescales approved by internal audit.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 There are no financial implications to note within this report.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no implications to property to highlight within this report.

7.3 **IT:** There are no specific IT implications to highlight in this report

8. Other Implications

8.1 **Legal Implications:** There are no legal implications to highlight within this report.

8.2 **Human Rights Implications:** There are no human rights implications to highlight within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** There are no Equality impact assessments to note within this report.

8.4 **Data Protection Impact Assessments (DPIA):** There are no data protection implications to highlight within this report.

8.5 **Health and Safety implications (where appropriate):** There are no Health and safety implications to note within this report.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications to highlight within this report.

8.7 **Any Other Implications:** There are no other implications highlighted on this report.

9. Risk Implications / Assessment

9.1 Not applicable

10. Select Committee Comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary above.

12. Background Papers

12.1 Not applicable

Officer Contact

If you have any questions about matters contained within this paper, please get in touch with:

Officer name: **Steve Rayner**
Telephone no.: **01603 224372**
Email: **steve.rayner@norfolk.gov.uk**

If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Audit Committee

Item No:9

Decision making report title: Norfolk Audit Services Report for the Quarter ending 31 March 2022

Date of meeting: 21 April 2022

Responsible Cabinet Member: N/a

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a key decision? No

Executive Summary

The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.

The Council has an approved Strategy, 'Better Together, for Norfolk 2021-2025' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in the detailed Corporate Delivery Plan that is being developed over the next 3 -6 months and is aligned to the medium-term financial strategy.

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reports that, for the quarter ended 31 March 2022 the system of internal control, including the arrangements for the management of risk was acceptable and therefore considered sound.

Recommendations

To consider and agree: -

- **the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required.**

1. Background and Purpose

1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015, as amended. The allocation of audit time was based on a risk assessment and this is continuously reviewed throughout the year.

1.2 This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

2.1 The Audit Committee are recommended to consider and agree: -

- the key messages below
- that the work and assurance meet their requirements and advise if further information is required.

2.2 The key messages are as follows: -

2021/22 Opinion work

- **Appendix A** details the final reports Issued in the quarter ending 31 March 2022.
- **Appendix B** provide a status update on the audits in 2021/22 Audit Plan, including those which have been cancelled or deferred.

2.3 Our current cumulative position as at 31 March 2022 for 2021/22 audits is shown in the table below.

Status	Number
Final reports and Management Letters	15
Draft reports	1
WIP	12
Not started	0
Cancelled or deferred	28
Total audits	**56**

Grant Certifications

2.4 The grant certifications completed up to the end of quarter 4 are detailed in **Appendix C**. All the required grant certifications have been completed on time.

Traded Full School Audits

2.5 A total of 26 audits will have been completed this audit year in total.

Norfolk Pension Fund

2.6 Work has progressed on delivery of the audit plan for 2021/22; three audits have been finalised, one is on target to be finalised by the end of March and the fieldwork for the other audit is planned to be completed in early April 2022. This is a replacement audit for the Data Quality and iConnect audit that was deferred to 2022-23.

Staffing

2.7 During the quarter we had one staff member on long term sick, covered by a temporary person and as a result we had a full complement of staff supporting delivery of the audit plan.

Overall Opinion

2.8 This quarterly NAS report confirms that the overall opinion on governance, internal controls and risk management remains acceptable.
(N.B.: - three descriptors can be used for our overall annual opinion: acceptable – green, key issues to be addressed – amber and key issues to be addressed – red)

Progress with the implementation of agreed recommendations

2.9 Ten audits have reached final report stage and the progress of implementing the recommendations for these audits is actively being monitored. The recommendations for one of these audits have now been implemented and closed. See the table below for further information.

	Number

Total number of recommendations being monitored for implementation as of 31st March 2022	50
Total number of recommendations implemented and closed	17
Total number of recommendations in progress of being implemented	33
Audits: Total audits released for recommendation monitoring	10
Total audits where all the recommendations have been implemented and closed	1

Data analytics

2.10 Data Analytics is a useful tool for performance management, decision making and auditing. Such analysis enables information to be drawn from large or whole populations of system data providing improved and deeper assurance. The Council uses Power BI to undertake data analytics to support performance management.

2.11 We have taken a data analytics briefing note for Executive Leadership Team outlining our proposals to strengthen our use of data analytics within our audit work. We continue to look at the option to extend our audit system, Teammate+ to include a data analytics option and a demonstration of this has taken place.

2.12 We have updated our audit terms of reference and the way we plan our audits to ensure that each audit topic is considered at the planning stage as to how data analytics may be applied within the audit and the audit team have been trained in respect of this.

2.13 We are also discussing with management the data analytic options that come with the new finance and HR system, how these will be used and our access to all data on this system. Further updates on this area will be provided each quarter.

France Channel England (FCE)

2.1 There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme. The European Commission continues to be satisfied with the timeliness and quality of the work undertaken by the Audit Authority and reports submitted.

Other

2.2 Internal Audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS). CIPFA Services were commissioned to undertake an external quality assessment in early 2017. An independent external quality assessment of how the Public Sector Internal Audit Standards (PSIAS) are being met by us is required every five years and our next review is due summer/autumn 2022. Self-review against the PSIAS is ongoing in the meantime, and the results are reported to Audit Committee in our Annual Report.

Anti-Fraud and Corruption and Whistleblowing

2.3 The Director of Governance and Chief Internal Auditor champion the Anti- Fraud and Corruption policy and the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures. The Annual Report on these policies and the activity will be presented to the July Committee.

2.4 During the period the following activities have been undertaken by the Council's Investigative Auditor (IA):

- An assessment of the Council's Anti-Fraud provision against the Section 4 of Document: Fighting Fraud and Corruption Locally, a strategy for the 2020's has commenced. Outcomes from the assessment will be presented in the 2021-2022 Anti-fraud, Bribery and Corruption annual report.

- The investigative Auditor is engaging with local authority colleagues across the UK to collaborate on a response to the recent call for evidence following the appointment of the House of Lords committee on the Fraud Act in January 2022. The committee has recognised the scale of fraud facing the UK as a whole. The committee has asked for evidence on a series of 15 questions to:

i) Consider how the provisions laid out in the Fraud Act 2006 are used in practice for the detection, prevention and prosecution of fraud; and

ii) Explore whether the Act is in need of reform.

Through collaboration, it is envisaged that a robust response to the key challenges facing Local Authorities in combatting fraud and corruption will be heard and considered.

2.5 Two new investigative enquiries commenced during the period. Both enquiries relate to local policies and procedures and there are no outcomes to report at this stage.

2.6 Four Investigations previously reported to law enforcement remain ongoing.

Whistleblowing

2.7 Three whistleblowing concerns were received in the period in the areas of safety and employment. All concerns are being progressed in accordance with the Council's policies and procedures.

Regional Audit Committee Chairs Forum

2.8 During the last quarter the Council answered a request for expressions of interest to host an 'East of England Chairs of Audit Committee Forum' from the Government (DLUHC), via the Local Government Association. The Council was accepted as host and a forum was held remotely on the 21st March 2022, chaired by Cllr Mackie. Many councils in the region were represented; the Forum's Terms of Reference were approved and many ideas were put forward for how the forum can help strengthen the work of Audit Committees across the region. The next forum is planned for 7th July 2022. DLUHC has provided a modest budget for the forum to support its objectives.

Redmond Review

2.9 The Council has received additional funding to support measures to implement the recommendations of the Redmond Review.

2.10 Technical notes are at **Appendix D** for reference.

3 Impact of the Proposal

3.1 The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).

3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's strategy 'Better Together, for Norfolk 2021-2025'.

3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.

3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no property implications.

7.3 **IT:** There are not I.T. implications.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

12.1 None

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name: Adrian Thompson
Tel no.: 01603 303395
Email address: Adrian.thompson@norfolk.gov.uk

IN TRAN communication for all

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter ending 31 March 2022

NOTE: This report is for audits completed to the 31 March 2022. Any audits completed up to the Audit Committee meeting will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 4

2021/22 Audit Plan: -

A. Opinion Work

1. Health and Safety Statutory Compliance Checks

Audit Objectives: - Key Issues - Red

1. To provide assurance over the adequacy and effectiveness of the controls in place to monitor Norse who complete health and safety statutory compliance testing on our behalf and that there is confirmation that these checks have been completed and any exceptions resolved.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

a) Ensure that Norse provide a quarterly performance report to the Corporate Property Team (CPT) on health and safety statutory compliance checks completed after consideration has been given regarding what detail should be in the report, and ensure that exceptions and delays are identified, reported to the Director of Property and action agreed to mitigate the risks.

Progress -CPT have agreed with Norse that they will submit bi-monthly reports which will be followed by a formal bi-monthly meeting. The 1st meeting and report is due last week of April 2022. In addition to this they are:

- Producing from the Pirana system, registers with activities highlighted in the FRA's asbestos reports and legionella checks, which will be viewed by NCC and will then be actioned in a prioritised manner with packages of work. This has already started.
- With the external 3rd party provider, CPT are reviewing the role of the Premises Manager as this needs to be enhanced for activities which need to be carried out on a daily basis on site. We already know the gaps and are working actively to produce a revised procedural document – deadline within 2 months of this writ.

- Our external 3rd party provider will be drafting a new legionella control and water hygiene code which will supersede the NCC internal document P616. Responsible persons must be named under this procedure, and they have been identified. Norse TFM managers have had new training and work to remedy activities from legionella reports have commenced.
- We are also revising the internal 'Hazardous substances compliance code P610, which has a few shortcomings. Deadline for this is within 3-4 months due to resource availability.
- We are actively working to determine what kind of refresher training is needed for appropriate staff ref asbestos control and will add an audit process following the PDCA cycle in the internal code P602.
- Annual checks for mast and flag poles have been added to the regular stat compliance schedules.
- Premises Manager handbooks are being revised (to be completed within a 3-4 month period) to include daily fire panel checks as well as daily emergency light checks in addition to the monthly flash and annual discharge tests.
- New processes are being put in place for the checking of fire doors and door closers in residential settings.
- 3 monthly smoke extract / damper checks have commenced in March.
- External fire escape checks for stairs are being added to the Ashdale contract and will be rolled into lift and insurance inspections.
- Automatic sprinkler checks have been put in place and commenced in March 2022.
- Fire damper checks are being added to a regular schedule for checking into the Pirana system.

b) Ensure that Norse carry out the health and safety compliance checks they are responsible for and complete them when due, and ensure that exceptions and delays are identified, reported to the Director of Property and action agreed to mitigate the risks. Those identified as outstanding / not completed in the audit should be discussed with Norse to ensure they are completed as soon as possible.

   Progress - Norse have an active plan in place to bring up to date outstanding matters.

c) Ensure that the health and safety statutory inspections and responsibilities listed in the Total Facilities Management Master Agreement Appendix 13 Handbook for Norse are reviewed by the CPT and updated to reflect who is responsible for carrying out the testing and the frequency of when this should be done with regards to water temperature checks and vented battery backup systems.

   Progress - This is actively being reviewed so that a revised Handbook can be drafted for staff. Expected completion date 3-4 months.

d) Ensure that CPT, for their periodic assurance sample checks on statutory compliance checks completed: -
   - Determine the time period over which all properties will be checked to ensure that the required health and safety compliance checks have been completed on a risk assessed basis.
   - Determine the risk-based methodology for selecting the sample of properties to be checked on each periodic basis.
   - Prepare a schedule detailing when each property will be checked within the defined time period.
   - Ensure that the periodic checks are carried out when due. Exceptions and delays should be identified, reported to the Director of Property and action agreed to mitigate the risks.

     Progress - A formal schedule is due in April which will set out a planned approach for a 12 month period and will cover all properties within each 12 month period.

e) Ensure that the CPT ask Norse to review all stage 2 work orders as soon as possible and provide them with a clear position on the amount of overdue health and safety statutory compliance checks and when these will be completed, if a more recent check has not occurred.

   Progress - In process of being done and is an ongoing activity rather than one which simply will end.

f) Ensure that the CPT request an updated position regarding stage 2 work orders every week until current situation has been rectified and ensure that the CPT receive information on a regular basis regarding stage 2 work orders.

   Progress – As per e) above.

g) Ensure that exceptions and delays are identified, reported to the Director of Property and action agreed to mitigate the risks.

As part of the Council's efficiency programme, a number of functions around the management of the estate have been centralised, allowing services to focus on service delivery – as well as greater efficiencies and corporate oversight to be applied across an extremely diverse estate. The CPT asked for the Audit Team to review the existing arrangements to help identify areas for improvement.

It should be noted that both Norse and the CPT have been diverted over the last 21 months to support the County Council's response to Covid and both teams have had resourcing issues, which have now been addressed through restructures or recruitment exercises. Low occupation of buildings (and indeed closure of several sites) throughout 2020 and 2021 has meant that the audit looked at a 'non-standard' period of occupation.

Additionally, the teams have been involved in the delivery of several major capital projects such as the delivery of Phase 2 of County Hall refurbishment, property transformation – undertaking the largest refitting of the Councils' estate to support smarter working and the delivery of various capital projects including the renovation of Norwich Castle, closure of Carrow House and relocation to Whitegates.

In order to ensure that we have in place, control measures which comply with industry standards, CPT have commissioned a 3rd party gap analysis, this report has highlighted several suggestions which Norse and CPT are actively putting in place. This process started in February 2022 and will be concluded, where new procedures need drafting, within a three-month period.

2. SEND Capital Programme – Key Issues - Amber

Audit Objectives: -

1. To provide assurance that an adequate and appropriate control framework is in place to manage and monitor the Capital Programme for Schools, to ensure the Capital Programme and individual capital projects ae delivered on time, to budget and to the required quality.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

a) Investigate the reasons for the delay in getting contracts signed, to enable these to be issued as soon as possible by NPS and signed by both parties, and to make every attempt to get the contract signed before the start of the project, chasing delays on a regular basis and reporting any associated risks to the Capital Priorities Group.

b) For when letters of intent (LOI) are used, follow a more consistent approach in content and include more detail such as how payments will be arranged, a specific cap on the amount payable to the contractor and accurate description of what work can be carried out until the contract is signed. To include an expiry date and issue a new LOI if the contract is not ready, with new limits for work and value of work for the contractor to follow. To include a provision for NCC's right to vary the scope of the work and a statement of the contractor's standard of care to be adopted in carrying out the works. To report the associated risks to the Capital Priorities Group.

c) Number, sign as authorised and record on the Change Control Log all Change Control Request Forms including those authorised and issued by the Contract Administrator.

d) Accurately reflect on the Change Control Log, all details on the Change Control Request Forms including, the cost amount, VAT amount and budget impact.

e) Reference Change Control Request Forms to their corresponding Contract Administrator Instruction on the Cost Statement.

f) Establish a standard format for the Change Control Log.

g) Review the time taken to authorise change control request forms to ascertain why this is occurring and issue some guidance as to when to choose which ‘timescale for approval’ option as necessary and identify, investigate and report exceptions to the standard.

3. **Direct Payments – Self Managed Accounts - Acceptable**

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of the DPAT in relation to self-managed EML accounts and old style legacy accounts.
2. To ensure the submission of records and monitoring of self-managed EML accounts and old style legacy accounts is valid, authorised, correct and timely.
3. To ensure inappropriate expenditure by clients with self-managed accounts and old style legacy accounts is investigated and clawed back where necessary.
4. To ensure contributions made by clients who are part funded are received completely and timely and any anomalies are investigated and actioned.
5. To ensure excessive balances for old style legacy accounts are recouped timely

4. NFRS Capital Programme – Key Issues - Amber

Audit Objectives: -

1. To provide assurance on the strategy, identification, prioritisation and approval process for the NFRS Capital Programme.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

a) Undertake a review of the current capital strategy documents and update in line with Cipfa guidance.

b) Draft and agree a procedure for the capital project approval process.

c) Review and strengthen the terms of reference for the NFRS Programme Board.

d) Review and update the capital bid template.

e) Agree a project prioritisation process as part of the submission and approval process.

f) Strengthen the reporting of capital projects within NFRS to ensure a joined up consistent approach.

5. Insurance Governance Arrangements – Key Issues - Amber

Audit Objectives: -

1. To provide assurance that the governance framework in place to manage the insurance arrangements are adequate and effective.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

a) Consider and implement at what event or how often is intended by ‘appropriate’ for reporting on Insurance matters to Cabinet.

b) Strengthen the annual insurance report to ensure that members are fully aware of the insurance provisions and how the team delivers the insurance service.

c) Develop and agree an Insurance Strategy.

d) Confirm appropriate Insurance Leads with DMTs and attend DMTs as part of the annual risk assessment process.

e) Review and update the annual risk assessment proforma.

f) Review and update the annual renewal report.

g) Draft and agree local and/or corporate policies and procedures.

B. Traded Full School Audits – audits have been completed at the following schools: -

a) Lyng CE Primary School

b) St George’s Primary and Nursery School

c) Pulham CE Primary School

C. <u>Norfolk Pension Fund</u>

Private Equity Infrastructure and Private Debt - Acceptable

Audit Objectives:-

1. To provide assurance that the drawdown and distributions procedures in place are working as expected and in accordance with Partnership and other agreement arrangements, HSBC and NPF internal procedures.

Assurance Area and Audit topic	**Risk Category / Corporate Risk Register Number / Service Risk**	**Audit Days**	**Brief description of the audit scope and purpose**
The details below show the current status of audits in the 2021/22 Audit Plan.			
1. CES Third River Crossing – final report issued	Corporate Risk RM024	20	Assurance on the operation of the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.
2. CES Bus Operators – final report issued	Service risk	20	Assurance that operating agreements are in place and are being met.
3. CES Environmental Policy – in progress	Environmental risk	20	Watching Brief
4. CES On Street Civil Parking Enforcement (CPE) – final report issued	Service risk	20	Assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of the CPE Agreement
5. CES Highways Bridges Risk Management – final report issued	Service risk	20	Assurance over the risk management arrangements
6. CES City Area Highways Team (CAHT) – final report issued	Service risk	20	Assurance that the CAHT team are working consistently and in the same way as the other three area teams in accordance with NCC policies, processes and systems
7. NFRS Capital Programme – final report issued	Service risk	20	Assurance over the identification, prioritisation and management of the capital programme.
8. ASS Follow up of Transforming Care Programme 2019/20 audit	Service risk	10	Assurance that the recommendations made have been implemented.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
Recommendations – in progress			
9. CHS Thematic Audit on Cyber Security – in progress	IT risk	30	The audit will assess whether maintained schools are compliant with the minimum standards as set out in Cyber Essentials.
10. CHS SEND Capital Programme – final report issued	Corporate risk RM030	20	Assurance on the controls to deliver the capital programme on time and to budget.
11. H&S DSE Assessments – in progress	H&S risk	25	Assurance that employees are complying with the requirements of this policy and that managers are monitoring compliance.
12. H&S Monitoring H&S Standards of Third-Party Providers – final report	Corporate risk RM028	24	Assurance over the adequacy and effectiveness of the controls in place to ensure the health and safety standards of third-party providers of services are sufficiently monitored and managed by contract managers, commissioners and overall, by the Health and Safety Team and that any exceptions are identified, investigated and reported.
13. GOV Data Protection Impact Assessments – final report issued	Corporate risk RM003a	20	Assurance that controls around data protection impact assessments are adequate and effective
14. GOV Governance process for the electronic signing and sealing of documents – in progress	Governance risk	20	Assurance on the process for electronic signing and sealing of documents.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
15. Work to support AGS – Hethel Engineering – final report issued	Corporate risk RM013	15	Assurance that adequate governance controls were in place during 2020/21.
16. FES Direct Payments – Self Managed Accounts – final report issued	Financial risk	25	Assurance that controls to manage direct payments (self- managed) are adequate and effective
17. FES Accounts Payable – Care Sector Payments – final report issued	Financial risk	25	Assurance that adequate and effective governance and internal controls in place supporting payments during the Covid Pandemic
18. CP Repton Housing Development Company – in progress	Corporate risk RM007	20	Assurance that controls in place to govern and manage the build and sale of houses are working in practice.
19. CP Health and Safety Statutory Compliance – final report issued	H&S risk	25	Assurance that the County Council has appropriate systems in place to monitor third parties who complete statutory health and safety checks on our behalf and that there is confirmation that these checks have been completed.
20. PROC Public Services (Social Value) Act 2012 & Processing Agreements – in progress	Regulatory risk (Data Protection)	15	Assurance that we have complied with the requirements of the Public Services (Social Value) Act to consider and consult regarding social value when procuring contracts above the relevant Public Contract Regulation threshold.
21. IMT Follow Up Data Centres – final report issued	IT risk	15	Assurance that the recommendations made have been implemented

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
22. IMT Cyber Security & Data Security – offline back ups & Follow up of Third- Party Supplier and Staff Access – in progress	IT risk	25	Assurance TBA
23. FIN – Risk of failure of new Human Resources and Finance system implementation – watching brief in progress – audit in 2022-23	Corporate risk RM027	25	Assurance that internal controls are appropriate and working effectively
24.FIN – Modern Slavery – in progress	Corporate risk	20	Assurance over NCCs modern slavery statement
25. FES Insurance Governance Arrangements – final report issued	Finance risk	15	Assurance that effective governance arrangements are in place
26. Scottow Operation – draft report issued	Service risk	15	Assurance that there are appropriate controls are in place for the storage, management, and disposal of records at Scottow Enterprise Park
27. Community Renewal Fund Programme – in progress	Service risk	5	Assurance on eh quality assurance process

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose
28. Social Impact Bond – in progress	Service risk	15	Assurance on the quality assurance framework
	Total current audit days	**549**	

Audit Name	Number of days	Explanation
The details below show the audits which have been deferred from the 2021/22 Audit Plan since we last presented this information to Audit Committee in October 2021. These topics have moved for consideration into the 2022/23 Audit Plan.		
1. ASS – E-brokerage	20	Deferred until 2022/23
2. CHS Transformation Programme	20	Deferred until 2022/23
3. CES Contract Management and Monitoring Assurance over the contract management and monitoring arrangements in place for key highways contracts.	20	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
4. Equality, Diversity and Inclusion	20	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
5. CES Governance of Major Project Developments Assurance that the governance arrangements during the early stage of project development, especially in relation to the costs, are adequate and effective.	20	Deferred until 2022/23 Audit Plan as a new framework for project management is being developed for implementation later in 2021.
6. ASS Shared Care Protocols Assurance that the shared care protocols for mental health are working in practice.	20	Deferred until 2022/23 Audit Plan as there is much cross over with Continuing Health Care audit; therefore, these two audits will be combined.
7. ASS Continuing Health Care Assurance that we are following policy and complying with Care Act requirements.	20	Deferred until 2022/23 Audit Plan as new procedures are being implemented and this audit will be combined with the Shared Care Protocols audit
8. H&S Lone working A review of the lone working risk assessments for front line workers and whether they continue to be valid under the new ways of working.	15	Deferred until 2022/23 Audit Plan

Audit Name	Number of days	Explanation
9. Risk of ASS Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services – in progress Corporate risk RM023	5	Deferred until 2022/23 Audit Plan Due to change in Government legislation, this risk is to be reviewed and audit work for the new risk will be considered in next year's Audit Plan.
10. H&S Risk of any failure to monitor and manage health and safety standards of third-party providers of services. Corporate risk RM028	5	The work for this risk has now become an audit in the Audit Plan
11. HR NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term. Corporate risk RM029	5	Deferred until 2022/23 Audit Plan Risk mitigations are in their earlier stages and this risk will be considered for review as part of the 2022/23 Audit Plan during audit planning.
12. GOV Compliance with data security (GDPR) Home working Assurance that controls to manage data security requirements whilst the majority of staff are home working are adequate and effective	20	Deferred until 2022/23 Audit Plan whilst new arrangements are being put in place and embedded
13. FES Finance Assessments	20	Deferred until 2022/23 Audit Plan
14. PROC Legal challenge to procurement exercise. Corporate risk RM026	5	Deferred until 2022/23 Audit Plan
15. IMT Compliance with Application Standards Healthcheck Assurance that business units are complying with the standards set for the use of applications.	20	Deferred until 2022/23 Audit Plan
16. STRAT Smarter Working and Use of Data Assurance that data analytics work across NCC is undertaken in line with	25	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan

Audit Name	Number of days	Explanation
policy and procedure, by the right people and at the right time		
17. STRAT Service level business planning (and decision making) Assurance that the service level business planning process within departments is robust, assured and follows best practice to develop service strategies across the directorates	25	On hold – the need for assurance will be monitored and considered for inclusion in the 2022/23 Audit Plan
18. CP Data Management Systems	20	Deferred until 2022/23 Audit Plan
Total days deferred to the 2022-23 Audit Plan	**305**	
The details below show the audits that have been cancelled from the 2021/22 Audit Plan.		
1. ASS Discharge to Assess	20	Cancelled – assurance no longer necessary.
2. GOV Information Asset Registers	20	Cancelled – assurance no longer required at current time
3. GOV IM Audit Data Sharing Agreements	20	Cancelled – assurance no longer required at current time
4. IMT Failure to comply with relevant information security requirements. There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact. Corporate risk RM003b	5	Cancelled – assurance no longer required. IMT have external bodies who accredit them for these designations. We will follow up that any actions set by them have been completed as part of the Cyber Security audit in Q4
5. FES Payroll Online Functions Assurance that controls to manage the online payroll functions are adequate and effective	20	Cancelled – assurance no longer required as the new Oracle system will be in place in November 2021
6. HR PDPs Assurance that quality performance development plans (PDP) are being	20	Cancelled – assurance no longer required.

Audit Name	Number of days	Explanation
developed with staff and in accordance with NCC guidance, goals are linked to the Department's / Team's goals as per their Plan on a Page, training and development needs are being cascaded to Learning Plans and staff are actioning their learning and Oracle is an accurate picture of the written goals agreed.		
7. HR Implications of Brexit for Council staff and services. Corporate risk RM022a	5	Cancelled Risk has been amended and is now RM022b and will be considered for review as part of the 2022/23 Audit Plan during audit planning.
8. ASS Emerging Integrated Care Systems – governance arrangements Assurance on the governance arrangements in place.	20	Cancelled – assurance no longer required due to arrangements moving forward quicker than expected
9. HR audit TBC	25	Cancelled - Days not needed for another HR audit
10. CHS Thematic Audit	25	Cancelled - A second thematic audit was not completed this year
Total audit days cancelled in the 2021/22 Audit Plan	**180**	

KEY: -
ASS – Adult Social Services
CHS – Children's Services
CES – Community and Environmental Services
FES – Financial Exchequer Services
FIN – Finance
CP – Corporate Property
Proc – Procurement
H&S – Health, Safety and Wellbeing
HR – Human Resources & Organisational Development
GOV – Governance Department
SRAT – Strategy and Transformation
IMT – Information Management Technology

Appendix C

Grants certified up to quarter ending 31 March 2022

LGA	EU	Other
Fire (June 21)	Endure (P/e June 21)	Norse (P/e March 21)
Transforming Care (June 21)	Endure OTS	Family Focus (P/e Jun 21)
CES (September 21)	CATCH (P/e July 21)	Family Focus (P/e Sep 21)
LA Bus subsidy (September 21)	FACET (P/e May 21)	Police & Crime Panel (P/e March 21)
Disabled Facilities Grant (September 21)	Mobi-Mix (P/e May 21)	Local Full Fibre Network (Claim 6 Qtr 4 2020-21)
Travel Demand Management (April 21)	Monument (P/e May 21)	Local Full Fibre Network (Claim 7 Qtr 1 2021-22)
Emergency Active Travel Fund Grant (Capital) (July 21)	Catch OTS	Sheringham Primary National Teaching School – Emergency Fund
Travel Demand Management (Oct 21)	PROWAD (P/e August 21)	BDUK Qtr 4 (2019-20), Qtr 2 (2020-21) and Qtr 4 (2020-21
Bus Support Grant Tranches 6-8	FACET (P/e Nov 21)	Police & Crime Panel (P/e August 21)
Transforming Cities Programme (Jan 22)	Green Pilgrimage (P/e Dec 21)	Supporting Families (P/e Dec 21)
	Mobi-Mix (P/e Dec 21)	Local Full Fibre Network (Claim 8 Qtr 2 2021-22)
	Monument (P/e Dec 21)	Norse (P/e Sep 21)
	CATCH (P/e Dec 21)	Supporting Families (P/e Mar 22)
	PROWAD (P/e Jan 22)	16-19 ESFA Funding
		Local Full Fibre Network (Claim 9 Qtr 3 2021-22)

Appendix D

Technical Notes

Work to support the opinion

Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described on page 12 of that plan.

My opinion, in the Executive Summary, is based upon:

- Final reports issued in the period (**Appendix A**)
- The results of any follow up audits
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

The progress with resolving the Corporate High Priority Findings is acceptable. A more robust process has been put into place to ensure NAS undertake follow up audit work on Corporate High Priority Findings which should result in speedier sign off of these. Previously reliance was placed on departmental owner's confirmation that satisfactory action has been taken.

Audit Committee

Item No: 10

Report Title: Risk Management

Date of Meeting: 21st April 2022

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director – Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions: N/A

Executive Summary

This quarterly report references Norfolk County Council's corporate risk register as it stands in April 2022, following the latest risk management report presented to Cabinet in March 2022.

Corporate risks continue to be monitored and treated appropriately in line with the Council's risk management framework, with risk-based decisions supporting the Council's recovery, and the Full Council-agreed strategy Better Together, For Norfolk.

A summary of significant changes to corporate risks since they were last issued to this Committee has been included in **Appendix A** for information purposes. The latest corporate risk heat map for the corporate risk register is included in **Appendix B** providing a visual summary of corporate risks. Full details of the current corporate risks are included in **Appendix C**, including further explanation on risk scoring. The scrutiny options available for the management of corporate risks are presented at **Appendix D**, along with background information at **Appendix E**. Responses to actions taken from the last meeting are detailed below in paragraph 2.3.

Recommendations:

To consider and agree:

a. The key messages as per paragraphs 2.1 and 2.2 of this report
b. The key changes to the corporate risk register **(Appendix A)**;

c. The corporate risk heat map **(Appendix B)**;
d. The latest generic corporate risks **(Appendix C)**;
e. Scrutiny options for managing corporate risks **(Appendix D)**;
f. Background Information **(Appendix E)**

1. Background and Purpose

1.1 One of the Audit Committee’s roles is to consider the effectiveness of the Council’s risk management. The purpose of this report is therefore to provide assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, helping the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the Council’s performance management framework.

1.2 The Council’s corporate risks were last reported to, and agreed by, Cabinet on 7th March 2022.

2. Proposal

2.1 The key general risk messages are as follows:

The recent movement of Russian forces into Ukraine has prompted consideration of the wider implications to the Council of this, including any associated risks. Work is being coordinated by the Director Operations Board to work through this.

An annual report will be brought to Committee in July with further explanation on the corporate risks where the target scores haven’t been met in the year and what steps are being taken to address this.

2.2 The key specific corporate risk messages are as follows:

RM010 - The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems
The likelihood score for this risk has been increased from 1 (rare) to 2 (unlikely). This has increased the current score from 3 to 6.

RM023 - Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services

The likelihood score for this risk has been lowered from 5 to 4, lowering the current score from 25 to 20.

RM032 - Capacity to manage multiple disruptions to business
The likelihood for this risk has been reduced from 5 (almost certain) to 3 (possible), reducing the current score from 15 to 9.

The risk title for corporate risk **RM010** has been changed from **The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms** to **The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems.**

There is a risk title change to **RM022b** from **Implications of Brexit for a) external funding and b) Norfolk businesses** to **Implications of EU Transition for a) external funding and b) Norfolk businesses**.

Corporate risk RM033 - Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025) was called into the Scrutiny Committee on 23rd March 2022. This corporate risk continues to be reviewed (along with the NWL project risks) and will be reported as part of the Norwich Western Link report received by Cabinet in June 2022.

Further information on the specific risk changes in 2.2 can be found in Appendix A.

2.3 The Risk Management Officer has provided written responses to Audit Committee Members on the questions raised at the February Audit Committee.

3. Impact of the Proposal

3.1 Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015 (amended 2020). Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council’s Constitution.

4. Evidence and Reasons for Decision

4.1 Not applicable, as no decision is being made.

5. Alternative Options

5.1 There are no alternative options identified.

6. Financial Implications

6.1 Financial implications are set out within the individual risks in Appendix C. Whilst all corporate risks will have varying degrees of financial implication associated with them, the key risks with a financial consideration are RM002, RM006, RM023, and RM031, and RM033. **For RM033 - Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025)**, a further financial update will be provided as part of the report on the Norwich Western Link to June Cabinet.

7. Resource Implications

7.1 **Staff:** Offices are back open for all office-based staff, with the option to continue to work from home. Mental health services within the Council continue to be promoted and are available to those needing to access them. An all-staff survey has recently been completed by NCC employees, with the results now being analysed.

7.2 **Property:** Work continues to be undertaken by the Smarter Working Programme to ensure a well-managed return to the office for colleagues who were office-based prior to the pandemic. Risk-based decisions continue to be taken, with health and safety considerations at the forefront of this work as well as the national recommendations.

7.3 **IT:** The Council's Information Management Technology team closely monitor cyber security threat levels, and continue to roll out the technological advances and IMT training that are helping Members and officers to carry out their duties effectively. Measured steps are being taken within IMT to address any potential increased cyber threat to Norfolk County Council as a result of the recent geo-political conflict in Ukraine.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 Human Rights Implications: There are no specific human rights implications to consider within this report.

8.3 Equality Impact Assessment (EqIA) (this must be included): None applicable.

8.4 Data Protection Impact Assessments (DPIA): None applicable.

8.5 Health and Safety implications (where appropriate): As per paragraph 7.2 above, health and safety considerations are at the forefront of the work being carried out to ensure that staff are working in the safest possible environment.

8.6 Sustainability implications (where appropriate): There are no specific sustainability implications to consider within this report.

8.7 Any Other Implications: There are no other risk implications to consider within this report that are not already addressed.

9. Risk Implications / Assessment

9.1 The risk implications are set out in the report above, and within the risks themselves at **Appendix C**.

10. Select Committee Comments

10.1 There are no recent risk-based comments from the Select Committee to report. As noted in 2.2, Risk RM033 was recently called in to the Scrutiny Committee of 23rd March 2022.

11. Recommendations

To consider and agree:

a. The key messages as per paragraphs 2.1 and 2.2 of this report
b. The key changes to the corporate risk register **(Appendix A)**;
c. The corporate risk heat map **(Appendix B)**;
d. The latest generic corporate risks **(Appendix C)**;
e. Scrutiny options for managing corporate risks **(Appendix D)**;

f. Background Information **(Appendix E)**

12. Background Papers

12.1 None applicable.

Officer Contact
If you have any questions about matters contained within this paper, please get in touch with:

Officer name:
Adrian Thompson, Assistant Director of Finance and Commercial Services (Audit)
T: 01603 303395
E: adrian.thompson@norfolk.gov.uk

Thomas Osborne, Risk Management Officer
T: 01603 222780
E: thomas.osborne@norfolk.gov.uk

If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Appendix A

Key Changes to Corporate Risks

The quarterly review of the corporate risk register has generated the following changes;

Risk Number	Risk Score Change	Risk title Change	Risk Description Change	Mitigations Change	Risk Owner Change	New Corporate Risk
RM001						
RM002						
RM003a						
RM003b						
RM004			✓			
RM006						
RM010	✓	✓				
RM013						
RM022b		✓				
RM023	✓		✓			
RM024						
RM026						
RM027						
RM029						
RM030						
RM031						
RM032	✓					
RM033				✓		
RM034						

Risk Score Changes

RM010 - The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems.
The current risk score has been raised from 3 to 6, with likelihood increasing from 1 (rare) to 2 (unlikely) to take into account the current growing geo-political tensions, and the raised possibility of a cyber-attack.

RM023 - Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services
This risk has been reduced from 25 to 20, reducing the likelihood from 5 (almost certain) to 4 (probable). This is owing to the further progress being made against numerous mitigations including recovery planning to address backlogs of work arising from pandemic and winter pressures, preparation for the implementation of the White Paper, Putting People at the Heart of Care, the redesign of the Adults' front door points of contact, and collaboration with children's services to develop a preparing for adult life service to strengthen the transition experience for young people, all whilst recognising that there remain significant challenges.

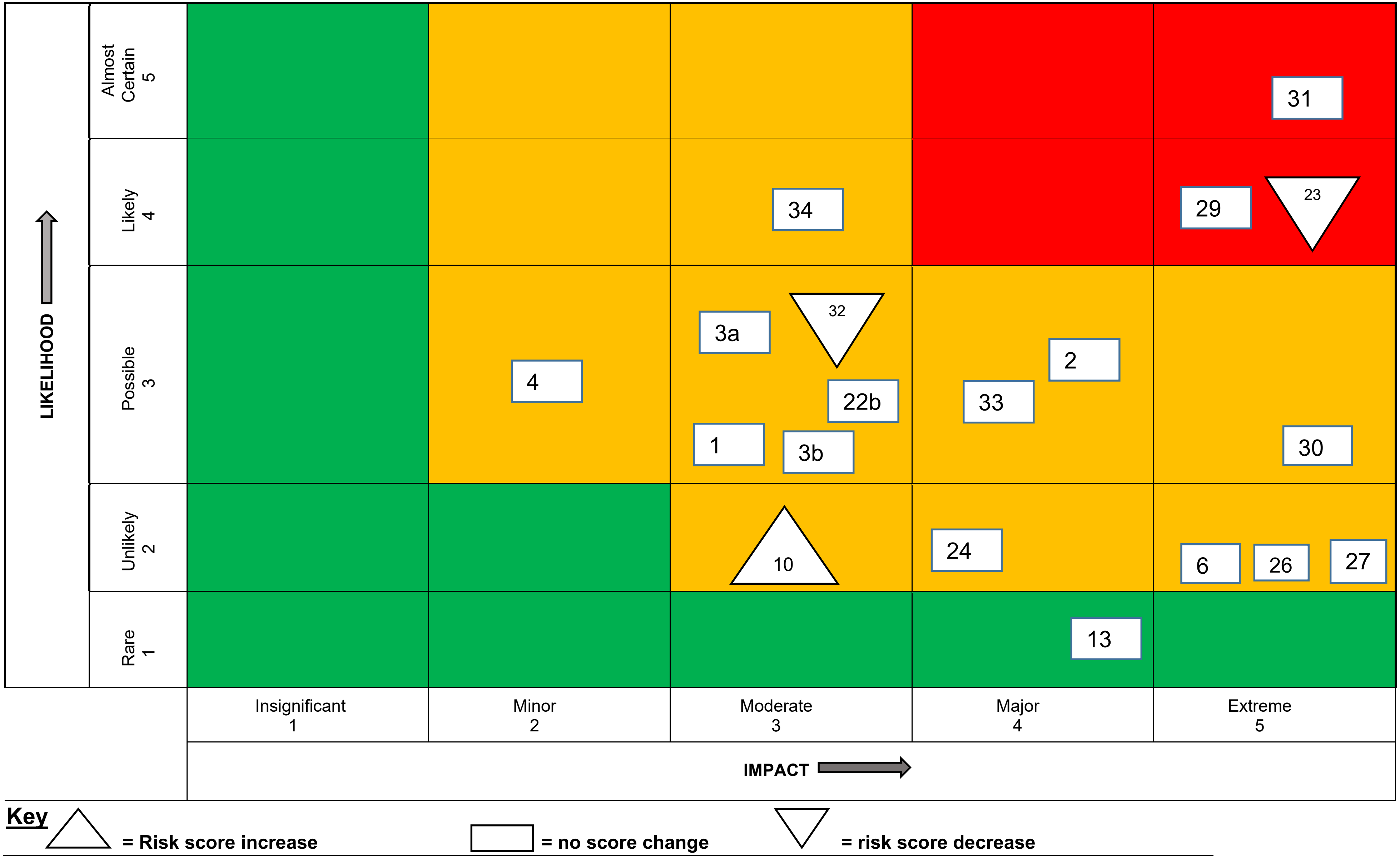
RM032 - Capacity to manage multiple disruptions to business
This risk has been reduced from 15 to 9 lowering likelihood from 5 (almost certain) to 3 (possible), given the preparation work that has been undertaken to increase preparedness for any additional disruption to business as usual including a high proportion of business continuity plans being reviewed and tested and the increased Council resilience infrastructure as a result of the pandemic.

Risk Title Refreshes

RM010 - The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems.
This risk title change now incorporates the potential causes of any loss of key ICT systems.

RM022b - Implications of EU Transition for a) external funding and b) Norfolk businesses
This risk title change reflects a movement away from the immediate aftermath of exiting the European Union and looks forward at the implications of the EU transition that lie ahead for external funding and Norfolk businesses.

Corporate Risks - Heat Map



No.	Risk description	No.	Risk Description
RM001	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	RM022b	Implications of EU Transition for a) external funding and b) Norfolk businesses
RM002	The potential risk of failure to manage significant reductions in local and national income streams.	RM023	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.
RM003a	Potential for failure to comply with statutory information compliance requirements.	RM024	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
RM003b	Potential for failure to comply with relevant information security requirements	RM026	Legal challenge to procurement exercise.
RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	RM027	Risk of failure of new Human Resources and Finance system implementation (myOracle).
RM006	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	RM029	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
RM010	The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems.	RM030	Non-realisation of Children's Services Transformation change and expected benefits.
RM013	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions	RM031	NCC Funded Children's Services Overspend
		RM032	Capacity to manage multiple disruptions to business
		RM033	Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025).
		RM034	Supply Chain Interruption

Risk Number	RM001	**Date of last review**	07.03.2022
Risk Name	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	03 June 2019

1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	3	2	**6**	Mar-23	**Amber**

Tasks to mitigate the risk

1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment.
1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment.
1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks.
1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers.
1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner.
1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.

Progress update

Progress update
Overall: Impact of Covid-19 likely to affect funding streams in both the short and longer-term. 1.1) NWL: Outline Business Case submitted to DfT and Design and Build contractor appointed following Cabinet agreement 7 June. TfN draft Strategy, which will help to support future transport delivery in and around Norwich: Consultation finished 8 October and adopted by Cabinet 6 December. Work commenced on Action Plan. OBC for Long Stratton Bypass approved by government 24 July 2021. Revised planning applications from the developers submitted. West Winch Housing Access Road: Strategic OBC submitted to DfT at end of March. Working through DfT queries received October. A47/A17 Pullover Junction King's Lynn: Work has identified three options for improvement. Preferred Option to be identified and taken through DfT Major Road Network funding stream. Transforming Cities now in delivery phase. Gt Yarmouth Third River Crossing: Works started on 4 January 2021 as planned. Continuing to work with districts and other partners on a range of infrastructure projects. Norfolk Infrastructure Delivery Plan adopted by Cabinet December 2021 1.2) Funding secured from PBR for development of Norwich Western Link and West Winch Housing Access Relief Road (see 1.1). £1.8m received through DfT Active Travel Fund phase 1 and 2. Measures now being delivered. Bid made for ATF3. Work continues on scope of county-led transport levelling-up bid. 1.3) A47 Just Dual It campaign ran in run up to 2021 spending review. Great Eastern Main Line (Norwich to London rail): Awaiting government decision on revised scope of Network Rail work, focusing on performance and journey time improvements. Continuing to work on Ely Task Force: Consultation launched by Network Rail mid-October. Continuing to support East West Rail Consortium. Continuing to feed into the Examinations for A47 Blofield to Burlingham (now closed), Easton to Tuddenham and Thickthorn DCO applications submitted to Planning Inspectorate. 1.4) Officers are working with the County Council Network and the Regional Planning Obligations Officer Group to lobby the Ministry of Housing Communities and Local Government on proposed reforms to the developer contributions. Officers will continue to update the County Council's Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers. The review has commenced (2021/2022). The amendments/updates are fairly minor and as such will be dealt with under delegated officer powers; and referred to the Cabinet Member (Highways, Infrastructure and Transport) for information . 1.5) Continuing to work with Transport East on transport strategy (consultation launched in December); liaising with DfT, Network Rail and now National Highways on strategic road and rail schemes; attending wider partnership groups including LEP Transport Board 1.6) Officers have introduced a new system of monitoring known as the Infrastructure Funding Statement (IFS) to comply with the 2010 Community Infrastructure Levy (CIL) Regulations (as amended in September 2019). This will ensure monitoring is effective, transparent and up to date. The County Council will publish its updated IFS later in the year in line with the above CIL Regulations.

Risk Number	RM002	**Date of last review**	07.03.2022
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams		
Portfolio lead	Cllr. Andrew Jamieson	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	31 May 2019

This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2021/22 - 2024/25 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website. Overall risk treatment:Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	4	**8**	Mar-23	**Amber**

Tasks to mitigate the risk

Medium Term Financial Strategy and robust budget setting within available resources.
No surprises through effective budget management for both revenue and capital.
Budget owners accountable for managing within set resources.
Determine and prioritise commissioning outcomes against available resources and delivery of value for money.
Regular and robust monitoring and tracking of in-year budget savings by Corporate Board and members.
Regular finance monitoring reports to Cabinet.
Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants.
Plans to be adjusted accordingly once the most up to date data has been received.

Progress update

County Council on 21.02.21 approved the 2021-22 budget and future Medium Term Financial Strategy 2021-25 taking into account the Final Local Government Finance settlement for 2021-22. The risk target score for 31 March 2021 has been met.
The council's external auditors gave an unqualified audit opinion on the 2020-21 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2021.
The implications of the COVID-19 response, coupled with continued uncertainty and the further delay of the significant planned reforms for local government finance, represents a major challenge for the Council in developing its Medium term Financial Strategy. Cabinet on 5.7.21 considered a strategic and financial planning report for 2022-23 with an updated report presented to Cabinet on 8.11.21 following the Government's Spending Review announcement. Cabinet on 31.1.22 considered and agreed the 2022-23 Revenue Budget and Medium Term Financial Strategy 2022-26 and will make recommendations to County Council in order that County Council can agree the 2022-23 Budget and level of council tax at its meeting on 21 February 2022.

Appendix C

Risk Number		RM003a				**Date of last review**			07.03.2022	
Risk Name		Failure to comply with statutory information compliance requirements								
Portfolio lead		Cllr. Andrew Proctor				**Risk Owner**		Andrew Stewart		
Risk Description						**Date entered on risk register**			05 June 2019	
There is a risk of failing to comply with statutory information compliance requirements (e.g. under GDPR, FOI, EIR) which could lead to reputational damage and financial impact from any fines or compensation sought.										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	2	3	**6**	Mar-23	**Green**

Tasks to mitigate the risk

1. Mandatory Information Governance Training for all colleagues
2. Information Governance Group and Steering Group occur bi-monthly
3. Detailed management information in place to monitor performance
4. Two-way relationship with ICO maintained to ensure positive working relationship
5. Focus on resource available / required to ensure consistency of service
6. Ongoing improvements underway to improve efficiency and effectiveness

Progress update

Mandatory training for Information Governance (Data Protection Essentials) has now been live for a year which has received positive feedback and has been completed by over 50% of the organisation - completion rate at end of 2021 was 96%.

Information Governance Group and the escalation Steering Group comprising the SIRO, DPO, Dir IMT, Audit and Caldicott Guardians has met for a year, occuring bi-monthly to deliver a strong focus and accountability on information related matters.

Management information continues to be developed to allow actions to be taken on activity within the team and resource to be appropriately allocated / requested. Significant improvements in many areas including Freedom of Information Requests and Police disclosures. Subject Access Requests remain a concern and focus remains on these, looking for improvements to process where possible.

Positive relationship with the ICO in relation to data incidents and responses to subject access requests which helps demonstrate a good culture towards information in NCC.

Clear focus of activity has occured in 2021 and to continue in 2022 to improve efficiency in the team when dealing with requests (online FOI, SAR and Breach form have already been delivered as has improved scanning process) which will further improve the resource availability the Information Governance Team can give to support IG queries across NCC. Electronic Storage Programme underway to reduce risk associcated with unstructured information held on Fileshares.

These activities will enhance many of the mitigations to a higher standard, reducing the likelihood of occurrence - the impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Appendix C

Risk Number	RM003b				**Date of last review**				07.03.2022		
Risk Name	Failure to comply with relevant information security requirements										
Portfolio lead	Cllr. Tom Fitzpatrick					**Risk Owner**	Geoff Connell				
Risk Description					**Date entered on risk register**				05 June 2019		
There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact. Overall risk treatment: Treat											

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	1	3	**3**	Mar-23	**Green**

Tasks to mitigate the risk

1. Mandatory Training in place for all colleagues - ongoing
2. Development and monitoring of MI for breaches - ongoing
3. Implementation of improved security measures - ongoing
4. External networking to ensure best practice - ongoing

Progress update

- Rollout of new Mandatory training to all colleagues
- Implementation of improved security measures e.g. E5 Licencing
- Involvement with National cybersecurity organisation
- Extensive communications to NCC staff on remaining vigilant against cyber-attacks
- Increased take up of IT training;
- A simulated phishing exercise, carried out to understand where weaknesses remain;
- Roll-out of Safe Links and Safe Attachments technology, which screens MS Office attachments and links
before being opened;
- Anti-spoofing technology software being introduced.

Risk score of 9 at present due to improved measures that have been implemented but acknowledgment that further activities would reduce the risk further, with a number of new challenges in a COVID and geo-political landscape. The impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Appendix C

Risk Number	RM004	Date of last review	07.03.2022
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.		
Portfolio lead	Cllr. Andrew Jamieson	Risk Owner	Simon George
Risk Description		Date entered on risk register	02 June 2019

Ineffective contract management leads to wasted expenditure, poor quality, failure to achieve anticipated environmental or social benefits, unanticipated supplier default or contractual or legal disputes, and/or reputational damage to the Council. The council spends some £700m on contracted goods and services each year. Overall risk treatment: Tolerate

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	2	3	**6**	2	3	**6**	Mar-23	**Met**

Tasks to mitigate the risk

1) Implement a proactive system to identify early signs of potential supplier financial / governance failure and respond appropriately.
Next steps:
- Develop robust process to respond to CreditSafe alerts
- Checks of suppliers governance arrangements and following up on references

2) Continue to report the pipeline of expiring contracts to Corporate Board every six months. Continue to discuss the pipeline of expiring contracts with CES DMT every quarter.
Next steps:
- Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers

3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively.
Next steps:
Implement phased plan

4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively

5) Internal audit undertaking audits of the contract management control environment in the three service directorates.

Progress update

1) Process developed with finance to respond to CreditSafe alerts. Complete

2) Pipeline reporting frequency at Corporate Board increased to quarterly and process is in place for monthly review by Director of Procurement and Executive Director of Finance. Procurement staff review monthly and make sure plans are in place with departments. Complete

3) Contract compliance and optimisation workstream plan was approved at Corporate Board in December 2019 and phased implementation was under way, prior to COVID-19. Implementation of phased plan paused whilst efforts are focussed on the COVID-19 response.

4) Transition/handover checklist developed and in use. Complete

5) Internal Audit have completed an audit of the senior management monitoring of significant contracts. Complete

Appendix C

Risk Number	RM006		**Date of last review**	07.03.2022
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2021/22 to the end of 2023/24.			
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Tom McCabe	
Risk Description			**Date entered on risk register**	13 June 2019

The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	5	**5**	Mar-23	**Green**

Tasks to mitigate the risk

1) Clear robust framework, 'Together for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.
2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.
3) A robust annual process to provide evidence for Members to make decisions about spending priorities.
4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.
5) Sound engagement and consultation with stakeholders and the public around service delivery.
6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.

Progress update

Regular budget and performance monitoring reports to Cabinet has continued to demonstrate how the Council is delivering against the 2021/22 budgets and priorities set for each of our services.
The Council has a robust and established process, including regular reporting to Members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports. There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2021-22 spend being reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2021/22. There has been an updated MTFS position reported to Cabinet within the year, savings proposals published for consultation in October, budget setting meeting of Full Council in February 2022, and monitoring reports taken to Cabinet in 2021/22. Work has been carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals have been presented for Member review and then taken to Cabinet.

Appendix C

Risk Number	RM010				**Date of last review**				07.03.2022		
Risk Name	The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Caused by physical, technical or cyber problems.										
Portfolio lead	Cllr. Tom Fitzpatrick						**Risk Owner**	Simon George			
Risk Description					**Date entered on risk register**				01 July 2019		
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood,or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Note that cyber security risks are elevated in 2022 due to global geopolitical issues (Cyber risk is detailed further in risk RM14184). Overall risk treatment: Treat.											
Original			**Current**			**Tolerance Target**					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
3	3	**9**	2	3	**6**	1	3	**3**	Mar-23	**Green**	

Tasks to mitigate the risk

Full power down completed periodically
2) Replace ageing Local Area Network (LAN) equipment
3) Implement Cloud-based business systems with resilient links for key areas
4) Review and Implement suitable arrangements to protect against possible cyber / ransonware attacks including;
5) Running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack
6) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios
7) WFH has changed the critical points of infrastructure. Access to cloud services like O365 without reliance on County Hall data centres is critical to ensure service continuity.
8) Keep all software security patched and up to date and supported. Actively and regularly review all software in use at NCC and retire all out of date software that presents a risk to keeping accredited to these standards.
9) Continue to closely monitor security processes.

Progress update

Progress update
1) Full power down completed as required by Property programme plans. 2) County Hall complete we continue to roll out to remaining offices throughout the County slowed due to Covid-19 restrictions. 3) We Implement Cloud-based business systems with resilient links for key areas as they are procured, guidance is being refreshed regularly. 4) We have now completed the cyber audit actions. 5) IMT and the resilience team presented a number of scenarios selected by the business to the Directors Operational Board (Previously Silver group) to test, understand and challenge on a number of key disaster Scenarios. This was to inform the business continuity plans and highlight further improvements we can make. Resilience team are considering dates for our next Business Continuity test. 6) Since COVID-19 has resulted in the majority of the workforce working from home, the network has been able to cope effectively with a vastly increased number of users working remotely. 7) Various security protections from Microsoft E5 have been implemented and more are being added. 8) Infrastructure design is evolving to accommodate cloud services, further strengthen cyber security and reduce reliance on County Hall infrastructure. NCC dependence on Solaris will reduce with Oracle Cloud. 9) The scope and frequency of security monitoring processes has been increased.

Risk Number	RM013	**Date of last review**	07.03.2022
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.		
Portfolio lead	Cllr. Greg Peck	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	02 July 2019

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2019-20. Overall risk treatment: Treat This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	**4**	1	4	**4**	1	4	**4**	Mar-23	**Met**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.
2) The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.
3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.
5) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the NORSE board. 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council’s interests are being protected. All County Council subsiduary limited company Directors have been approved in accordance with the Constitution. Andy Wood has been appointed as the new Chairman of NORSE. A Managing Director is currently being appointed. A further strengthening of the Board is proposed with the appointment of two independent Non-Executive Directors with one vote each. As with Repton the appointments would be made through a transparent process of advertisement, interview and appointment. 4) The ED of F&CS directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution. 5) There is Shareholder representation from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Appendix C

Risk Number	RM022b	**Date of last review**	07.03.2022
Risk Name	Implications of EU Transition for a) external funding and b) Norfolk businesses		
Portfolio lead	Cllr. Graham Plant	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	28 August 2020

a) Risk RM14429 covers the closedown of the France (Channel) England INTERREG programme, managed by NCC. In terms of future external funding, we need to make a compelling case to Government for investment in Norfolk from the UK Shared Prosperity Fund, which replaces EU funding.
b) Going forward, we need to understand the implications for Norfolk businesses of the Territorial Cooperation Agreement and work with partners to support Norfolk businesses to trade.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	2	3	**6**	Mar-23	**Amber**

Tasks to mitigate the risk

a) Development of Norfolk Investment Framework to target the UK Shared Prosperity Fund (replacement for EU funding).

b) Focussed support for business, in conjunction with LEP and Chamber of Commerce.

Progress update

a) Cabinet agreed at their meeting on 2/8/21 to commission a Norfolk Investment Framework (NIF), to draw down the Shared Prosperity Fund (SPF) worth £1.5bn p/a nationally. Additional work packages to reinforce stakeholder engagement have been added. Consultation for the Framework has been extended. Draft iterations of thematic objectives being tested further with stakeholders. Contract of work extended until end of March 2022.
White paper has been published and reinforces the need for a collaborative approach in preparation for a County Deal.
The Levelling Up White Paper indicates that in the short-term SPF and LU funds will be delivered through Districts. Should a County Deal be agreed, this may change.
Feedback from Stakeholders confirms the need for a NIF. Approach endorsed by the Steering Committee (including Town Deal Board Chairs/Local Authorities/Business Reps/University & Research Institutes and Private Sector).
The NIF will identify funding options for delivery from a range of options including SPF and LUF, other national funding pots as well as private sector investment.

b) Business advice provided by the LEP's Growth Hub, Norfolk Chamber and Federation of Small Business. While these bodies can provide advice, the challenge for businesses is to invest more resource in producing the paperwork that is now required for the import/export of goods, and still generate a profit. Government has introduced measures to help secure more HGV drivers (to replace those lost due to both Brexit and the pandemic) and increase the number of seasonal agricultural workers who can work in the UK. A key priority of the Norfolk Rural Strategy is to help increase the the adoption of robotic solutions to increase productivity and help mitigate staffing challenges.

Risk Number	RM023	**Date of last review**	07.03.2022
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.		
Portfolio lead	Cllr. Bill Borrett	**Risk Owner**	James Bullion
Risk Description		**Date entered on risk register**	18 August 2017

Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. The pressures of demography and complexity of need continue to increase for adult social services. Direction of travel in terms of longer term funding has been signalled through Build Back Better and the introduction of the social care national insurance levy. However, additional funding is front-loaded towards the NHS, and there is a clear expectation that demography pressures should be met through local taxation. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	4	5	**20**	3	5	**15**	Mar-23	**Amber**

Tasks to mitigate the risk

1. Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future.
2. Publication of the the White Paper: Putting People at the Heart of Care, alongside funding for social care through the national insurance levy provides a strategic direction of travel. Further direction will come through a further White paper on integration, expected imminently.
3. As part of the PI strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care.
4. Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system.
5. Judicious use of one-off winter and other funding, as announced by Government, including accessing Discharge to Assess funding and other Covid-related funds.
6. Close tracking of government policies, demography trends and forecasts.
7. Influencing and shaping the development and governance of the new Integrated Care System to ensure a strong focus on social care

Progress update

Progress update
1) Detailed work to understand the financial and service impact of COVID for the next financial year and for medium term. Main themes for transformation being reviewed, and priorities for department being shaped. Overall strategy remains sound, but further work to identify the highest priority transformation areas and to track the interdependencies of programmes across the department. 2) Market shaping and development - strengthened working relationships; significant financial support for the market, now requires on-going work in partnership with care sector to look at future shape and sustainability. 3a) Refreshed prevention strategy required, building on the additional understanding and ways of working experienced throughout the pandemic. Engagement of Newton Europe consultants to re-design Adults front door, and strengthen prevention offer. 3b) Workforce – continues to be hugely challenging within Adult Social Services and in the wider care market. On-going recruitment campaign to sustain levels of front line social workers and occupational therapy staff. Joint European funded programme with Suffolk to support workforce in the wider care market 3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care. Better Care Fund currently under review to reflect closer joint aims and objectives between health and social care 4) Close joint working with NHS, through the Integrated Care System, to shape and influence future integration of health and social care 5) Recovery planning underway to address backlogs of work arising from pandemic and winter pressures. 6) Preparation for the implementation of the White Paper, Putting People at the heart of Care, 7) Collaboration with children’s services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning.

Risk Number	RM024	**Date of last review**	07.03.2022
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	14 June 2019

There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes. Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	**8**	2	4	**8**	2	3	**6**	Jan-23	**Amber**

Tasks to mitigate the risk

The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are:

1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings.
2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes.This will include independent audits and contract/legal advice on key contract risks as necessary.
3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board.
4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored.
5) All opportunities to be explored through board meetings to reduce risk and programme duration.
6) An internal audit has been carried out to provide the Audit Committee and management with independent assurance that the controls in place, to mitigate, or minimise risks relating to pricing in stage 2 of the project to an acceptable level, are adequate and effective and operating in practice.

Progress update

Progress update
The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. Progress against actions are: 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there were no significant concerns identified that impact project delivery). Internal audit on governance report finalised 14 August 2019 and findings were rated green. Further gateway review completed summer 2020 ahead of progressing to next stage of contract (construction). 2) Specialist cost and commercial consultants appointed and continue to review project costs. The Commercial Manager will continue to assess the project forecast on a quarterly basis, with monthly interim reporting also provided to the board. No issues highlighted to date and budget remains sufficient. A further budget review was completed following appointment of the contractor. The full business case was developed and submitted to DfT at end of September 2020 - the project is still at agreed budget. 3) An overall project programme has been developed and is owned and managed by the dedicated project manager. Any issues are highlighted to the board as the project is delivered.
The start of DCO examination was 24 September 2019, with a finish date on 24 March 2020. The approval of the DCO was confirmed on 24 September 2020 (no legal challenge). Construction started on 4 January 2021 as planned. The bridge completion and opening date remains early 2023. 4) Learning from the NDR the experience of commercial specialist support was utilised to develop contract details ahead of the formal commencement of the procurement process. Further work fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019) and continue in this role to manage contract administration. 5) The project board receives regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates. The project currently remains on budget and the programme to complete the works and open the scheme in early 2023 is still on track. 6) The further internal audit has been concluded and a report circulated. Findings were green with only one minor observation (already actioned).

Appendix C

Risk Number	RM026				**Date of last review**				07.03.2022	
Risk Name	Legal challenge to procurement exercise									
Portfolio lead	Cllr. Andrew Jamieson						**Risk Owner**	Simon George		
Risk Description					**Date entered on risk register**				04 June 2019	
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	5	**5**	Jun-22	**Green**

Tasks to mitigate the risk

Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC).
1) At team meeting w/c 10 June 2019, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale
2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises.
3) Seek corporate board sign-off for new approach with consistently adequate timelines,fewer evaluators and greater control over choice of evaluator
4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim.
5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801 in w/c 3 June 2019
6) Review standard scoring grid and test ‘offline’ on tender NCCT41830 w/c 10 June 2019
7) Review template provisional award letter w/c 17 June
8) Develop standard report to decision-maker w/c 17 June
9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender.
10) Pilot new scoring grid in a future tender
11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives.

Additional tasks identified February 2020:
12) Update HotDocs to include definitive versions of new templates - by 31 March 2020
13) Formal sign-off of updated process by Nplaw- by 31 March 2020
14) Further formal training for procurement officers - by 30 April 2020

Progress update

Progress update
1) Reminder given at team meeting - complete 2) Pipeline report frequency now quarterly. Pipeline being discussed with EDs or senior commissioners before each board - complete 3) Corporate board has signed off the new approach - complete 4) Ongoing as need to consider each procurement on a case by case basis. 5) Evaluator guidance was updated immediately. More significant changes have also now been implemented - see 9. Complete. 6) Scoring grid was updated as planned. Complete. 7) Template provisional award letter has been reviewed and updated. Complete 8) Existing reports have been reviewed and new report is being developed. Complete. 9) Evaluator guidance updated and in use as standard. Feedback from evaluators is positive. A new mechanism for capturing feedback on tenders is now in use after extensive piloting. 10) Scoring grid has now been updated and is in use as standard. - Complete 11) Added to senior staff objectives. Reviewed January 2020; no new issues identified beyond those in this risk RM026. 12) HotDocs templates have been updated.Complete. 14) All procurement staff in Sourcing have been trained in the new process and are adherring to it. Complete. Additional task 13 was paused in the wake of managing the COVID-19 response. However, the Government's Procurement Green Paper is proposing a number of changes to the Public Contract Regulations, which would affect the process. This task has been put on hold until the impact on the process is understood.

Appendix C

Risk Number	RM027		**Date of last review**						07.03.2022	
Risk Name	Risk of failure of new Human Resources and Finance system implementation (myOracle)									
Portfolio lead	Cllr. Tom FitzPatrick				**Risk Owner**	Simon George				
Risk Description			**Date entered on risk register**						16 August 2019	
Risk that there is a significant impact to HR and Finance services through potential lack of delivery of the new HR & finance system. Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	2	2	**4**	Apr-22	**Green**

Tasks to mitigate the risk

1) Strong subject expert engagement in the system configuration to ensure that myOracle meets the needs of the organisation
2) Rigorous testing of the system and data validation prior to go-live.
3) Strong business change plans and establishment of a wide network of business representatives to ensure that the business is ready for myOracle and that there is good adoption of the system.
4) Robust governance through operational boards and Programme Steering Committee and sponsorship by Exec Director Finance and Commercial Services. Regular review of risks and escalation where necessary and management of contractual milestones within the steering committee. Sign off on contractual changes by the Cabinet Member and Leader where required.
5) Member oversight of the programme through Corporate Select Committee.

Progress update

1) The myOracle programme is currently in the implementation phase and on track for an April 2022 go-live. We have completed final UAT for the HCM and ERP modules and have action plans in place for the remaining issues which came out of the testing. Testing of payroll is still underway and the EPM module is still in the development phase.
2) Ensuring continuity of business over the transition to the new system will be critical and is being managed by Systems Integration. In addition to system testing we are currently in parallel pay run 1 and plan to complete 3 runs prior to go-live.
3) We are working with Socitm Advisory as our business change partner on the programme. Socitm bring significant local authority expertise and experience in adopting Oracle cloud and supporting business adoption. We have established a myOracle Business Readiness Implementation Group (BRIG) with senior representation from across NCC and are working with them to design the communications, training and readiness plans to take us through go-live and embedding the system. The myOracle intranet site was launched on 1 June and we also have over 200 myOracle Champions from departments across the authority who we will work with to provide communications and support

Progress update

to their departments over the coming months.

4) There is on-going visibility of the plans via Programme Board and Programme Steering Committee. The award of integration services for Enterprise Performance Management module (EPM) was approved by the Leader and Cabinet Member for Innovation, Transformation and Performance in May 2021 and detailed plans have been re-baselined across the programme for an April go-live

5) Regular reports have been provided to Corporate Select Committee, the most recent being 15 November 2021.

6) The programme is at a key stage, with consolidated testing due to complete shortly. All issues arising from the testing process are reviewed and assigned a priority based on their impact. Any issues that are critical for go-live are escalated with the suppliers for a prompt investigation and fix. The myOracle Implementation Board and Steering Committee are now meeting weekly to ensure timely decisions to support the planned implementation.

note: the current rating of 10 will remain in place until final testing has taken place on all the modules and the remaining issues are closed.

Appendix C

Risk Number	RM029	**Date of last review**	07.03.2022
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Sarah Shirtcliff
Risk Description		**Date entered on risk register**	29 July 2019

There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce (ageing) 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors 9. Uncertainty of covid impact which could increase pool of candidates and simultaneously increase current colleagues' possibilities for new jobs in other locations Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	4	5	**20**	2	5	**10**	Sep-22	**Amber**

Tasks to mitigate the risk

•Identification of what new critical skills are required in services – using new workforce planning process and toolkit. As each directorate makes their changes to make savings / manage demand.
• Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand
Creation of career families and professional communities, providing visible and clear career paths for colleagues.
Adding a strengths based approach to performance development conversations and development plans - help people to know what their strengths are and the range of jobs where they could use those strengths
Recruit for strengths not just qualifications and skills and experience
• Explore further integration with other organisations to fill the gaps in our workforce - ongoing
• Develop talent pipelines working with schools, colleges and universities
• Undertake market rate exercises as appropriate and review employment packages
• Explore / develop the use of apprenticeships and early career schemes; this will help grow talent and act as a retention tool
• Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements

Progress update
1. Working with education providers to ensure subjects meet future workforce requirements – no further update 2.Work has begun to make best use of the 'skills' facility in the new Oracle system. It will take time to understand how best to use the functionality but it is planned to help with finding people within NCC with skills not usually associated with their role, as well as providing easy reporting on professional registrations. This functionality is dependent on completion of career families work which is currently in pilot stage, and is therefore a longer-term plan. 3. Work on how to use the full Talent module in Oracle will commence during optimisation year post November 2021 With focus on how to use functionality for Performance Development Conversations in April 2022 4.An email survey relating to digital skills has been created and piloted, enabling individuals to get instant access to information and learning resources relating to their own particular digital skills competence. Soft launch underway. Mandatory training policy is live and has been socialised 5.NCC careers website design is underway 6.There is an additional task relating to skills to identify the impact of COVID-19 on the availability of and demand for skills in NCC and Norfolk – this is beyond the remit of this risk but is related and therefore captured here. Current likelihood score at 4 and prospects of meeting target to amber in light of challenges for front line workers and early sight of survey reporting workforce pressures. The target score has been amended to the end of September 2022 to allow sufficient time for MyOracle to become established after an April go-live, which will positively impact on mitigations linked to MyOracle within this risk.

Appendix C

Risk Number	RM030	**Date of last review**	07.03.2022
Risk Name	Non-realisation of Children's Services Transformation change and expected benefits		
Portfolio lead	Cllr. John Fisher	**Risk Owner**	Sara Tough
Risk Description		**Date entered on risk register**	08 August 2019

There is a risk that Children's Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	5	**15**	1	5	**5**	Mar-23	**Amber**

Tasks to mitigate the risk

1) A demand management and prevention strategy and associated business cases have been completed and a multi-year transformation programme has been established covering social care and education, with 5 key strategic themes: Inclusion, Prevention and Early Intervention, Effective Practice Model, Edge of Care Support and Alternatives to Care, and Transforming the Care Market.
2) Significant investment has been provided to delivery transformation including c. £2m pa transformation investment fund since 2018-19 and £120m for capital investment in Specialist Resource Bases and Specialist Schools
3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change
4) Regular governatnce structures in place through the Cabinet Member chaired Transformation and Benefits Realisation Board to track and monitor the trajectories of the programme benefits, risks and issues
5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance, Information and Analytics, Innovation, etc
6) Interdependencies with other enabling transformation programmes e.g. Smarter Working will be aligned to help maximise realisation of benefits.

Progress update

Progress update
Scoring rationale - Risk impact relates to outcomes for children and families not being met, a key county council objective and financial loss of benefits over £3m therefore scored 5. Risk likelihood has reduced from "probable" prior to programme being initiated to "possible" as the transformation programme is seeing initial success after first 36 months of the programme, therefore scored 3. Jan 2022 update: - The investment in transformation has proved successful during the last 36 months having met existing targets for specific schemes albeit in the context of overall dept overspends - A balanced budget outturn position for 2020/21 was achieved, including a contribution to a Children's Services Business Risk Resilience reserve due to one-off Covid-related underspends - Overall programme broke even in April 2021 rising to over £14m of cumulative net benefits by March 2022 - Programme is helping to mitigate the currently projected overspend outturn position for 2021/22 due to the considerable financial pressures faced and ongoing uncertainties due to COVID 19. Project programme savings are £6.5m for 2021/22 - Core indicator of number of Children in Care is broadly stable. Unit costs are under considerable pressure due to market forces, worsened by the impact of the pandemic, and changes to the profile of need including increasing pressure for placements for CYP with complex needs (particularly where there are also significant mental health needs). A number of existing transformation projects are in train to support these young people more effectively and reduce unit costs over the medium term. - The next phase will focus primarily on prevention and early help – seeking to deliver a step change in our model and successfully bring together the system around special educational needs, early family help and emotional wellbeing.

Appendix C

Risk Number	RM031					**Date of last review**			07.03.2022			
Risk Name	NCC Funded Children's Services Overspend											
Portfolio lead	Cllr. John Fisher					**Risk Owner**			Sara Tough			
Risk Description						**Date entered on risk register**			01 September 2019			
There is a risk that in-year pressures from service demand and other external factors beyond the department's control materialise and lead to a significant overspend.												
Original			**Current**			**Tolerance Target**						
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date		
5	5	**25**	5	5	**25**	3	5	**15**	Mar-23	**Amber**		

Tasks to mitigate the risk

1. Transformation programme that is targeting improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs. In turn, this will enable the most expensive areas of NCC funded spend (placement costs and staffing costs) to be well controlled and to minimise the risk of a significant overspend of budget.
2. Implementation of improved monitoring system, to identify, track and respond to financial challenges.
3. Cohorts will be regularly analysed to ensure that all are targeted appropriately and to develop new transformation initiatives to meet needs cost effectively.
4. Ongoing recognition of underlying budget pressures within recent NCC budgets and within the MTFS, including for front-line placement and support costs (children looked after, children with disabilities and care leavers), operational staffing, and home to school transport for children with SEND.
5. Recognition of pandemic-related additional budget pressures in-year and for future years, with actions identified to respond to these and to minimise cost pressures

Progress update

Scoring rationale - Risk impact relates to financial impact of over £3m, therefore scored 5. Risk likelihood has increased from probable to "almost certain", due to department currently projecting an overspend outturn position for 2021/22 due to the considerable in-year financial pressures faced and ongoing uncertainties due to COVID 19.

Jan. 2022 update:
Improved monitoring systems have become embedded: CSLT finance sub-group, high cost reporting, LAC tracker, Permanancy Planning Meetings, DCS Quarterly Performance meetings, weekly "Time for Outstanding Outcomes" Meetings and Transformation and Benefits Realisation Board chaired by Cabinet Member CS and attended by Members and CSLT.

Multiple Transformation projects been successfully delivered and there are a number of projects underway that will contribute to the mitigation of this risk. For example, Our remodelled Corporate Parenting Service went live on schedule in April 2021 as well as our Targeted Youth Support Service in February 2021. Norfolk has been successful in being awarded DfE funding to introduce the No Wrong Door model in partnership N. Yorks, with New Roads successfully launched in June 2021. This is a proven model at working with adolescents differently improving outcomes and reducing costs.

Progress update

Financial benefits associated with New Roads programme are on track for delivery in 2021/22. We have established a significant programme to support children with disabilities and their families and, with partners, are redesigning our prevention and early help model to help meet the needs of families before they reach a threshold for statutory services.

Children Looked After numbers have reduced significantly since January 2019, which has resulted in reduced overall placement costs. The rate of reduction has slowed during COVID, becoming broadly stable, however, the impact of the pandemic has meant that we have now seen a small rise in numbers of LAC (although the rise appears to be below many other LAs). Unit costs are under considerable pressure due to external market forces, worsened by the impact of the pandemic, and changes to the profile of need including increasing pressure for placements for CYP with complex needs (particularly where there are also significant mental health needs). A number of existing transformation projects are in train to support these young people more effectively and reduce unit costs over the medium term.

Appendix C

Risk Number	RM032	**Date of last review**	07.03.2022
Risk Name	Capacity to manage multiple disruptions to business		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Sarah Rhoden
Risk Description		**Date entered on risk register**	29 October 2021

NCC is affected by an internal or external incident/emergency that impacts on the authority's ability to deliver critical services. This could be internal threats such as loss of IMT or power or external impacts such as supporting the countywide response to Norfolk's Highest risk such as Coastal flooding or pandemic flu. There is a risk of insufficient resource to support a major incident within Norfolk or insufficient preparation for increased frequency of extreme weather events, leading to flooding causing potential negative impacts on service delivery, user access to service provision and to the reputation of the Council.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	**16**	3	3	**9**	2	3	**6**	Sep-22	**Amber**

Tasks to mitigate the risk

1) Maintain the Corporate Resilience Plan.
2) Maintain a robust Business Continuity process.
3) Monitor and update internal BCP's and BIA's.
4) Having the appropriate groups in place to be able to support and manage any response to an incident causing business disruption.
5) Supporting and embedding of Business Continuity looking at best practice to support the operational delivery of services.
6) Provide induction training on Business Continuity for all staff.
7) Further training planning for both BC and Emergency Planning.
8) Active engagement and participation in the Norfolk Resilience Forum.

Progress update

1) Internally NCC have a Corporate Resilience Plan which sets out the strategy for an organisational response to an incident and identifies roles, responsibilities and key actions.
2) Robust BC process that includes a Policy, and corporate level Resilience plan. Department, Service and team level plans and Business Impact assessments (BIAs). BIA's and Plans are reviewed at least on a two-yearly cycle and when required if there is any changes withing the plans. The BC process is enabled within NCC, with support from the Resilience team who provide assistance, peer review and training. Current stats = 89% of NCC plans reviewed and 82% plans have been exercised
3) NCC Standing Silver/Director Ops and DMT's monitors internal BIAs& BC Plans on a regular basis. Control measures are in place and will be subject to ongoing monitoring.
4) A Gold and Silver level/Director Ops group is in place with the ability via the Resilience Team Duty Officer to respond 24/7 to support and manage any response.
5) To support and to embed BC practices with the NCC culture we have a network of Resilience Reps within each department that support operational delivery.
6) All staff are given induction training on BC and a manager package is available.

Progress update

7) The Resilience Team will be working to update its training offer for both BC and Emergency Planning training, this will be updated from learning from the COVID-19 and any other incidents.

8) Externally NCC are key stakeholders in Norfolk Resilience (NRF). Norfolk Resilience is our Local Resilience Forum, which is required by the Civil Contingencies Act 2004 (CCA). This is a partnership of over 60 organisations including the emergency services, local councils, health services and volunteers. The NRF is not a legal entity, nor does a Forum have powers to direct its members. Nevertheless, the CCA and the Regulations provide that responders, through the Forum, have a collective responsibility to plan, prepare, respond and communicate in a multi-agency environment. The NRF decide what to plan for using Norfolk's Community Risk Register and the government’s national risk register.

NCC is a main partner within the multi-agency Norfolk Resilience Forum and the Resilience Team (RT) will be the main enablers to the wider partnership initially at any incident response. NCC Officers take leading roles in all the multi-agency working groups, these groups are in place to support and manage all the major risk within the County.

Appendix C

Risk Number	RM033	**Date of last review**	07.03.2022
Risk Name	Failure to receive the necessary funding or statutory approvals to enable the Norwich Western Link (NWL) project (at £198m) to be delivered to the agreed timescales (target opening by late 2025).		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	21 July 2021

There is a risk that the NWL project could fail to receive funding approvals from the Department for Transport (DfT), and/or statutory approvals necessary within the necessary timescales to achieve the Orders to construct the project (related to planning consent, land acquisition, highway orders). Cause: Objection to the project (particularly related to environmental impacts) that results in either DfT or Secretary of State failing to provide the necessary approvals for the funding/Orders. Event: The scale of the project and the funding requirement from DfT (at 85%) is such that without their funding contribution, it will not be possible to deliver the project. Without the necessary Orders in place, it will not be possible to deliver the project. Effect: The benefits that the project would bring in terms of traffic relief, accommodating growth in housing and employment, economic recovery and journey time savings would not be achieved. If ultimately the project does not get constructed there is the possibility that any funding already provided by DfT would need to be repaid and that the capital expenditure up to that stage could need to be repaid from revenue funds (as there would be no capital asset to justify the use of capital funding).
Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	2	**4**	Sep-23	**Amber**

Tasks to mitigate the risk

1. Work closely with DfT to resolve any queries related to the OBC approval. 2. Ensure programme dates for statutory approvals are achieved and submission details are legally checked. 3. Develop strong team resource to ensure well developed submissions for statutory processes (including public inquiry) are provided. 4. Provide regular updates to the project board to ensure any issues related to programme, cost and risk are reported. 5. Monitor scale of expenditure prior to SoS approval to ensure any potential financial implications can be accomodated within the NCC financial envelope.

Progress update

1. OBC submitted to DfT for approval at end of June 2021. Dec 21 - DfT queries responded to. Awaiting funding confirmation. 2. Programme being reviewed to ensure realistic timescales for submissions are in place (to be agreed by the project board). 3. Resource review in progress to ensure the team structure is suited to the next phases of the project. Dec 21 - Team resources established. 4. Project board meetings in place and risk, programme, cost regularly reported. 5. Section 151 officer updated on expenditure to date at project board and is comfortable that any potential cost/budget implications could be accommodated within the NCC financial envelope.

Appendix C

Risk Number	RM034	**Date of last review**	07.03.2022
Risk Name	Supply Chain Interruption		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	09 November 2021

There is a risk of a supply chain interruption, which could affect any of the Council's supply chains. This could take the form of either a sudden or gradual interruption, affecting the ability to deliver one or more services effectively. Cause: Examples of sudden interruptions include; loss of power; loss of supplies due to panic-buying (fuel being the prime example with knock-on effects); supplier insolvency; inability to replace critical components. Examples of gradual interruptions include; a gradual inability to recuit key in-demand staff (e.g. drivers & care workers); a gradual material shortage (e.g. construction materials); inflation; industrial action; staff absence owing to Covid-19 / seasonal flu, gradually contracting labour markets. Event: The materialisation of a sudden or a gradual interruption to a NCC supply chain. Effect: Different causes will generate different effects, but the common effect would be a disruption to service delivery stemming from the interruption of the supply chain involved. This could have knock on effects to other services depending on the interconnectedness / scale of the supply chain.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	**16**	4	3	**12**	3	2	**6**	Mar-23	**Amber**

Tasks to mitigate the risk

For loss of power:
1) Understanding power resilience of County Hall
2) Understanding failover if we lost County Hall power
3) Reviewing plans for simultaneous loss of power or gas to multiple sensitive sites, e.g. care homes.
4) Thinking through command and control in case of widespread power loss
For fuel:
5) Sending out a de-brief form to all involved in the fuel disruption (NCC) and the Resilience team will collate the returns. This will inform changes to the NCC approach and potentially update the Corporate plan. Our work will feed into the wider NRF de-brief to the NRF plan.
For food:
6) Consideration of academies and our role with free school meals.
7) Maintain good relationships with key suppliers.
For supplier insolvency:
8) Formalising tiering of contracts
For critical spares:
9) Work with providers to ensure there is adequate support to just in time (JIT) deliveries (contingency stock of critical spares).
For IT:
10) Ensure IT refresh is considered and appropriate stock pre-ordered.

General mitigations against sudden major disruptions include:
Early warning and trigger points
Supply diversity
Supplier relationships
Public sector resource pooling
Effective plans

Progress update
For loss of power: 1) Power resilience understood. 2) Resilience of Disaster Recovery site understood. 3) This is being looked at via normal BAU winter preparedness. Resilience Reps and DMT's are supported by the Resilience Team to review BC plans. 4) Command and control will follow existing processes. Any issues to be reported by department and escalated to appropriate response level (Silver/Gold) to manage the NCC response. If beyond NCC the NRF will be activated to respond. For fuel: 5) Resilience Team have sent out a de-brief form to all involved in the fuel disruption (NCC) and will collate the returns. For food: 6) Work to be carried out with providers to ensure they think about support to just-in-time deliveries. (contingency stock of basics). 7) Close communication and good relations being upheld with key suppliers of food. For supplier insolvency: 8) Tiering of contracts being formalised. For critical spares: 9) Ongoing work with providers to ensure adequate support is available for JIT deliveries. For IT: 10) Laptops for next round of IT refresh pre-ordered and in suppliers' warehouse.

Risk management discussions and actions

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the risks that have met the exception reporting criteria and so included in this report, there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. Why are we not meeting our target risk score?
2. What is the impact of not meeting our target risk score?
3. What progress with risk mitigation is predicted?
4. How can progress with risk mitigation be improved?
5. When will progress be back on track?
6. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – suggested actions

A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.
All actions, whether from this list or not, will be followed up and reported back to the committee.

Suggested follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team (DMT)	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to the committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to Corporate Board	Identify key actions for risk management improvement and refer to Corporate Board for action
6	Refer to Cabinet	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to Cabinet for action.

Appendix E

Background Information

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Corporate Board should direct any action to be taken
- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

The prospects of meeting target tolerance scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider that the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target tolerance score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” cell as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addressed and/or new tasks introduced.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

Treat

The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

Tolerate

The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

Transfer

The risk should be transferred to a third party (usually via an insurance policy).

Terminate

The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Audit Committee

Item No:11

Report Title: Work Programme

Date of Meeting: 21st April 2022

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

Executive Summary

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

Recommendations

The Audit Committee are asked to consider and agree:

- **the work programme for the Committee**
- **if further information is required**

1. Background and Purpose

1.1 In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposal

2.1 The proposed work is set out below:

- July 2022 reports

  - Executive Director, Finance and Commercial Services
    - Norfolk Audit Services Annual Report 2021-22
    - External Audit Letter and Audit Plan 2022
    - Governance of Norfolk Pension Fund 2021-22
    - NAS Quarterly Report Quarter ended June 2022
    - Risk Management Annual and Quarterly Report 2021-22
    - Audit Committee Work Programme

  - Director of Governance
    - Annual Monitoring Officer report 2021-22
    - Anti-Fraud and Corruption Strategy and Whistleblowing Annual Report 2021-22

  - Executive Director of Strategy and Transformation
    - Annual SIRO Report 2021-22
    - Follow Up to the Census 2021 presentation

- October 2022 reports

  - Executive Director, Finance and Commercial Services
    - NAS Quarterly Report Quarter ended June 2022
    - Risk Management Report
    - Annual Report to the Audit Committee 2021-22
    - External Auditor Report and Letters of Representation
    - Annual Statement of Accounts and Annual Governance Statement 2021-22
    - Norfolk Audit Services - Terms of Reference
    - Audit Committee Work Programme

  - Director of Governance
    - Anti-Fraud and Corruption Strategy and Whistleblowing Update

- February 2023 reports

  - Executive Director, Finance and Commercial Services
    - NAS Quarterly Report Quarter ended December 2022
    - Risk Management Report
    - Internal Audit Strategy and Plan 2023-24
    - Audit Committee Work Programme

  - Director of Governance
    - Anti-Fraud and Corruption Strategy and Whistleblowing Update

- Medium Terms topics to note
    - Executive Director of Strategy and Transformation - Follow Up to the Census 2021 presentation (July 2021)
    - Executive Director, CES - Environmental Policy Update

2.2 The Committee may wish to propose further reports on additional topics relevant to the Committee’s terms of reference.

3. Impact of the Proposal

3.1 As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 There are no Staff/Property or IT implications

8. Other Implications

8.1 There are no Legal /Human Rights/ Equality Impact Assessment (EqIA) /Data Protection Impact Assessments (DPIA)/Health and Safety/Sustainability or other implications.

9. Risk Implications / Assessment

9.1 There are no risk implications. Risk Management reports feature in the programme.

10. Select Committee Comments

10.1 None.

11. Recommendations

1. Please see the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact
If you have any questions about matters contained within this paper, please get in touch with:

Officer name: **Adrian Thompson**
Telephone no.: **(01603) 303395**
Email: **Adrian.thompson@norfolk.gov.uk**

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