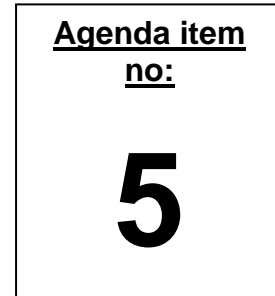


**HERTFORDSHIRE COUNTY COUNCIL**  
**AUDIT COMMITTEE**  
**WEDNESDAY, 1 MARCH 2017 10.00 AM**

**RISK MANAGEMENT ANNUAL REPORT 2016/17**

Report of the Head of Assurance



Author: Fiona Timms, Risk and Insurance Manager (Tel: 01438 843565)

**Purpose of Report**

- 1.1. This report is an annual item to outline the key Risk Management activity undertaken since the last annual report presented in March 2016 and as requested by the Audit Committee.

**Summary**

- 1.2. The following items are included in this report:

- The current Corporate Risk Register position
- Details of key risk movements over the last quarter
- A summary of key corporate risk movements over the last year
- Audit findings on Risk Management

- 1.3. Corporate risk appendices accompany this report:

- A risk movement report at Appendix A details the risks with changes in the last quarter
- A risk status report at Appendix B summarises the latest risk scores and risk scores at each of the last 3 Audit Committee meetings.
- The organisational risk matrix is included in Annex A to this report.

**Recommendations**

- i. That the changes in the Corporate Risks since the last report to the Committee are noted
- ii. That the Risk Management Annual report be noted.
- iii. That the Committee identifies a risk (or risks) to be reviewed at its next meeting in June 2017.

## Corporate Risk Register

- 1.4. The latest review of the corporate risk register took place during January 2017 and significant changes were subsequently reported to the Strategic Management Board (SMB) on 6 February 2017 and will be similarly reported to the Resources and Performance Cabinet Panel on 9 March 2017.

The table below shows the risk movements broken down by risk classification. The movements shown are a continuation from the previous Risk Management Annual Report dated March 2016.

	2015/16 Quarter 4	2016/17 Quarter 4*
<b>Red</b>	10	12 (+2)
<b>Amber</b>	24	22 (-2)
<b>Yellow</b>	1	1
<b>Green</b>		
<b>Total</b>	<b>35</b>	<b>35</b>
<b>Difference +/-</b>		<b>0</b>

\* The final quarter (highlighted in grey) is the current quarter and details movements to date. No change in absolute numbers may hide movement in and out. These will be outlined in the following sections.

As shown, there are still 35 Risks on the Corporate Risk Register. However, the variations and changes to risk categories are indications of the continued active management and scrutiny of risks and controls. These movements also include newly identified risks which is a further indication of the continued activity around identifying future areas of risk and uncertainty.

### 1.5. Heat-map of Corporate Risk Register at 23 January 2017.

This provides an overview and summary of the risk landscape for the organisation currently and an opportunity for Audit Committee to consider risks across the Authority. This also shows key changes from the position reported to the November 2016 Audit Committee.

Probability	Almost Certain		E01 ↓			
	Likely		R08	HC01 HC04 HC05	R01 R02 E02 R12 ↑	HC02 ↑
	Possible		R13 R15 R16 R18 new	CS02 CP02 CP03 HC06	R05 R07 R17 new R19 esc	CP01 HC07
	Unlikely			CP06 E04 R09	R11 S02*	CS01 HC03
	Rare			E03		CP04 CP05 PH01 R03 ↓
		Negligible	Low	Medium	High	Very High
Impact						











Note - \* S02 (formerly R10) has been de-escalated to a Service level risk

Each corporate risk has been allocated a simple risk number prefixed by appropriate letters to denote the Department owning the risk.

- R = Resources
- CP = Community Protection
- CS = Children's Services
- PH = Public Health
- HC = Health and Community Services
- E = Environment

## 1.6. Corporate Risk Register – brief risk descriptions

The following are brief descriptions for the risks in the heat-map (matrix) together with dates when risk focus reports were considered, or are to be considered:

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
64 HC02  ↑	NHS commissioning	Iain MacBeath Director of Health and Community Services	HCS0012	23/09/2016
HC07 	Failure of care providers	Frances Heathcote Assistant Director Health and Community Commissioning	HCSOPD0006	29/09/2011 28/03/2013
CP01 	Unplanned incidents	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	HFRS0007	22/11/2012 23/03/2016
CS01 	A child or young person could die	Jenny Coles Director of Children's Services	CSF0055	30/06/2011 27/03/2014
E02 	Residual Waste Treatment Programme	Simon Aries Assistant Director - Transport, Waste & Environmental Management	ENV0104	
HC01 	Attraction of care-workers - Care Act 2014 non-compliance	Iain MacBeath Director of Health and Community Services	HCS0010	23/09/2016
HC03 	Inadequate care leads to death or abuse of client	Frances Heathcote Assistant Director Health and Community Commissioning	HCSCP0001	29/09/2011
HC04 	DOLS - Deprivation of Liberty Safeguards	Sue Darker Operations Director, Learning Disabilities and Mental Health	HCSMH0002	16/09/2014
HC05 	Discharging patients from hospital - bed blocking	Iain MacBeath Director of Health and Community Services	HCSOPD0001	23/09/2016
R01 	Failure to retain, attract and recruit the right people and right	Sally Hopper Assistant Director, Human Resources	HR0021	21/11/2013

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
	skills			
R02 32	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Angela Bucksey Assistant Director - Property	PROP0022	20/11/2014 01/03/2017
R12 32 ↑	Cyber-attack on HCC's ICT	Dave Mansfield Head of Technology	TEC0004	
R19 24 (escalated)	Misuse of social media	Andrew Hadfield Interim Head of Communications	COMS0002	
CP02 24	Radicalisation - Prevent	Darryl Keen Deputy Chief Fire Officer	CP0004	
CP03 24	Extreme Weather	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0009	
CS02 24	School's expansion programme costs	Simon Newland Assistant Director (Education Provision & Access)	CSF0070	25/11/2015
R17 24  (new combined risk)	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Claire Cook Assistant Director Finance	CSHF0016	
R04 24  (withdrawn)	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Claire Cook Assistant Director Finance	CSHF0015	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R06 24 (withdrawn)	Reduction in government and external funding	Claire Cook Assistant Director Finance	CSHF0005	
HC06 24	Better Care Fund - BCF	Jamie Sutterby Assistant Director, Health Integration (E&NH)	HCS0011	
R07 24	Failure to train employees to required standards	Sally Hopper Assistant Director, Human Resources	HR0018	
R05 24	Insufficient skills in commissioning / contract management and competencies	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	IMP0002	
E01 20 ↓	Tree Health	Simon Aries Assistant Director - Transport, Waste & Environmental Management	ENV0142	30/11/2016
R08 16	The Council experiences significant fraud	Terry Barnett Head of Assurance	AUDIT0001	20/06/2012
CP04 16	Failure of Local Resilience Forum - LRF - inadequate inter agency plans	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0001	24/11/2011 23/09/2015
CP05 16	HCC business continuity plans - BCP	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0002	24/11/2011 23/09/2015
R03 16 ↓	HCC's pension fund level may not improve sufficiently to cover accrued pension costs	Claire Cook Assistant Director Finance	CSHF0002	
E04 16	Road maintenance investment	Rob Smith Deputy Director Environment	ENV0033	
CP06 16	HFRS meeting national training requirements	Chris Bigland Fire and Rescue Assistant Chief Officer - Service Support	HFRS0004	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R09 16	Failure to comply with Safe Staffing legislation	Sally Hopper Assistant Director, Human Resources	HR0022	
S02 16 deescalated	Industrial action (previously R10)	Sally Hopper Assistant Director, Human Resources	HR0017	
PH01 16	Health Protection emergency	Joel Bonnet Deputy Director of Public Health	PHD0014	21/06/2016
R11 16	The sale of assets may not provide the level of capital receipts to meet the target	Angela Bucksey Assistant Director - Property	PROP0020	
R18 12 (new)	Risk of not offsetting the Apprenticeship Levy	Sally Hopper Assistant Director, Human Resources	HR0023	
R13 12	Loss/inappropriate acquisition/disclosure of sensitive personal or commercial data	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	IMP0001	
R15 12	Land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place	Angela Bucksey Assistant Director - Property	PROP0018	
R16 12	Potential Venture Partner arrangements	Angela Bucksey Assistant Director - Property	PROP0021	
E03 8	Condition of our roads	Rob Smith Deputy Director Environment	ENV0030	20/09/2013

## Full Corporate Risk Register – Movement report

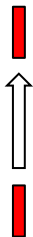
1.7. The full register is embedded here.



Corporate Risk  
Register - Movement

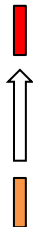
### Changes in the Corporate Risk Register since the report to November 2016 Audit Committee

1.8. HC02 (Ref. HCS0012 , Appendix A, Page 1) – “Due to national NHS commissioning changes from May 2015 there may be structural changes to NHS commissioning, leading to financial uncertainty for jointly commissioned projects including the Better Care Fund within Hertfordshire County Council.”



HVCCG have stated their intention to withdraw £8.5 million in funding from April 2017. HCC are now considering legal actions. As a result the risk owner has increased the risk score from red 32 to red 64 (severe).

1.9. R12 (Ref. TEC0004, Appendix A, Page 2) – “In the event of failing to maintain and ensure the use of our security systems, technical protocols and change management processes, there is a risk of a cyber-attack (virus, penetration or malicious internal action) on HCC’s ICT environments causing significant service disruption and possible data loss.”



Although mitigations were again successful against a number of attacks over the Christmas period, as the intensity, complexity and number of attacks continue to increase we are going to have to be continually on top of this and updating / improving / modernising our response. As a result the likelihood has been increased to ‘likely’. The current score has therefore increased from amber 16 (significant) to red 32 (severe).

1.10. R19 (Ref. COMS0002, Appendix A, Page 4) – “As a result of the increased number of HCC staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication.”

As a result of the increasing numbers of social media users and the increasing volume of messages via social media this risk has been re-assessed. The Communications Team has recently completed a mini-review of existing documentation / guidance and is updating these through the cross council web management group. Further work will also be done to increase awareness of the risks and benefits of social media activity across the council, including another channel to engage customers and residents. The risk has been escalated to the Corporate Risk Register. The current risk score is amber 24 (significant).



- 1.11. R17 (Ref. CSHF0016, Appendix A, Page 5) – “In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.” The current risk score is amber 24 (significant).

This is the replacement risk for the two risks referred to in section 6.5 below. Relevant mitigations from both previous risks are included, appropriately updated.

- 1.12. R06 (Ref. CSHF0005) and R04 (Ref. CSHF0015) – CSHF0005 – “In the event of a reduction in government and external funding there is a risk of a funding gap which may result in the need to identify measures to further reduce service spend leading to deterioration or interruption of front line service delivery.” CSHF0015 – “There is a risk that the Authority does not develop sufficient timely proposals to deal with the ongoing reductions in funding/resources which may lead to unplanned reduction of services or the need to draw on reserves.”

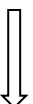
A single risk has been developed to replace these two risks which have now been withdrawn.

- 1.13. E01 (Ref. ENV0142, Appendix A, Page 7) – “Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity.”



This risk was reviewed by the Audit Committee in November 2016 and an update paper presented to Environment, Planning & Transport Panel in December 2016. The risk to Hertfordshire’s trees from Chalara and other tree health issues is likely to be long-term. With controls progressing well and more known about the spread of the disease it is felt that the Impact of the risk in any one year can be reduced to (4) Medium. The Likelihood of the tree health issues having an impact in the County remains (5) High. As such the current score has been reduced from red 40 (severe) to amber 20 (significant).

- 1.14. R03 (Ref. CSHF0002, Appendix A, Page 10) – “There is a risk that HCC’s pension fund level may not improve sufficiently to cover accrued pension costs because of economic conditions, poor investment or ineffective governance.”



The latest position shows the funding level to be around 87% as at 30 September 2016. The risk and controls have been reviewed in the context of the triennial re-evaluation of the fund. Given the improved funding position the

risk likelihood has been reduced to 'rare'. The current score has therefore reduced from red 32 (severe) to amber 16 (significant).

- 1.15. S02 (Ref. HR0017, Appendix A, Page 11) – “In the event of industrial action there is a risk that services cannot be delivered effectively, which could result in harm to residents.”

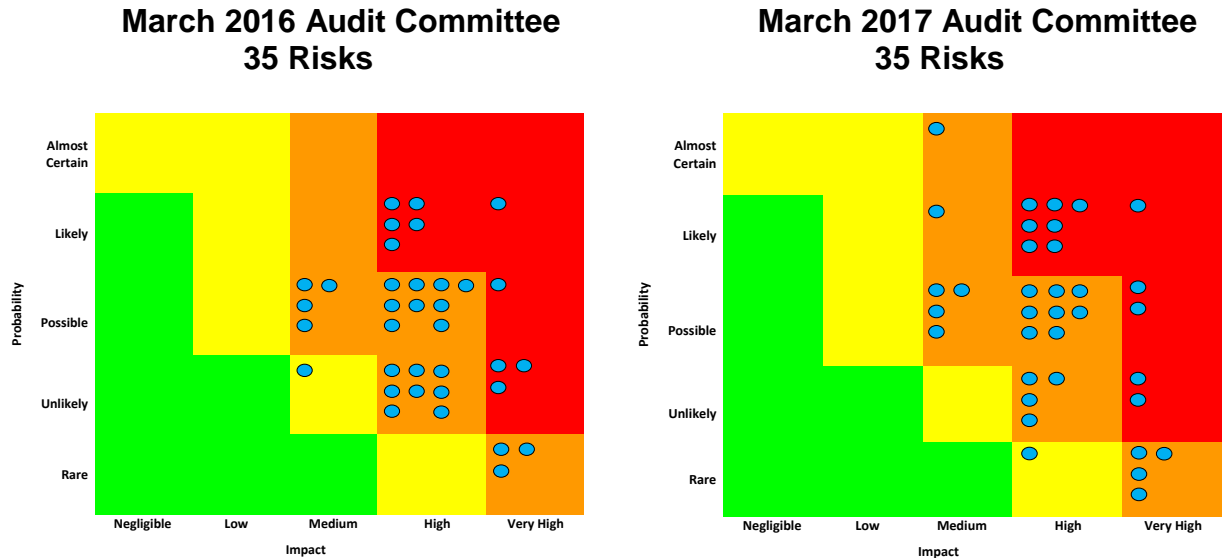
Following discussion at Resources Board in October 2016, the risk owner has determined the risk can be de-escalated to Service level. There are no known disputes and we have recently engaged in initial positive discussions with the unions on the review of the collective agreement due April 2017.

- 1.16. R18 (Ref. HR0023, Appendix A, Page 12) - As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences.” The current risk score is amber 12 (significant).

This is a new corporate risk relating to the legislation establishing an Apprenticeship Levy. There will be a process to offset budgets and develop the Hertfordshire Apprenticeship Programme and the Hertfordshire Apprenticeship Alliance. The Apprenticeship Levy Project is implementing activity to meet an April 2017 launch.

**Changes within the Corporate Risk Register since March 2016 Audit Committee**

**1.17. Summary of Changes to the Corporate Risk Register**



<b>Para 7.2 - New Risks</b>	<b>No. of Risks</b>
Risks that have emerged and been developed in the Corporate Risk Register	<b>4</b>
<b>Para 7.3 - Escalated risks</b>	<b>2</b>
Risks moved up from a Service Risk Register to the Corporate Risk Register	
<b>Para 7.4 - De-escalated risks</b>	<b>3</b>
Risks moved down from the Corporate Risk Register to a Service Risk Register	
<b>Para 7.5 - Withdrawn risks</b>	<b>3</b>
Risks no longer deemed a threat to HCC	

In addition to risks going in and out of the Corporate Risk Register, risk owners have reflected the impact of controls (mitigations) and the changing environment on the risk scores and there have been a significant number of changes to the current and target risk scores over the year.

Changes in the Corporate Risk Register since the last quarterly report to Audit Committee in November 2016 are separately highlighted in Section 6.

## 1.18. New risks developed in 2016/17

- 1.18.1. ENV0142 (Appendix A, Page 7) - "Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity." The current risk score is amber 20 (significant).
- 1.18.2. PROP0021 – "In the event that the review of how Hertfordshire County Council disposes of its surplus land and property assets determines that the Council should develop these sites and assets itself or through joint venture arrangements, there is a risk that such a change to the disposal policy may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan". The current risk score is amber 12 (significant).
- 1.18.3. CSHF0016 (Appendix A, Page 5) – "In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery." The current risk score is amber 24 (significant).
- 1.18.4. HR0023 (Appendix A, Page 12) - As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences." The current risk score is amber 12 (significant).

## 1.19. Escalated risks in 2016/17

- 1.19.1. HCSOPD0001 - "Due to increased demands from the NHS for assistance discharging patients from hospital, (this includes new groups of patients not previously referred to social care and admission avoidance), there is a risk of delays in discharging some patients requiring County Council input, which may result in financial and reputational consequences."

The performance of NHS acute trust and shortage of care in Hertfordshire County Council input. Due to the high public profile of delayed discharges (also known as bed blocking) the risk was escalated from a Service risk to a corporate risk. The current risk score is red 32 (severe).

- 1.19.2. COMS0002 (Appendix A, Page 4) – "As a result of the increased number of Hertfordshire County Council staff and members directly communicating with the public through social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication."

As a result of the increasing numbers of social media users and the increasing volume of messages via social media, this risk has been re-assessed and

escalated to the Corporate Risk Register. The current risk score is amber 24 (significant).

## 1.20. De-escalated risks in 2016/17

- 1.20.1. TEC0012 - "In the event of failing to retain our annual Public Services Network (PSN) accreditation Hertfordshire County Council will be unable to share data with central Government and other partners through IT systems. This would result in inability to deliver some business functions particularly in the adult and children's services area."

This process of PSN re accreditation has been established as an annual process and it was de-escalated to a service risk.

- 1.20.2. LMSS0003 - "As a result of a legal challenge to County Council policies or decisions (e.g. procurement/equalities), there is a risk of legal proceedings against the Council which would lead to:- diversion of resources to respond to the allegation; - damages and/or fines awarded against the Council; - loss of reputation"

The risk had reached its target assessment of amber 16 and significant work had been undertaken and is ongoing to improve equalities and procurement awareness and knowledge throughout the Council. Following discussion at Resources Board, of 20 July 2016, this risk was de-escalated to a Service level. The current risk score is amber 16 (significant)

- 1.20.3. HR0017 (Appendix A, Page 11) – "In the event of industrial action there is a risk that services cannot be delivered effectively, which could result in harm to residents."

Following the discussion at Resources Board in October 2016, the risk owner has determined the risk can be de-escalated to Service level. There are no known disputes and we have recently engaged in initial positive discussions with the unions on the review of the collective agreement due April 2017.

## 1.21. Withdrawn risks in 2016/17

- 1.21.1. PROP0016 - "With Contractors and Consultants providing works and services (statutory and non-statutory) directly, there is a risk that schools (academy & community) may use a supplier without the relevant background checks (insurance, financial, H&S etc)".

This risk had reached its target risk assessment of amber 12 (significant) and been maintained at that level since September 2014. The risk has been mitigated as far as possible by the Property Team through attending the Schools Forum twice a year to highlight projects that will be up and coming in the schools and being available for advice. In addition, information is available on the schools website (the Grid) and schools are able to use the property frameworks set up by Hertfordshire County Council.

1.21.2. CSHF0005 – “In the event of a reduction in government and external funding there is a risk of a funding gap which may result in the need to identify measures to further reduce service spend leading to deterioration or interruption of front line service delivery.”

1.21.3. CSHF0015 – “There is a risk that the Authority does not develop sufficient timely proposals to deal with the ongoing reductions in funding/resources which may lead to unplanned reduction of services or the need to draw on reserves.”

## 1.22. **Other Risk Developments**

### 1.22.1. Risk Focus

The following risk will be the subject of a risk focus report at Audit Committee, 1 March 2016.

PROP0022. “As a result of changes to the way in which development contributions will be collected from new developments through use of Community Infrastructure Levy (CIL) and Section 106 contributions, and the delay in introduction of the new arrangements across all district authorities there is a risk that there may be insufficient money to support infrastructure needs derived from new housing developments.” The risk is currently scored as red 32 (severe).

### **Audit and Risk Management**

1.23. Risk Management is a key element of the governance and assurance structures in the organisation. The Shared Internal Audit Service (SIAS) takes a risk approach to assessing activity for the audit plan that will be considered by the Committee for 2017/18.

1.24. The Annual Governance Statement 2015/16 found, “The Council has a well-developed risk management strategy and embedded risk monitoring processes, which operate at the highest levels of the organisation, and are overseen by the Council’s Audit Committee. The risks associated with meeting budget targets are also considered as part of the integrated planning process, and then monitored in quarterly reports to Cabinet.”

### **Next Steps**

1.25. Challenges and recommendations from Audit Committee will be considered by the relevant risk owners/Services. Action taken as a result will update the corporate risk register and be reported to the appropriate cycle of risk review meetings.

**Risk Matrix** – The following chart shows where, and what category/colour the risk will fall in dependent on the scores. Red being the most severe and green being the least.

The scores within the chart are multiples of the likelihood and impact, e.g. (*Likelihood of*) 4 x (*Impact of*) 8 = (*Risk Score of*) 32

**Assessing Impacts**

Impact Score	Impact Title	Example description
1	Negligible	Annoyance but does not disrupt service: Minor injury to an individual; Financial loss under £50k; Isolated service user complaints contained within unit/section; Litigation claim or fine less than £50k; Failure to achieve a core team plan objective
2	Low	Minor impact on service; Minor injuries to several people; Financial losses between £50k-100k, Isolated service user complaints contained within department; Litigation claim or fine between £50k -100k; Failure to achieve several team plan objectives including a core objective
4	Medium	Service disruption; Major injury to an individual; Financial losses between £100k-1 Million; Adverse local media coverage. Lots of service user complaints; Litigation claims or fine between £100k - £1Million; Failure to achieve one or more strategic plan objective
8	High	Significant service disruption; major/disabling injury to employee, service user or other stakeholder; financial losses between £1Million-£5Million; adverse national media coverage; litigation claim or fine between £1Million-£5Million; Failure to achieve one or more strategic objective
16	Very High	Total service loss for a significant period; fatality to employee, service user or other stakeholder; financial loss in excess of £5 Million; National publicity more than 3 days. Possible resignation of leading member or chief officer; Multiple civil or criminal suits. Litigation claim or fine above £5 Million; Failure to achieve a major corporate objective in the Corporate Plan

<b>Severe</b>	The Board feels most concerned about carrying this risk. The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.
<b>Significant</b>	The Board feels concerned about carrying this risk. The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an appropriate action plan.
<b>Material</b>	The Board is uneasy about carrying this risk. Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.
<b>Manageable</b>	The Board is content to carry this risk. Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.

**Assessing Likelihood**

Scale	Description	Likelihood of Occurrence
1	Rare	<ul style="list-style-type: none"> <li>Extremely unlikely or virtually impossible</li> <li>Less than 5% chance of happening</li> <li>Unlikely to occur in a 50 year period</li> </ul>
2	Unlikely	<ul style="list-style-type: none"> <li>Could occur at some point</li> <li>6% to 20% chance of happening</li> <li>Unlikely to occur within a 10 year period</li> </ul>
3	Possible	<ul style="list-style-type: none"> <li>Fairly likely to occur</li> <li>21% to 50% chance of happening</li> <li>Likely to occur once within a 10 year period</li> </ul>
4	Likely	<ul style="list-style-type: none"> <li>Will probably occur in most circumstances</li> <li>51% to 80% chance of happening</li> <li>Likely to occur once within a one year period</li> </ul>
5	Almost certain	<ul style="list-style-type: none"> <li>Expected to occur in most circumstances</li> <li>More than 80% chance of happening</li> <li>Likely to occur within 3 months</li> </ul>

**Impacts**

	Negligible (1)	Low (2)	Medium (4)	High (8)	Very High (16)
Almost certain (5)	5	10	20	40	80
Likely (4)	4	8	16	32	64
Possible (3)	3	6	12	24	48
Unlikely (2)	2	4	8	16	32
Rare (1)	1	2	4	8	16

Likelihood