

HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE
FRIDAY 7 JULY 2017 10.30 AM**

RISK MANAGEMENT UPDATE REPORT

Agenda item

no:

2

Report of the Director of Resources

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1. Purpose of Report

1.1. This report is a regular item on Risk Management activity over the last quarter. The Audit Committee's Terms of Reference state it is to "advise the Executive on relevant audit matters, including: (a) the risk management system and risk related issues".

2. Summary

2.1. The following items are included in this report:

- A summary of Corporate risk movements
- A summary of new risks
- A heat map of the 33 Corporate Risks. This also displays amendments since the March Audit Committee meeting
- A linked icon to the full Corporate Risk Register.

2.2. Corporate risk appendices accompany this report:

- A risk movement report at Appendix A details those risks with changed assessments 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.

3. Recommendations

- That the Risk Management Update report be noted.
- That the Committee identify a risk (or risks) to be the subject of a risk focus report to be presented at the next meeting of the Committee in September 2017.

4. Corporate Risk Register

- 4.1. The latest review of the Corporate Risk Register took place during April and May 2017. See section 7 for a linked icon to the full Corporate Risk Register.

The table below shows the risk movements broken down by risk classification. The movements detailed are those that have occurred since the previous report that was presented to the Committee in March 2017.

	Change in assessment from previous quarter
Red	12
Amber	19 (-3)
Yellow	2 (+1)
Green	
Total	33
Difference +/-	-2

- 4.2. There are now 33 Risks on the Corporate Risk Register, two less than previously reported. 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.

5. Actions from Audit Committee meeting of 1 March 2017

- 5.1. Members requested that timelines for relevant controls were added and the terminology for controls was revised / clarified. As a result, risk and control owners have provided target dates for the implementation of controls / for the specific control to be in place, where appropriate to that control. In addition, the terminology for control types has been amended so that 'in progress' has been replaced by 'in progress / taking effect' and 'existing' has been replaced by 'in place / embedded'.
- 5.2. Members heard that there were further potential risks posed to Adult Care and Health by reductions/ withdrawal of NHS funding for projects organised by other organisations. As agreed, officers have revised and updated risks to reflect this and the changes are highlighted in the report.

6. Heat-map of Corporate Risk Register at 22 May 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. It also shows key changes from the position reported to the March 2017 Audit Committee.

Heat Map (Matrix) of Corporate Risks (33 risks) at 22 May 2017

Probability	Almost Certain		E01			
	Likely		R08	E02 E05 <i>new</i> AC01 AC04 AC05* AC08 <i>new</i> AC09 <i>new</i>	R01 R02 R12	AC02*
	Possible		R13 R16* R18	CS02 CP02 CP03 AC06* R20 <i>new</i>	R05 R07 R17 R19	CP01 AC07*
	Unlikely		R15 ↓	CP06 E04 R09	R11*	CS01 AC03
	Rare			E03		CP04 R03 CP05 PH01
		Negligible	Low	Medium	High	Very High
	Impact					

Note - * AC02, AC05, AC07, AC06, R11 and R16 have been withdrawn. These risks have been replaced by new, up to date / re-focused, and re-scored risks.

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

- | | |
|---|--------------------|
| AC = Adult Care Services (previously Health and Community Services) | E = Environment |
| CP = Community Protection | PH = Public Health |
| CS = Children's Services | R = Resources |

6.1. Corporate Risk Register – brief risk descriptions

The following are brief descriptions for the risks in the 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 AC02 (withdrawn)	NHS commissioning	Iain MacBeath Director of Adult Care Services	HCS0012	23/09/2016
AC07 48 (withdrawn)	Failure of care providers	Frances Heathcote Assistant Director, Adult Care Commissioning	HCSOPD0006	29/09/2011 28/03/2013
CP01 48	Unplanned incidents	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	HFRS0007	22/11/2012 23/03/2016
CS01 32	A child or young person could die	Jenny Coles Director of Children's Services	CSF0055	30/06/2011 27/03/2014
E02 32	Residual Waste Treatment Programme	Simon Aries Assistant Director - Transport, Waste & Environmental Management	ENV0104	
E05 32 (new)	Croxley Rail Link cancellation	Rob Smith Deputy Director Environment	ENV0148	
AC01 32	Attraction of care-workers - Care Act 2014 non-compliance	Iain MacBeath Director of Adult Care Services	HCS0010	23/09/2016
AC08 32 (new replacement risk)	Insufficient budget for care, Better Care Fund	Iain MacBeath Director of Adult Care Services	HCS0016	
AC03 32	Inadequate care leads to death or abuse of client	Frances Heathcote Assistant Director, Adult Care Commissioning	HCSCP0001	29/09/2011

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
AC04 32	DOLS - Deprivation of Liberty Safeguards	Sue Darker Operations Director, Adult Disability Service	HCSMH0002	16/09/2014
AC05 32 (withdrawn)	Discharging patients from hospital - bed blocking	Iain MacBeath Director of Adult Care Services	HCSOPD0001	23/09/2016
AC09 32 (new replacement risk)	Failure of care providers (adults), insufficient care workers	Iain MacBeath Director Adult Care Services	HCSOPD0011	
R01 32	Failure to retain, attract and recruit the right people and right skills	Sally Hopper Assistant Director, Human Resources	HR0021	21/11/2013
R02 32	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Mark Handford-Jones Assistant Director - Property	PROP0022	20/11/2014 01/03/2017
R12 32	Cyber-attack on HCC's ICT	Dave Mansfield Head of Technology	TEC0004	07/07/2017
R19 24	Misuse of social media	Andrew Hadfield Interim Head of Communications	COMS0002	
CP02 24	Radicalisation - Prevent	Darryl Keen Director of Community Protection and CFO	CP0004	
CP03 24	Extreme Weather	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0009	
CS02 24	School expansion programme costs	Simon Newland Assistant Director (Education Provision & Access)	CSF0070	25/11/2015

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R17 24	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Steven Pilsworth Assistant Director Finance	CSHF0016	
AC06 24 (withdrawn)	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	
R20 24 (new)	Capital receipts, asset disposals and strategic joint venture arrangements	Mark Handford-Jones Assistant Director - Property	PROP0023	
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	Hertfordshire County Council business continuity plans - BCP	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	CPRES0002	24/11/2011 23/09/2015

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
R03 16	Hertfordshire County Council's pension fund level may not improve sufficiently to cover accrued pension costs	Steven Pilsworth Assistant Director Finance	CSHF0002	
E04 16	Road maintenance investment	Rob Smith Deputy Director Environment	ENV0033	
CP06 16	HFRS meeting national training requirements	Chris Bigland Deputy Chief Fire Officer	HFRS0004	
R09 16	Failure to comply with Safe Staffing legislation	Sally Hopper Assistant Director, Human Resources	HR0022	
PH01 16	Health Protection emergency	Joel Bonnet Deputy Director of Public Health	PHD0014	21/06/2016
R11 16 (withdrawn)	The sale of assets may not provide the level of capital receipts to meet the target	Mark Handford-Jones Assistant Director - Property	PROP0020	
R18 12	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	
R16 12 (withdrawn)	Potential Venture Partner arrangements	Mark Handford-Jones Assistant Director - Property	PROP0021	
E03 8	Condition of our roads	Rob Smith Deputy Director Environment	ENV0030	20/09/2013
R15 8 ↓	Land owned by the Council and no longer required for the purpose for which	Mark Handford-Jones Assistant Director	PROP0018	

No. and Score	Brief Risk Description	Risk Owner	Risk Ref	Date of Risk Focus Report
	it was bought may not have an active management regime in place	- Property		

7. Full Corporate Risk Register – Movement report

7.1. The full register is embedded here.



Corporate Risk Register for July 2017.

8. Key movements and new risks since March 2017 Audit Committee

8.1. New risk E05 (Ref. ENV0148, Appendix A, Page 1) – “As a result of political changes and escalating costs there is a risk that the Croxley Rail Link scheme is cancelled, which may result in claims to the Council (liability is capped at £3m), difficulties in re-claiming Hertfordshire County Council investment sunk into the scheme and reputational loss. This will also have a significant impact on future growth in the area.”

This risk has been raised as a result of London Underground (LUL) having informed Hertfordshire County Council that it now cannot: -

- a) deliver the scheme for the agreed funding package
- b) honour its commitment to cover any cost overruns
- c) open the scheme by the agreed target date of December 2020.

The current risk score is red 32 (severe).

8.2. New risk AC08 (Ref. HCS0016, Appendix A, Page 2) – “In the event of: increased demand on health and social care services; financial pressures in the health and social care sector, there is a risk of: financial uncertainty leading to insufficient budget to meet the future demand for services; that the Better Care Fund (BCF) pooled budget may not be sufficient to meet future demand for services; with the likelihood of budget overspend.”

This new risk was raised to replace and update previous risks regarding NHS Commissioning and the Better Care Fund (see section 9.2) below.

Since the Integrated Plan was set, Adult Care Services (ACS), [formerly Health and Community Services (HCS)], has received confirmation of the Clinical Commissioning Group’s (CCG’s) funding intentions and has been notified of additional Better Care fund monies from the Chancellor’s £2bn

funding announcement for social care. Whilst the financial outlook for the department is very challenging, these announcements have given certainty about the budget position for 17/18. The current risk score is red 32 (severe).

- 8.3. New risk AC09 (Ref. HCSOPD0011, Appendix A, Page 4) – “In the event of: - Commercial/contractual failure of care providers; Inability to attract an increased number of care workers, there is a risk of being unable to provide sufficient and safe care for clients leading to a person continuing to live in an environment which is inappropriate, delays in discharging from hospital and the authority not fulfilling its statutory responsibility. “

This new risk was raised to replace previous risks regarding Delayed Discharges and Failure of Care Providers (see section 9.2) below.

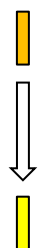
This updated risk is more relevant and seeks to set out the risk cause and effect chain more clearly. The current risk score is red 32 (severe).

- 8.4. New risk R20 (Ref. PROP0023, Appendix A, Page 6) – “Hertfordshire County Council has undertaken a review of how it disposes of its surplus land and property assets to establish how best to optimise capital receipts in a difficult market. As a result of the decision to develop these sites and assets through a new Strategic Joint Venture (SJV) Arrangement, there is a risk that this policy change may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan.”

This new risk has been raised to replace previous risks in respect to market conditions and the proposals regarding a joint venture arrangement (see section 9.6) below, and now highlights the agreed strategy to optimise capital receipts in the current market.

The effects of Brexit are still unknown and are being monitored. A developer will be appointed through an Official Journal of the European Union (OJEU) procurement by the end of the calendar year to enable the Strategic Joint Venture to be undertaken. The current risk score is amber 24 (significant).

- 8.5. R15 (Ref. PROP0018, Appendix A, Page 8) – “There is a risk that 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. As a result there is a risk of a Health & Safety incident to persons or property which could give rise to Health & Safety action and a liability claim.”



The Risk Owner has reduced the risk score from amber 12 (significant) to yellow 8 (material) due to the effectiveness of the processes and controls which are now in place / embedded. In addition the target score has been reviewed and amended. The risk is therefore now accepted / tolerated at this level.

9. Withdrawn risks since March 2017 Audit Committee

- 9.1. AC02 (Ref. HCS0012) – “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”. The risk score was red 64 (severe) and AC06 (Ref. HCS0011) – “In the event of significant, increasing demand on health and social care services, there is a risk that the Better Care Fund pooled budget may not be sufficient to meet future demand for services” The risk score was amber 24 (significant).

These risks were reviewed and withdrawn, replaced by risk AC08, ref. HCS0016 in section 8.2 above.

- 9.2. AC07 (Ref. HCSOPD0006) – “In the event of commercial or contractual failure of private or independent care providers, this may lead to disruption to care provision and impact on service users and carers.” The risk score was red 48 (severe) and AC05 (Ref. 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 Hertfordshire County Council input, which may result in financial and reputational consequences.” The risk score was red 32 (severe).

These risks were reviewed and withdrawn, replaced by risk AC09, ref. HCSOPD0011 in section 8.3 above.

- 9.3. R11 (Ref. PROP0020) – “As a result of changes in the UK and Local economic climate, which dictates the sale value of assets for disposal, there is a risk that the sale of assets may not provide the level of capital receipts to meet the target”. The risk score was amber 16 (significant) and R16 (Ref. PROP0021) – “In the event that the review of how Hertfordshire County Council disposes of its surplus land and property assets determines that Hertfordshire County 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 risk score was amber 12 (significant).

These risks were reviewed and withdrawn, replaced by risk R20, ref. PROP0023 in section 8.4 above.

10. Next Steps

- 10.1. 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

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

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