

CORPORATE GOVERNANCE COMMITTEE
25 SEPTEMBER 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT UPDATE

Purpose of the Report

1. One of the key roles of the Committee is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing a regular overview of key risk areas and the measures being taken to address them. This is to enable the Committee to review or challenge progress, as necessary, as well as highlight risks that may need to be given further consideration. This report covers:
 - a) The Corporate Risk Register (CRR) – an update against risks
 - b) Update on related risk management matters and counter-fraud initiatives.

Corporate Risk Register (CRR)

2. The Council maintains departmental risk registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing and which are owned by Directors and Assistant Directors.

The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature has a long time span. Risk owners are engaged and have demonstrated a good level of awareness regarding their risks and responsibilities for managing them. The full CRR is attached as Appendix A.

3. The CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be added to the CRR as necessary. Equally, as further mitigation actions come to fruition and current controls are embedded; the risk scores will be reassessed and this will result in some risks being removed from the CRR and reflected back within the relevant departmental risk register.
4. The key change since the CRR was last presented to the Committee on 12 June 2015 is regarding the Care Act 2014:
 - Risk 2.1 (referred to in the previous Committee report 12 June 2015) – relating to the Impact of the Care Act 2014 - Phase 2 on the long term Council delivery strategies has been revised. The Government recently announced (July 2015) its decision to delay the introduction of the cap on care costs until April 2020 therefore the risk regarding the implementation

of the Care Act (Phase 2) is no longer relevant. However, there is now a risk regarding the funding received for implementing the Care Act (Phase 1 & 2) of approximately £5.5m. The funding allocation was not specific to Phase 2, and it is unclear whether some of this will be taken back. Furthermore, there is also uncertainty as to whether there will be a reduction of the Care Allocation in 2016/17. The position may be clearer following the autumn spending review for 2016/17 funding.

- Other changes are :
 - Addition of a new risk (1.5) – significant pressures on the children’s social care placement budget, which fund the care of vulnerable children.
 - The financial impact of the increase in the living wage for 25+ entitled to the National Living Wage from April 2016 at £7.20 per hour is reflected in risk 1.1 – MTFs in the table below.
 - Personal Independence Payment (PIP) migration from Disability Living Allowance and other changes are referred under risk 2.3 - Welfare Reform Act in the table below.
 - Minor changes to the CSE risk descriptions at 7.1

5. At its meeting on 12 June 2015, the Committee requested that a presentation be provided on the following :



- The County Council’s work to mitigate the risks of Child Sexual Exploitation in Leicestershire.






This will be undertaken as part of this agenda.





6. The most up-to-date position of the risks on the CRR is shown in the table below. The risks have been re-numbered within each category. To maintain a full history of all risks, details of any risks removed will be provided in the Corporate Risk Register (Appendix A).




The arrows explain the direction of travel for the risk, i.e. where it is expected to be within the next twelve months after further mitigating actions, so that: -


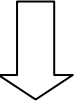


- a) A horizontal arrow shows a there’s not much movement expected in the risk
- b) A downward pointing arrow shows there’s expectation that the risk will be mitigated towards ‘medium’ and would likely be removed from the register
- c) An upwards pointing arrow would be less likely but is possible, since it would show that the already high scoring risk is likely to be greater

Dept./ Function	CRR Risk No	Risk Description	Current Risk Score (incl changes)	Update	Direction of Travel (Residual Risk Score over the next 12 months)
1. Medium Term Financial Strategy (MTFS)					
All	1.1	Risk around the MTFS including the ability to deliver savings through service redesign and Transformation as required in the MTFS, impact of the living wage and other demand and cost pressures	25	As a result of the budget announcement on the living wage, there has been a serious worsening of the Council's financial position. In addition, the children's social care placement budget is forecast to overspend, and there could be additional costs arising from the recent Government announcement on Syrian refugees. The MTFS will be revised over the Autumn. The Transformation Unit and Strategic Finance Service have developed a combined monitoring and reporting process for all projects. A revised approach will be submitted to the Transformation Delivery Board in October 2015.	 Expected to remain high/red
C&FS	1.2	Local Authority legal requirements to meet deficit budgets from maintained schools becoming sponsored academy, and pressure from Sponsors to meet repair costs.	16	<p>No change – early due diligence work commenced at the end of last term at Shephed Hind Leys and High Schools to help identify potential costs – this has included revenue projections at/post conversion and commissioning of revised condition surveys. More will be known in the autumn term when discussions recommence with the DfE and potential sponsor.</p> <p>Once the Education and Adoptions Bill (2015-16) is passed by Parliament, this will help identify which Leicestershire schools might be impacted i.e. the definition of coasting schools, and in turn identification of potential revenue and capital costs.</p>	 Expected to remain high/red

CE	1.3	Funding and reputation risks: CIL Regulations (1 April 2015) are now in force which restrict the pooling of section 106 contributions	20	A recent review of the developer contribution process has highlighted the need for corporate oversight to improve strategic direction and optimise the amount of contributions secured and how and what they would be spent on. A number of actions will be progressed.	 Expected to remain high/red
CR	1.4	The cost arising from uninsured risks increases	16	The uninsured loss fund has been increased by £2.2 m to £ 7.0 m, to replace cover lost due to failed insurers (per the June Cabinet report). Independent insurance company has offered settlement terms to its creditors. These are expected to be accepted with the consequence that future claims relating to the period 1993 to 1997 will be effectively self-insured.	 Expected to remain high/red
C&FS	1.5	Significant pressures on the children's social care placement budget, which fund the care of vulnerable children.	15 (New)	Forecast budget overspend (£6m) arising from the high cost and volume of placements	 Expected to remain high/red
2. Health & Social Care Integration					
A&C	2.1	Care Act 2014 Phase 2- Financial risk for funding received for 2015/16 and beyond	20 (revised)	See paragraph 4 above for further explanation	 Expected to remain high/red
CE / A&C	2.2	Better Care Together (BCT) - there are a number of strategic risks associated with the health and social care economy's 5 year plan and strategic outline	16	Programme has been reshaped to define the outcomes (benefits, costs, risks) to be achieved by each workstream within the BCT. Consultation narrative is being developed for full public consultation in November 2015. Health and social care pathways are being re-designed through implementation of Intensive Community services to provide alternative to in-patient beds. A cross cutting, Leicester,	 Expected to move to medium/amber

				Leicestershire & Rutland Adult Social Care Strategy in final draft. The impact of the 'left shift' (meaning more care will be provided in the community and closer to home) on local authority and social care workforce, finances and commissioning intentions is being determined.	
All	2.3	Challenges caused by the Welfare Reform Act.	25	<p>Key changes:</p> <ul style="list-style-type: none"> Personal Independence Payment (PIP) migration from Disability Living Allowance for new and existing services users effective from 13 July 2015 over the next two years. Plan in place by Community Care Finance (Adults and Communities Department) to deal with PIP for LCC appointeeship and Deputyship cases. Government's rollout timetable for exiting benefit claimants to be moved over to the Universal Credit during 2016 and 2017 	 expected to remain high/red
3. ICT, Information Security					
CR	3.1	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	15	Significant progress has been made over the last 12 months to mitigate number of Disaster Recovery risks	 Expected to move to medium/amber
CR	3.2	Continuing risk of failure of information security.	16	Whilst a number of actions have been taken to tighten governance and controls, it will be essential to continue a programme of communication and training for staff, and to embed security as part of operational activities.	 Expected to move to medium/amber
All	3.3	Failure by LCC to provide effective business intelligence to services will	15	Good progress has been made over the last 9 months and the appointment of a new Head of Business Intelligence and the establishment of the Centre of	 Expected to remain

		restrict implementation of effective strategies, impacting council wide priorities and delivery of the Transformation Programme.		Excellence in July 2015 are important milestones. A new Data and Business Intelligence Strategy will be approved over the next 3 months.	high/red
CR	3.4	Insufficient capacity to provide Information & Technology solutions.	16	Future savings requirements will have an impact on the availability of resources, and demand management and new ways of delivering Information & Technology solutions will be required.	 Expected to remain high/red
C&FS	3.5	Retention of children's case files beyond Data Protection Act (DPA) requirements	16	No change to previously reported position – risk will be reviewed with the Caldecott Guardian.	 Expected to remain high/red
4. Transportation					
E&T	4.1	Impact of an increase in unplanned and speculative local developments to address the shortfall in the five year housing supply which could have an adverse impact on the functioning of the transport network.	15	No change to the previously reported position. Further actions and additional controls are ongoing.	 Expected to move to medium/amber

5. Partnership Working					
C&FS	5.1	Improved outcomes and financial benefits of Supporting Leicestershire Families (SLF) are not achieved, leading to inability to financially sustain the SLF service beyond 2015/16.	15	Government has committed to further five years funding (up until March 2020). Discussions are now taking place with partners to secure financial commitment to align with government funding.	 Expected to remain high/red
E&T	5.2	LLEP-insufficient funding for transport schemes to deliver economic growth and LTP3 /Strategic Plan. Risk regarding match funding requirement for the Council	20	No change to the previously reported position. Further actions and additional controls are ongoing. Position will become clearer when Autumn statement made.	 Expected to move to medium/amber
6. Commissioning & Procurement					
CR	6.1	The Authority does not obtain the required value and level of performance from its providers and suppliers	15	<p>Programme of work underway to help mitigate this risk as part of the Effective Commissioning Enabler (Transformation Programme) and business continuity arrangements.</p> <p>Approval given to establish a new Commissioning Support Team. HR Action Plan due to be signed off early August with implementation of new structure and recruitment of additional resources to commence September 2015.</p>	 Expected to move to medium/amber
7. Safeguarding					
C&FS	7.1	Evidence of previously unknown serious historic issues of child sexual exploitation or abuse is identified The Council does not have the capacity to meet the demand on the CSE service	25	Current and historical CSE matters remain high. Additional resources have been deployed to facilitate the identification of non-recent abuse cases and the identification and reporting of current child sexual exploitation.	 Expected to remain high/red

Other Risk Information

7. Risk Management Training

A Risk Management Health Check & Register Workshop (1 day) was held at County Hall. This event was attended by departmental risk champions, internal auditors, and the Head of Internal Audit Service, officers from the Better Care and Transformation programmes and the Head of EMSS. The course refreshed views on the key risk management concepts from identification, assessment, monitoring and reporting. The learning evaluation highlighted a number of positive outcomes and areas where improvement is to be further explored.

Counter Fraud Initiatives

8. Local Government Transparency Code

Under the Local Government Transparency Code, the Council is required to publish, annually, summary details of fraud investigations including the total number of frauds investigated and the total amount spent by the authority on the investigation and prosecution of fraud:

http://www.leics.gov.uk/index/your_council/budget/fraud-investigation.htm

In accordance with the deadlines established by the Code, 2013/14 data was published by 2 February 2015, with 2014/15 data (and subsequent years) being published by 30 April each year. Nothing of significance was reported by the Council for either of the years.

9. Anti-Fraud & Corruption Survey

Local authorities are asked to complete an annual anti-fraud and corruption survey. Responsibility for the survey now lies with CIPFA since the closure of the Audit Commission. The results of the survey will be collated in due course and published to depict a national picture regarding fraud, including trends. This output is useful to us to highlight where counter fraud resource should best be directed, including emerging fraud areas. Although submission is now voluntary rather than mandatory, the 2014/15 survey was submitted to CIPFA in accordance with its deadlines. The information provided by the Council is similar to that published under the Local Government Transparency Code and therefore nothing of significance was reported in the 2014/15 survey.

10. National Fraud Initiative

The Council is a mandatory participant in the Cabinet Office's biennial National Fraud Initiative (NFI) a data-matching exercise designed to highlight fraud both within and between organisations. Responsibility for NFI transferred to the Cabinet Office in April 2015 following the closure of the Audit Commission in March 2015.

A series of data sets were submitted in October 2014. These comprised of data for Payroll, Pensions, Creditors, Blue Badges and Concessionary Travel passes, Residential Care Home payments and Personal Budgets. Data matching reports

were released at the end of January 2015. Review of the reports commenced on their release and is ongoing. Certain reports have been investigated as 'high priority' e.g. matching payroll to UK Visas, matching pensions to DWP deceased persons records but no further action was required. To date we have not identified any savings (or potential frauds) as a result of the NFI data matching exercise, however, this may change as investigations continue.

The NFI have previously issued a National Report highlighting savings achieved as part of NFI. If this practice continues, a report should be produced in June 2016.

11. Fraud Awareness e-learning module

The Council's e-learning module on fraud awareness has been revised. This e-learning is mandatory for all staff. The take-up of the e-learning will be monitored and strategies put into place to ensure it is maximised, for example reminders in Managers' Digest.

12. Countering Procurement Fraud

The CIPFA Counter Fraud Centre has recently published a guide on managing the risks associated with procurement fraud. This guide has been cascaded to the LCC Head of Procurement and the Assistant Director (Procurement & Compliance) at ESPO. This guide to managing the risk of procurement fraud has been written primarily for Heads of Procurement in local authorities who can act as a focal point for intelligence on procurement fraud and as a catalyst for a strategic approach to countering it. The intention, however, is that the guide will be useful to a much wider audience, including Finance Managers and those who manage contracts.

13. DCLG Fighting Fraud Funding Bid

The Council was part of a successful collaborative funding bid led by Leicester City Council which will see a number of counter fraud initiatives. The main element of the bid will see, at a later stage during the year, the introduction of regular data matching of employee data with other data sets, for example council tax data, in order to identify possible fraudulent activity both within and between authorities. The first of these initiatives to be progressed, however, is a Counter Fraud application for smart phones. This app will enable the Council to raise awareness with the public regarding fraud as well as publish information, e.g. success stories. The app is designed to be 'two way' and will be an avenue for individuals to be able to report suspected fraud to the Council. The success of this initiative will rely on a targeted communications strategy that encourages the general public to download the app, for which there is no charge.

14. Accredited Counter Fraud Technician

A member of the Internal Audit Service has successfully undertaken the CIPFA Accredited Counter Fraud Technician course. As a result, a number of 'quick wins' have been introduced to procedures (Leicestershire County Council Internal Audit Service), for example development of a loss recovery strategy in relation to fraudulent activity, and further work aimed at standardising how fraud investigations

will be undertaken within the Council, e.g. file management protocols, evidence retention, information security.

15. Loss Recovery Strategy

A formal loss recovery strategy is being developed which will complement the Council's overall zero tolerance approach to all forms of fraud and corruption within the organisation. This strategy will acknowledge that there are a number of different routes available to the Council to seek redress in the event of fraud loss, including both civil and criminal action. The strategy, once finalised and suitably approved, will be integrated into the Council's overall Anti-Fraud and Corruption Strategy.

Recommendation

16. That the Committee:

- a) Approves the current status of the strategic risks, facing the Council and the updated Corporate Risk Register;
- b) Notes the Council's initiatives to improve the prevention and pursuit of fraud;
- c) Make recommendations on any areas which might benefit from further examination and identify a risk area for presentation at its next meeting.

Resources Implications

None.

Equality and Human Rights Implications

None.

Circulation under the Local Issues Alert Procedure

None

Background Papers

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 20 February and 12 June 2015

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Appendices

Appendix A - Corporate Risk Register