

CORPORATE GOVERNANCE COMMITTEE

17 NOVEMBER 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 matters:
 - Independent Inquiry into Child Sexual Abuse (Goddard Inquiry)
 - Business continuity and insurance

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 changes since the CRR was last presented to the Committee on 25 September 2015 are detailed below :

i. Removal of risk

Risk 1.2 (C&FS) - Local Authority legal requirements to meet deficit budgets from maintained schools becoming sponsored academy, and pressure from Sponsors to meet repair costs.

Over the last few months there has been a significant reduction in the number of schools moving through sponsorship, most secondary schools now having converted (except Shepshed) leaving potentially the smaller and less costly underperforming primary schools to be addressed. In addition the Council now had improved controls to manage deficit budgets for schools subject to sponsorship in all cases issuing a Notice of Concern for financial management to the school governing body, at an early stage of the conversion process.

As the risk score has been revised from 16 to 12, this risk has been removed from the Corporate Risk Register but it will continue to be monitored through the Children and Family Services Departmental Risk Register.

It is possible that the risk may escalate again early next year as the DfE presses for more sponsorship conversions as a consequence of the 'coasting schools' requirements in the Education and Adoption Bill (once it is passed by Parliament).

ii. Other Changes:

See Risk 2.1: Care Act 2014 Phase 2- Financial risk for funding received for 2015/16 and beyond.

The government recently announced that it will not claw back monies paid out this year to local authorities to prepare for Care Act funding reforms that were originally due to come into force next April but were later postponed by ministers until 2020.

The total allocation for the Care Act for 2015/16 was £5.626m. This was to cover the cost of phase 1 (£3.657m) and early implementation of phase 2 (£1.969m). With phase 2 being delayed, there was a risk that the County Council needed to repay the £1.969m. With the recent Government announcement, councils can keep the full 2015/16 Care Act monies. However, there is a risk concerning the allocation from 2016/17 onwards, and therefore the risk has been reworded accordingly.

See Risk 2.2: Better Care Together – this risk has been updated to add a sub- risk, which has escalated from the Adults and Communities Department.

This is in connection with transferring patients early from the University Hospitals of Leicester to community and social care 'left shift'. This will initially increase the number of service users requiring assessment and increase demand on social care and providers.

5. At its meeting on 25 September 2015, the Committee requested that a presentation be provided on the following :


- Mitigating the risk of fraud





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 are numbered within each category. To maintain a full history of all risks, details of any risks removed are shown with their original risk reference number, at the end of 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: -


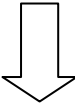

- a) A horizontal arrow shows a there's not much movement expected in the risk
- b) A downward pointing arrow shows there's expectation that the risk will be mitigated towards 'medium' and would likely be removed from the register
- c) An upwards pointing arrow would be less likely but is possible, since 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 Based on risks discussed at department's management teams during October 2015	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	<p>The County Council is in a very challenging financial position. The spending review on November 25th and the local government settlement expected before Christmas will provide some additional clarity. Significant additional savings will be required over the next four years.</p> <p>The Transformation Delivery Board agreed the implementation of a revised governance approach for the Transformation Programme at the October meeting. The new governance model includes the setting up of a 'Design Authority' (a small group of key people who will</p>	 Expected to remain high/red

				help develop the transformation programme) to provide assurance to the Delivery Board that the Programme is shaped effectively to achieve its objectives, and remains aligned to organisation strategies and priorities.	
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	The work on s106 is continuing and there is a corporate Infrastructure and Development Oversight Group (due to meet in November 2015) now set up to take a strategic look at s106 corporately. Part of the Group's remit will be to manage and oversee the risks.	 Expected to move to medium/amber
CR	1.4	The cost arising from uninsured risks increases	16	Municipal Mutual Insurance's financial accounts for 2014/15 have been received. The claims experience is significantly worse than the actuarial assessment, increasing the likelihood for a further levy. The timings and amounts are unknown, although it is likely to be in excess of £1m.	 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	Number of processes are in place: a) Weekly tracking of the changes in placement costs associated with children who enter care, leave care or change placement. b) Revised decision making processes for children's cases agreed c) All externally commissioned provision of services for children in care reviewed and cost effectiveness considered. d) Engagement with the Courts and Health commissioners to seek co-commissioned placements and reduce costs.	 Expected to move to medium/amber
2. Health & Social Care Integration					
A&C	2.1	Care Act 2014 – Funding risk for 2016/17 and beyond	20	It is likely that the overall allocation will be lower for 2016/17 and beyond. The position will be clarified in the November spending review. Nevertheless, there is a significant risk as there are permanent posts currently being funded from the	 Expected to remain high/red

				Care Act monies, and any reduction will have implications on achieving outcomes.	
CE / A&C	2.2	<p>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</p> <p>Sub risk: Impact on Adults & Communities Department as a result of the BCT left shift initiative</p>	16	<p>Full consultation on the BCT plan will commence in November 2015 following which final proposals will be developed.</p> <p>Initial business case development has highlighted areas of impact across Adult social care. These impacts are to be considered more fully over the coming months to determine the impact on the County Council in respect of funding requirements, workforce capacity and future service demand</p>	 <p>Expected to move to medium/amber</p>
All	2.3	Challenges caused by the Welfare Reform Act.	20 (revised from 25)	Note : No change to previous reported position	 <p>expected to remain high/red</p>
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	Disaster recovery testing was completed in August, and the next stage is to involve users in disaster recovery tests. A workshop to review the approach to cyber security risks is planned for May 2016	 <p>Expected to move to medium/amber</p>
CR	3.2	Continuing risk of failure of information security.	16	<p>As a result of the information security risk due to software vulnerabilities, there are a number of mitigation actions underway linked to PSN work. An IT Security Board has been introduced to monitor work and regular patching of operating systems is taking place.</p> <p>Further work is underway to obtain investment approval for automated software patching tools to further minimise risk and counter constant</p>	 <p>Expected to move to medium/amber</p>

				emerging security threats.	
All	3.3	Failure by LCC to provide effective business intelligence to services will restrict implementation of effective strategies, impacting council wide priorities and delivery of the Transformation Programme.	15	A new Head of Business Intelligence (BI) has been appointed and the Data and BI Strategy approved. The new BI service (within Chief Executive's) will be in place by April 2016	 Expected to remain high/red
CR	3.4	Insufficient capacity to provide Information & Technology solutions.	16	Note : No change to previous reported position	 Expected to remain high/red
C&FS	3.5	Retention of children's case files beyond Data Protection Act (DPA) requirements	16	Note : No change to previous reported position	 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	Strategic planning work and progression of local plans by Districts over the next 18 months will further reduce this risk	 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	Note : No change to previous reported position	 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	Position will become clearer when Autumn Statement is announced	 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>The new Business Continuity (BC) supplier assurance process has continued to be rolled out to business critical suppliers with particular focus on sole suppliers of a critical service; the BC Assurance Process has also been successfully integrated into the 'eTendering' process for new suppliers.</p> <p>Initial phase of contract management toolkit has been developed and is in process of being launched with handover to business as usual.</p> <p>The implementation of the new commissioning support model is underway with recruitment commenced (September 2015).</p>	 Expected to move to medium/amber

7. Safeguarding					
C&FS	7.1	<p><u>Historic:</u> Evidence of previously unknown serious historic issues of child sexual exploitation (CSE) or abuse is identified.</p> <p><u>Current:</u> The Council does not have the capacity to meet the demand on the CSE service</p>	25	<p>See detail below</p> <p>No change</p>	 Expected to remain high/red

Independent Inquiry into Child Sexual Abuse (Goddard Inquiry)

7. A short presentation was provided at the Corporate Governance Committee meeting on 30 September 2015, setting out, at a high level, the governance arrangements being put in place for both historic and current CSE matters. The following paragraphs set out some positive development since that date.
8. The Goddard Inquiry Strategic Governance Group, chaired by the Director of Children and Families, is now meeting regularly and has agreed three critical documents; clear Terms of Reference, an initial high-level work plan and a Communication and Engagement Strategy.
9. The Terms of Reference for the group accurately reflect the focus of the Inquiry and its challenge to all institutions to “take a proactive stance towards the Inquiry - review your files, records and procedures voluntarily and take the initiative to self-report instances of institutional failure, rather than waiting for us to come and see you.”
 - To proactively manage the relationship with the Goddard Inquiry, putting the Council on the front foot where appropriate and coordinating the Council’s contribution.
 - To act as the single point for commissioning work across the Council to coordinate the collection and submission of documentation and evidence required by the Inquiry.
 - To identify potential risks to the Authority and take/advise on mitigating actions.
 - To manage the relationship with partner bodies.
 - To develop and manage all external and internal communications relating to the Inquiry.
 - To ensure that the activity relating to the Inquiry and non-recent CSE fully aligns and complements the activity of the current and planned CSE service in the department.

10. The initial work-plan focuses on developing a database which will set out the Council's responsibilities in relation to the safeguarding of children. The intention is to research, record, store and present information relevant to the inquiry in a chronological manner dating between 1973 (initially) and 2015.
11. An initial workshop, focusing on the design principles of the database and exploring what information would be required and how best to collate this, was held on the 9 November 2015 and was attended by over 25 colleagues representing all departments of the County Council (bar Environment and Transport). Feedback from this workshop can be provided at the Corporate Governance Committee meeting.
12. The Leader of the County Council has written to Hon. Justice Goddard, setting out the Council's commitment to working pro-actively with the Inquiry and at the same time making reference to the work the Council is doing in partnership with Leicestershire Police in relation to ongoing, relevant Police Investigations.

Other Risk Information

Business Continuity (BC)

Schools

13. A 'Loss of School' plan, whereby the Council has an obligation to ensure that children continue to be educated, was completed and tested in August 2015.

Supplier BC Assurance

14. The new process to ensure the Council's business critical suppliers have a robust BC response has been rolled out. Particular focus has been given to sole suppliers of a critical service, i.e. an incident experienced by them will potentially become an incident for the Council. The BC Assurance Process has also been successfully integrated into the 'eTendering' process for new suppliers.

Work Area Recovery

15. Further work on planning for Work Area Recovery at County Hall is on hold until the County Hall Masterplan and the implementation of Virtual Desktop Integration (VDI) has been completed. VDI technology allows users to access their desktop from any location, which facilitates smarter working. However, work is continuing with Nottingham City Council to support them in developing effective work area recovery arrangements for the East Midlands Shared Service staff based at Langley House in Nottingham.

Training & Exercises

16. An active schedule of Emergency Planning and BC exercises is in place involving teams across all departments and different types of exercise. The most recent exercise was in conjunction with the Public Health team.

17. An Elected Members Briefing took place at County Hall on 26th October 2015 which was attended by 14 County Council Elected Members. The aim of the session was to update Members on the County Council's responsibilities under the Civil Contingencies Act, the Local Resilience Forum and the emergency planning services provided by the Resilience Partnership Team across the districts and local authorities in Leicester, Leicestershire & Rutland and Business Continuity for the County Council.

In addition, the Members were briefed on the current initiative to promote and develop 'Resilient Communities' and 'Prepared Citizens' and the role that Elected Members can play in supporting and promoting the initiative.

Incident Monitoring

18. During 2015, there have been a range of incidents, involving (for example) industrial action, bomb hoaxes and fire and power failure, although there has been no significant impact to the Council's critical services. In each case, a lessons learned exercise is undertaken post incident to identify any further improvements required.

Insurance

Municipal Mutual Insurance Ltd.

19. The financial position of the MMI continues to deteriorate. The balance sheet showed net liabilities of £114.6 million as at 30th June 2015 compared with £76.2 million the previous year and £28.9 million in June 2013. These figures take into account the levy of 15% imposed on Scheme Creditors by the Scheme Administrator on 1st January 2014. There is an increasing likelihood that the levy percentage will be increased in the near future. Earmarked funds have been set aside to deal with this eventuality.

Independent Insurance Co. Ltd.

20. The company is insolvent and unable to pay its creditors in full. A Scheme of Arrangement under Part 26 of the Companies Act 2006 between Independent Insurance Company Ltd and its creditors was sanctioned by the High Court on 9th July 2015.
21. PricewaterhouseCoopers LLP has established the Scheme as a means of making dividend payments to creditors in respect of their claims against the company. Initial indications are that Leicestershire County Council is likely to receive 14 to 15 pence in the pound in respect of all outstanding claims. Once payment has been received Leicestershire County Council will have no further call on the company in respect of claims that have been incurred, but not reported. Earmarked funds have been set aside to deal with such claims.
- ##### Insurance Programme Renewal

22. The renewal date for the County's insurance programme is 1st October 2015. Renewal was agreed within the existing long term agreements and thus there was no rating increase at this renewal.

Liability Fund Audit

23. Leicestershire County Council's liability insurances are supported by a fund which meets the deductible, currently £250,000, applicable to claims under the policies in force over time. It is planned that the fund will be the subject of an external audit in 2015/2016. The audit is intended to verify that the fund is adequate to meet future liabilities.

Recommendation

24. That the Committee:

- a) Approves the current status of the strategic risks, facing the Council and the updated Corporate Risk Register;
- b) Notes the update on the Council's response to the Independent Inquiry into Child Sexual Abuse (Goddard Inquiry);
- c) Notes the update on business continuity and insurance;
- d) 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, 12 June and 25 September 2015

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Appendices:

Appendix A - Corporate Risk Register