



CORPORATE GOVERNANCE COMMITTEE – 13th MAY 2016

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 on risks;
 - b) Emerging risk – Combined Authority and Devolution Deals;
 - c) Updates on related matters:
 - Business Intelligence;
 - Business Continuity;
 - Risk Maturity;
 - Transfer of responsibility for managing the insurance function.





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.
3. 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.
4. 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.


5. The key changes since the CRR was last presented to the Committee on 19th February 2016 are detailed below:
- i. Addition of risk: Children and Family Services – Education (risk 1.6) - significant pressures on the children’s high needs budget as a result of requests to support high needs pupils (including SEN placements).
 - ii. Removal of risk: risk 4.1 - If there is an increase in unplanned and speculative local developments (to address the shortfall in the five year housing supply) then this could have an adverse impact on the functioning of the transport network.
- The above risk has been downgraded from red to amber because the likelihood has been reduced from 5 to 4. This is as a result of district councils having moved through the consultation phases and firmer programmes now being put in place ready for the publication of their Core Strategies. The County Council is also starting discussions with each district on possible cumulative impact studies.
- As the risk score has been revised from 15 to 12, this risk has been removed from the Corporate Risk Register, but it will continue to be monitored through the Environment and Transport Departmental Risk Register.
- iii. Risk descriptions for some risks have been amended to clearly define the risk and impact.
6. At its meeting on 19 February 2016, the Committee requested that a presentation be provided on the risks relating to the significant pressures on the children’s social care placement budget which funds the care of vulnerable children (risk 1.5). This will be undertaken as part of this agenda item. Additionally, because they are alike, the presentation will also include detail about the new risk (1.6) referred to above regarding the significant pressures on the children’s high needs budget as a result of requests to support high needs pupils (including SEN placements).
7. 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 CRR (Appendix A).
8. 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 that not much movement is expected in the risk;
 - b. A downward pointing arrow shows that there is an 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 April 2016	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.	20 (revised from 25)	<p>Government consultations have not yet been published so it is not possible to assess the impact of the policy to localise business rates. Fair funding model is under development to make the case to Government for increased funding. A plan is being updated to recover the Children and Family Services overspend.</p> <p>The Revised Transformation Programme has been presented to the Cabinet (19th April 2016). In summary this is to:</p> <ol style="list-style-type: none"> agree the new approach to be adopted for the Transformation Programme to support the delivery of savings within the MTFS; to make changes to the Transformation Programme's delivery mechanism and list of projects within it to allow for flexibility in supporting current and future MTFS. 	 Expected to remain high/red
CE	1.3	If S106 monies for the Council as a whole are not managed properly then there could be financial risks as well as legal challenges.	15	The Infrastructure and Development Oversight Group met in February 2016 and has agreed a work programme and timetable to address issues around better coordination and management of developer contributions.	 Expected to move to medium/amber
CR	1.4	If claims relating to uninsured risks continue to increase then there will be significant pressure on reserves, impacting on service provision.	16	<p>MMI has now confirmed that the levy on claims (past and future) will be increased to 25% from 1st April 2016, this will result in a further payment of £1.48m. MMI will continue to review its financial position based upon the expected level of liability, and there is a risk that the levy will increase further.</p> <p>There is no change to the</p>	 Expected to remain high/red

				previously reported position on the Independent Insurance Company Ltd.	
C&FS	1.5	<u>Social Care:</u> If the number of high cost placements increases then there may be significant pressures on the children's social care placement budget, which funds the care of vulnerable children.	15	From April 2016, a new joint commissioning panel is in place with involvement from Children and Family Services and the East and West Clinical Commissioning Groups – this will assist in ensuring better engagement with the Courts and Health Commissioners about the most expensive placements, to seek co-commissioned placements and reduce costs.	 Expected to move to medium/amber
C&FS	1.6	<u>Education:</u> If the provision of support to high needs pupils (including SEN placements) continues to increase, then the budget will be impacted upon.	20 (New)	To meet higher levels of need, work is ongoing to increase school capacity. There continues to be rigorous consideration of cases at SEND Panel. Transformation Programme is under development.	 Expected to remain high/red
2. Health & Social Care Integration					
A&C	2.1	Care Act 2014 Funding Risk for 2016/17 and beyond due to Care Act Phase 2 implementation delayed by Ministers until April 2020.	20	Funding is available in 2016/17 from departmental reserves to cover the loss of Care Act funding, however, solutions are required in the longer term. A Workforce Strategy and Implementation Plan (to be delivered in 2016/17) will entail a review of all posts and organisational structures.	 Expected to remain high/red
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	The BCT programme is currently developing an outcome and milestones document which will set out the detail of delivery plans for the next 12-18 months. Public consultation planned in Summer 2016 to be led by the BCT programme.	 Expected to move to medium/amber

		Sub risk: Impact on Adults & Communities Department as a result of the BCT left shift initiative		No change to previously reported position.	
All	2.3	Challenges caused by the Welfare Reform Act.	25	Note: No change to previously reported position.	 expected to remain high/red
3. ICT, Information Security					
CR	3.1	If there is an outage and ICT systems are not restored quickly and effectively, then service delivery could be impacted upon.	15	Data Centre construction is underway – work is on schedule for completion.	 Expected to move to medium/amber
CR	3.2	If there is a failure to protect the integrity confidentiality and access to data and information then there could be a breach of information security.	16	New firewall is in place providing two layers of security protection in line with PSN best practice.	 Expected to move to medium/amber
All	3.3	If there is a failure to provide business intelligence required to support transformation, inform commissioning, inform strategic planning and to complete statutory returns then policy will not be evidence based.	15	See details in paragraph 14 below.	 Expected to move to medium/amber

CR	3.4	If there is insufficient capacity to provide information technology solutions then service improvements and savings will not be achieved.	16	The Information and Technology Strategy is currently being reviewed and is on track to be completed by October.	 Expected to move to medium/amber
C&FS	3.5	Retention of children's case files beyond Data Protection Act (DPA) requirements (as a result of legal advice).	16	Note: No change to previous reported position.	 Expected to remain high/red
4. Partnership Working					
C&FS	4.1	If partners do not provide data (Phase 2) then it may not be possible to achieve improved outcomes and financial benefits of Supporting Leicestershire Families (SLF).	15	Note: No change to previous reported position.	 Expected to remain high/red
5. Commissioning & Procurement					
CR	5.1	If the Authority does not obtain the required value and level of performance from its providers and suppliers then the cost of services will increase and service delivery will be impacted.	15	Phased approach underway to improve tracking, monitoring and management of business critical contracts. Commercial Lead for Supply Chain Management has been appointed, and recruitment underway for remaining support.	 Expected to move to medium/amber
6. Safeguarding					
C&FS	6.1	<u>Historic:</u> If as a result of a concerted effort to explore historic exploitation and	25	Contact has been made with the Goddard Inquiry and preparation continues. Legal Support and Counsel	 Expected to remain

	<p>abuse in response to the Goddard Inquiry and Police Operations, then evidence of previously unknown serious historic issues of child sexual exploitation (CSE) or abuse is identified.</p> <p><u>Current:</u> If as a result of a concerted effort in response to the Goddard Inquiry and Police Operations there is a significant increase in identified cases, then the Council does not have the capacity to meet the demand on the CSE resources.</p>		<p>appointed to support the Council's response to the evidence disclosure request from the Inquiry and representation at a Public Hearing scheduled for September 2016.</p> <p>Capacity to respond to the requirements of the Goddard Inquiry is under consideration.</p> <p>The Strategic Partnership Development Fund Project is underway.</p>	<p>high/red</p> <p></p> <p>Expected to remain high/red</p>
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Emerging Risk

9. A key development has been the submission of a Combined Authority (CA) proposal for Leicester and Leicestershire by the County Council, Leicester City Council and the seven district councils (the 'Constituent Councils') supported by the Leicester and Leicestershire Enterprise Partnership (LLEP). The CA will provide the sub-region with improved collaborative governance relating to strategic planning, transport and skills and provides a foundation from which to agree ambitious proposals for devolved powers and funding from Government. Subject to parliamentary approval it is anticipated that the CA will be in place from the autumn of 2016.
10. Arising from this, the Constituent Councils are developing an ambitious devolution deal proposal for submission to Government from July 2016. This is being overseen by the Economic Growth Board, acting as the Shadow CA, and currently involves the investigation of potential devolved powers and funding to the CA, and other asks from Government across a wide range of issues.
11. Once established, the County Council, as a Constituent Council, will contribute resources to the new CA, and powers and functions will be held concurrently. If this is not managed effectively, it may result in a disjointed approach, lost

opportunities, avoidable costs, reputational damage and significant accountability implications.

12. The risks are highlighted within the Chief Executive's Department Risk Register with no further escalation required to the CRR at this stage. A number of mitigating controls are in place which includes a dedicated programme manager, engagement with stakeholders and ongoing dialogue with central government.
13. Guidance from central government on devolution proposals and the already constituted Combined Authorities will enable the County Council to learn from their experience and assist in mitigating risks.

Business Intelligence (BI)

14. Since the February Corporate Governance Committee meeting, the BI Service has been restructured so that it is better placed to implement the Data and Business Intelligence Strategy. The new service went live on 1st April 2016. This has included the creation of Business Partner roles to work closely with departments and commissioners to fully understand their insight, performance management and data management needs. Business partners will be working closely with departments in the next quarter (April to June 2016) to aggregate requirements and develop plans to meet their needs.
15. A Business Intelligence pilot is underway to consider options for data warehousing and technical reporting. The pilot project concludes at the end of May 2016 and a report will be issued setting out options for future technical reporting and make recommendations (June 2016). The residual risk and the approach to mitigation will be reviewed in the light of these recommendations.
16. The restructure has also created a 'Development' team to implement the recommendations of the pilot and improve the efficiency of the Service through the better use of technology and improved data management.
17. Work is underway to investigate the feasibility of a dedicated (possibly password protected) area of the new County Council Intranet to provide Member access to Business Intelligence. This will link to the wider project to establish a new improved Intranet for the Council. In terms of timescales, current plans are for the first phase of the new Intranet to go live in the winter of 2016/17. The Member Business Intelligence area will form a later phase of the Intranet plan. The dedicated area would provide Members with easy access to performance and insight dashboards and reports. The content could be developed and improved over time in line with the needs of Members.

Business Continuity (BC) – six monthly update

Supplier BC Assurance

18. The BC Supplier Assurance Process continues to be rolled out to the Council's 43 business critical suppliers with the support of contract managers.

Work Area Recovery

19. The completion of effective plans for Work Area Recovery remains dependent upon the implementation of the County Hall Masterplan and the roll-out of the Virtual Desktop Integration (VDI).
20. Work is continuing to practice plans for the displacement of the individual service areas, e.g. Customer Service Centre, Property Services Helpdesk (April 2016). The post exercise debrief will be completed in May 2016.

Training & Exercises

21. An active schedule of Emergency Planning and BC exercises is in place involving teams across all departments and different types of exercise.
22. The role of the Corporate Management Team (CMT) in the event of a major incident was rehearsed (January 2016). All of the follow-up actions (identified in the post exercise report) are of a lower-risk operational nature and are being taken forward by the Business Continuity Team/Property Services and tracked to completion. None of the lessons identified would have impeded the recovery of Council services.
23. A further CMT exercise has been requested, to be scheduled next year involving a multi-agency scenario.
24. A programme of Emergency Centre training for Social Care staff has commenced. This follows the completion and sign-off of the Social Care Emergency Response framework.
25. A briefing on Flood Risk is being planned for Elected Members, to take place in October 2016.

Incident Monitoring

26. Since the last update there have been a range of incidents: Swine Flu (February 2016), Water Supply Interruption – 2 incidents (February 2016), Flooding (March 2016) and Contaminated Water Supply (March 2016). In each case, a 'lessons learned' exercise has been undertaken post incident to identify any further improvements to incident response that may be required.
27. An update on the data centre and cyber security is provided elsewhere on the CRR.

Risk ManagementLocal Government Audit Committee Forum

28. PricewaterhouseCoopers (PwC) run a series of free events for Audit Committee members. In February 2016 the topic was 'Effective Risk Management', the main focus of which was on helping members to better understand risk management in local government, answer their questions and share best

practice. Mr. R. J. Shepherd and the Senior Auditor (who co-ordinates the Council's corporate risk management process) attended the event.

Risk Maturity Assessment Update

29. The Association of Local Authority Risk Managers (ALARM) has developed and published a National Performance Model for Risk Management in Public Services to illustrate what good risk management looks like in a public service organisation. There are 5 levels.
30. A detailed maturity review was last undertaken and reported in January 2015. This scored the Council's level of risk maturity as between levels 3 ("Working") and 4 ("Embedded and Working"). A number of recommendations were made to further develop risk management processes and an action plan was produced to address the recommendations. Our short term vision (within the calendar year 2015) was to implement the improvements recommended in the risk maturity assessment to prove the Council has fully achieved level 4 'Embedded & Working' across all core areas where required. Thereafter, subject to resources available, consideration will be given to whether it is practical and affordable to move further along the risk management maturity scale for some core areas, towards the top score of level 5 'Driving'.
31. During 2015, progress was made to implement the recommendations. A self-assessment (which has been independently and objectively reviewed by the Head of Service (Finance) revealed the maturity level remained at between levels 3 and 4 and further development is necessary in some of the core areas. Recommendations made will be considered and implemented during 2016. See Appendix B for further details.

Transfer of responsibility for managing the insurance function

32. A restructure in the Corporate Resources Department has led to the insurance function becoming the management responsibility of the newly titled Head of Assurance Services, joining the related functions of internal audit, risk management, counter fraud, and the composition of the annual governance statement. This co-ordination of functions will optimise the Council's approach to identifying, mitigating and managing risk.

Recommendation

33. That the Committee:
 - a) Approves the current status of the strategic risks facing the Council and the updated Corporate Risk Register;
 - b) Make recommendations on any areas which might benefit from further examination and identify a risk area for presentation at its next meeting;
 - c) Notes the:
 - (i) emerging risks around the Combined Authority proposals and anticipated devolution deal;

- (ii) business intelligence and business continuity update;
- (iii) risk maturity assessment update (Appendix B);
- (iv) transfer of responsibility for managing the insurance function.

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, 25 September and 17 November 2015, 19 February 2016

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Appendices:

Appendix A - Corporate Risk Register
Appendix B – Risk Maturity Assessment Update

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