



CORPORATE GOVERNANCE COMMITTEE

23 SEPTEMBER 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) Update on emerging risks:
 - Combined Authority and Devolution Deals
 - Unaccompanied Asylum Seeking Children (UASC)
 - c) Updates on related matters:
 - Counter Fraud Initiatives
 - Insurances

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 13th May 2016 are detailed below:



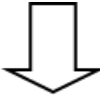
- i. Addition of risk: 7.1 – Brexit. Uncertainty and significant knock on consequences on public services (including potential legal, regulatory, economic and social implications), as a result of Brexit.
 - ii. Risk description (6.1) has been amended to reflect the resignation of Dame Lowell Goddard as the Head of the Independent Inquiry into Child Sexual Abuse on 4th August 2016.
7. At its meeting on 13th May 2016, the Committee requested that a presentation be provided on the risks relating to either :
- i. the risks associated with the proposals for a Combined Authority for Leicester and Leicestershire (if the timing is appropriate); or
 - ii. the risks associated with the Health and Social Care Integration;






With the outcome of the EU referendum, a period of adjustment will now follow which brings with it a period of uncertainty, impacting upon the timescales for both Combined Authorities and the Government's devolution agenda.





Therefore the presentation will focus on the Health and Social Care Integration which will be undertaken as part of this agenda item.




8. 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).
9. 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 July 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	20	The Government consultation has been released, which outlines features of the scheme for the localisation of business rates and potential transfers of responsibility to local government. A response is currently being formulated for the 26th September return date. Government has also issued a call	 Expected to increase and remain high/red

		the living wage and other demand and cost pressures.		for evidence on “needs and redistribution”, which requires a response by the same September date. The fair funding model has been drafted with a report being prepared to explain the principles in support of anticipated dialogue with government.	
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.	16	The programme (better coordination and management of developer contributions) is being actively managed. Data is being checked for issues and replacement software to enhance capture and recording is being considered.	 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	The MMI additional levy of £1.48m was paid from the uninsured losses earmarked fund. A further £2m was approved to be transferred into the fund to offset the additional calls on it. The fund also covers claims with long tails dating to pre 1964 i.e. before LCC first purchased liability insurance. There is no change to the previously reported position on the Independent Insurance Company Ltd.	 Expected to remain high/red
C&FS	1.5	<u>Social Care:</u> If the number of high cost social care placements increases then there may be significant pressures on the children’s social care placement budget, which funds the care of vulnerable children.	15	‘Children in Care Market Position Statement’ is being developed. There has been significant strengthening of the commissioning process resulting in the robustness of commissioning of individual placements and closer monitoring of placement providers. Monthly panel meetings are in place to review individual children cases involving Education, Social Care and Health. Regular family and multi-agency meetings are being held where children are identified as being on the edge of care. Establishment of dedicated support team to support youngsters and carers to prevent placement to placement movement.	 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	Because of a range of factors/ reasons and the change in Department structure, the Transformation Programme needs updating and has not been signed off It is presently being refreshed and an updated version will be presented to transformation delivery board for approval.	 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	The Workforce Strategy and Implementation Plan (review of all posts and organisational structures) is progressing with potential reorganisation by April 2017.	 Expected to move to medium/amber
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. Sub risk: Impact on Adults & Communities Department as a result of the BCT left shift initiative	16	Note: No change to previously reported position The development of multi-specialist care providers and further integration of health and social care services will be taken forward during 2016/17	 Expected to move to medium/amber
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	15	Workshop to review approach to cyber security risks based on hacker/virus scenarios was completed in May 2016. The recommendations from the workshop will be considered by the Information & Technology Security	 Expected to move to medium/amber

		impacted upon.		Group in September 2016.	
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	An Intrusion Detection Policy has been developed and approval (by the Information & Technology Management Team) is underway. The policy outlines the County Council's current approach to intrusion detection i.e. spotting anomalies in technology to try to prevent cyber-attacks.	 Expected to move to medium/amber
All	3.3	If there is a failure to provide business intelligence required to support transformation, inform commissioning, and strategic planning and to complete statutory returns then policy will not be evidence based.	15	A Business Intelligence Pilot project has been completed on self-service end to end process and the results were presented to the Data and Business Intelligence Board on 25th July. The Board accepted the recommendations in the paper which outlined a proposed approach to technical reporting arrangements in the short to medium term and identified the need for a more detailed review of longer term options, a further pilot project and the development of a Business Case. Service plans have been completed for each Department to identify Business Intelligence needs and prioritisation.	 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	Note: No change to previous reported position.	 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	Due to the Independent Inquiry into Child Sexual Abuse there is a specific requirement to not destroy any files until further notice	 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	<p>Partnership funding secured – Health partners will review how the arrangements are working.</p> <p>Health and Wellbeing Board sub-group established to monitor progress.</p> <p>Work continues to ensure that partner data is received. Two claims have been made under the expanded programme, drawing down funding into the pooled budget.</p>	 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	<p>Recruitment has been completed for Commissioning Support Unit contract management posts (July 2016).</p> <p>A Contract Management Pilot is has recently been completed in Corporate Resources and will be rolled out to other Departments.</p> <p>Commissioning training is scheduled to be rolled out from September onwards.</p>	 Expected to move to medium/amber
6. Safeguarding					
C&FS	6.1	<p><u>Historic:</u> If as a result of a concerted effort to explore historic exploitation and abuse in response to the (former) 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 (former) Goddard</p>	25	<p>The Chair (Goddard) of the public Inquiry into institutional child abuse resigned (4th August 2016). The Home Secretary has announced that Professor Alexis Jay is to take over as chair of the independent inquiry into child sexual abuse.</p> <p>The Home Office reiterated its commitment to the Inquiry and to maintain the current agreed timetable. Legal support and Counsel appointed to support the Council's response to the evidence disclosure required from the Inquiry and representation at a Public Hearing is now been re-scheduled for March 2017. Contact has been made with the Inquiry and preparations continue.</p> <p>The CSE Executive Role and Terms of Reference require further consideration.</p>	 Expected to remain high/red

		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.			 Expected to remain high/red
7. Brexit					
All	7.1	Uncertainty and significant knock on consequences on public services (including potential legal, regulatory, economic and social implications), as a result of the United Kingdom leaving the European Union	16 (New)	See Appendix A (risk 7.1) for further details	 Expected to remain high/red

Update on Emerging Risks

Combined Authority & Devolution Deals

10. Subject to parliamentary approval it is anticipated that the 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) will be in place from December of 2016.
11. Given Ministerial changes arising from the Referendum, there is increased uncertainty regarding the government's position regarding Combined Authorities, elected Mayors, Devolution Deals and the Midlands Engine. Despite this preparation for both the CA and Devolution Deal continues.

LLEPs, Combined Authorities and Councils may also be concerned at a loss of EU Funds and will have to make the case for their replacement funds. The speed of devolution deals may also slow as attention in government focuses on Brexit negotiations.

In the aftermath of the vote to leave, the vast bulk of delivery of public services will need to continue on a day to day basis in parallel with Brexit negotiations, which will add uncertainty to the short term fiscal austerity as well as longer term demographic challenges. There are also uncertainties about the risks of

Brexit on the local economy, including the impact on existing companies and on potential inward investment.

12. The risks are highlighted within the Chief Executive's Department Risk Register with no further escalation required to the CRR at this stage. Close dialogue with central Government will help mitigate risks as will continuing to secure and make the most effective use of available economic development and infrastructure funding working closely with the LLEP.

Unaccompanied Asylum Seeking Children

13. There will be increased demands (including financial implications) placed on the County Council regarding transferring in Unaccompanied Asylum Seeking Children (UASC), following the recent introduction of the Interim National Transfer Protocol for Unaccompanied Asylum Seeking Children 2016-17.
14. Under the Transfer Scheme, it is the Home Office's intention to initiate transfer of UASC from other local authorities that have exceeded their quota of UASC, Syria, and refugee and migrant encampments from 1 July 2016. A central team will make contact with local authorities to arrange transfer.
15. The quota for each local authority is 0.07% of its existing child population; based on this Leicestershire will be requested to care for a further 74 UASC.
16. These children and young people are not in the care of a family member. As such, they will transfer as Looked After Children (Section 20 Children Act 1989), to the County Council, which has a statutory and corporate parenting responsibility. The current estimated annual net cost to care for 74 UASC in Leicestershire is expected to be in the region of circa £1.5 million annually which is expected to lead to additional budget pressures.
It is exceptionally difficult to estimate precisely the full cost as the age and needs of the children and young people are not yet known and without this information, it is impossible to predict the type of care or type of placement they will require. Therefore, the County Council will have increasing difficulties in fulfilling its statutory obligations in this area, for example in regard to finding and funding appropriate placements for children in and out of Leicestershire.
17. The County Council will seek to continue its dialogue with the Government to ensure that the full costs of accommodation and service provision in respect of UASC are met by the Government.

Update on - Counter Fraud Initiatives

Local Government Transparency Code

18. Under the Local Government Transparency Code 2015, the County 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. Details for 2015/16 are provided in the link below:

<http://www.leicestershire.gov.uk/sites/default/files/field/pdf/2016/4/28/Fraud-investigation-costs-2015-16.pdf>

Insurance and Zero Tolerance

19. Now that responsibility for overseeing the insurance function has transferred to the Head of Assurance Services this gives scope for much closer working between insurance and counter fraud staff with regard to ensuring that fraud prevention measures are robust and cases of suspected fraud, e.g. false or inflated insurance claims, are robustly pursued in line with the County Council's zero tolerance approach to fraud. A series of meetings have taken place with insurance staff and some early procedural 'quick wins' introduced, e.g. a process for the Customer Service Centre to share transcripts of incoming calls to highlight potential high risk (or fraud) claims that would warrant close scrutiny.

DCLG Fighting Fraud Funding / Partnership Working with Leicester City Council / Leicestershire Districts

20. In partnership with the County Council and, Leicestershire's districts, Leicester City Council hosts an Intelligence Hub intended to identify fraudulent activity on a county-wide basis. This Hub has been developed following a successful collaborative bid to the Department for Communities and Local Government (DCLG) for funding to fight fraud. The Hub will see data sets from partners regularly matched to identify anomalies that warrant further investigation. At present, the only data set that has been uploaded to the Hub relates to the County Council's payroll data, although district councils and the unitary City Council will typically upload further data sets, e.g. council tax records. The results of the first output from the data matching exercise are awaited.
21. There are two other initiatives that, along with the Intelligence Hub, form part of the successful Leicester-Shire DCLG fighting fraud funding bid. The total amount of funding the partnership received was £780k. An element of this funding has already been used to develop a Counter Fraud phone app where members of the public can make fraud referrals to the Council via their mobile phones. The app also enables the Council to share fraud information with the general public (e.g. success stories). The current status of the Leicestershire County Council app is that it is fully developed but other Leicestershire authorities are still at development stage and the Council is holding off going live in order to have a combined launch across the whole County along with a co-ordinated communications strategy. The final element of the bid was intended to identify insurance fraud risk but the lead authority (Leicester City Council) is now seeking DCLG approval to redirect funding into alternative counter fraud initiatives. One such area being considered is the acquisition of hand-held ID/passport scanners to be used to combat recruitment fraud and certain types of grant fraud.

Single Person Discount Review

22. Leicestershire's districts are currently tendering to procure an external service to deliver cashable savings as a result of challenging single person discount eligibility for council tax. The previous exercise back in 2014 generated a return of £13 for every £1 spent and savings across the board of £900k in cancelled discounts / rebilling. The County Council funds 75% of the cost of such exercises, and ultimately receives 75% of the benefit. Whilst claiming single person benefit without eligibility to do so is likely to be deemed to be fraud, prosecutions would be a matter for individual district councils, and not the County Council, to consider.

Update on – Insurances

Insurance Act 2015

23. On 7 July, Directors received a presentation from the Insurance Manager on the new Insurance Act (2015) which came into force on 12 August 2016. In particular, there will be a new duty for the Council to make a fair presentation of the risk, which discloses, in a clear and accessible way, every material circumstance which is known or ought to be known by an insured's senior management team i.e. those who play a significant role in the decision making process about how the Authority's activities are managed or organised. The knowledge of senior management team is imputed to be held by the insurance function of the organisation.
24. The implication is that more thought and attention will need to be given to matters that should be disclosed to insurers by departmental management structures. This is particularly important given the wide and varied range of service delivery models and the increased drive into commercial services. Directors are responsible for cascading the requirements down through their management teams.

Claims

25. At the 7 July meeting, Directors received a further presentation from a Senior Claims Negotiator on the requirement to notify insurers of certain types of claim or potential claim. Increasingly over the last few years as insurers have had to cope with increasing claim frequency and pay outs they have started to enforce their notification criteria more vigorously as they attempt to contain their liabilities. If the Council does not comply with notification conditions it could be refused indemnity by the insurers and have to meet the full cost of the claim from reserves or revenue budgets. A nearby Authority's insurer initially refused to provide an indemnity on a claim carrying a reserve of £5 million owing to late notification. A notification protocol has been agreed and implemented.
26. Each year, the Insurance Service is subject to claims audits by the insurers. The purpose of the audits is to obtain comprehensive insight into the Council's claim handling processes and capability and to monitor quality performance across all claim types and potential. Overall 25 files (20 public liability and 5 employer's liability) were randomly selected by the auditor and reviewed in the

time allowed. Of the 20 applicable audit categories, 15 scored at 100%, 2 were in the 95-99% range and 3 were in the range 90-94%. This resulted in an overall proficiency score of 98% and a rating of 'excellent'. The claims auditor concluded that, 'Generally LCC claim handling is to a very high standard'.

Recommendation

- a) That the Committee:
- a) Approves the current status of the strategic risks facing the County 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 update:
 - (i) against the emerging risks around the Combined Authority and devolution proposals;
 - (ii) regarding Unaccompanied Asylum Seeking Children
 - (iii) regarding counter fraud initiatives that have taken place during the last quarter;
 - (iv) on insurances.

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, 13 May 2016

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Appendices:

Appendix A - Corporate Risk Register