



## **CORPORATE GOVERNANCE COMMITTEE**

**17 FEBRUARY 2017**

### **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;
  - c) Updates on related matters:
    - The review and revision of the Risk Management Policy and Strategy
    - 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.
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 25 November 2016 are detailed below:





- i. Addition of risk 2.4 – Help to Live at Home (HLAH). If the domiciliary care market does not have the capacity to provide high quality services to local residents within the county, people may not receive services to meet their needs.
  - ii. Rewording of risk 4.1 to reflect the change in emphasis to ensure that adequate outcomes data is provided to partners.
6. At its meeting on 25 November 2016, it was agreed that as part of the Corporate Governance Committee meeting on 17 February 2017 there would be a visit to the new ICT Data Centre at County Hall followed by a presentation on the risks relating to :
- Cyber breach and outages risks
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 December2016	Direction of Travel (Residual Risk Score over the next 12 months)
<b>1. Medium Term Financial Strategy (MTFS)</b>					
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>MTFS – the Fair funding campaign continues. Further presentation to MPs took place in January. The model will also be refreshed for latest figures.</p> <p>The Better Care Fund (BCF) has a deficit. A series of meetings has been scheduled to review and balance the position.</p> <p>The MTFS is due to be considered by the County Council in February and shows a balanced position in 2017/18. The funding gap is over £20m in 2020/21.</p> <p>Transformation - A number of corporate reviews have been presented to CMT as part of the</p>	 Expected to remain high/red

				MTFS refresh and will be worked up to understand the potential scope and expected benefits. It is expected that a number of these will be included within the Transformation Programme which will be refreshed early 2017.	
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	Programme is being actively managed with regular reports to Cabinet on issues. Data being checked for issues. Replacement software to enhance capture and recording. Resources still an issue but being addressed. Moving to reducing the likelihood by better information and management. This will be through a new software package which is being commissioned.	 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	No change to previously reported position	 Expected to remain high/red
C&FS	1.5	<u>Social Care:</u> If the number of high cost social care placements (e.g. external fostering, residential and 16+ supported accommodation) increases (especially in relation to behavioural and CSE issues) then there may be significant pressures on the children's social care placement budget, which funds the care of vulnerable children.	15	The Fostering and Adoption Service team was subject to scrutiny by Ofsted during the Single Inspection Framework (November/December 2016) - approach to managing this risk was shared with the Inspectors. The work of the Fostering and Adoption team is showing evidence of success with a number of children back home or in an in-house placement. The framework for 16 + accommodation is being reviewed and progressed and an EHRIA for the framework was presented to the C&FS Departmental Equalities Group in January 2017. Amendments to the EHRIA are being undertaken.	 Expected to move to medium/amber

C&FS	1.6	<p><u>Education:</u> If the provision of support to high needs pupils (including SEN placements) cannot be reduced, then required savings against this budget will not be achieved</p>	20	<p>This risk has been reworded and now reflects (including future actions and controls) work planned by the new Head of Strategy for SEND. Work is underway to produce a plan by May 2017 to ensure the necessary savings within the MTFS can be achieved.</p>	  Expected to remain high/red
C&FS	1.7	<p>If suitable placements are unavailable for unaccompanied asylum seeking children (UASC) who arrive in the County, either planned or unplanned, as a result of :</p> <ul style="list-style-type: none"> <li>○ potential mandatory requirement to engage in the National Transfer Scheme;</li> <li>○ resettlement of UASC from Calais in line with the requirements of Dublin III agreement and the Dubs amendment;</li> <li>○ continuing response to spontaneous cases of UASC arriving in the County</li> </ul> <p>then there will be significant pressures on meeting the department's statutory duties to UASC as well as financial pressures in meeting their complex needs</p>	20	<p>The UASC Team were subject to scrutiny by Ofsted during the Single Inspection Framework (November/December 2016) - approach to managing this risk was shared with the Inspectors.</p> <p>Evidence of good practice and positive outcomes are emerging as UASC team becomes established and will continue to be reviewed.</p> <p>The County Council has made a decision that, at this stage and due to national government funding, that it will not be part of the voluntary transfer scheme.</p>	  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.	16 Reduced	Management Action Plan in consultation. Commissioning and Quality Review commenced in December 2016	 Expected to move to medium/amber
All	2.2	LLR Sustainability and Transformation Plan (STP) does not lead to the improved outcomes for health and wellbeing of residents, better care and quality of services, and financial sustainability.  Sub risk: Impact on County Council as a result of the left shift initiative	16	<p>A new System Stakeholder Forum (SSF) is planned to meet three times a year to support the shaping of the strategic direction; identification of priority areas; feedback and sense check on current engagement; identify future issues and test the Senior Leadership Thinking (SLT's) thinking on current issues.</p> <p>LLR STP is intended to set out what needs to be done to deliver the required system control total by moderating demand, managing unwarranted clinical variation and reducing cost. This will only be realised if the individual organisations are able to translate this system level plan into a set of two year operational plans and contract agreements.</p> <p>Workforce Strategy to identify new models of working to manage the increased pressure on resources and to allow for planning to meet the additional demand.</p> <p>Note: No change to previously reported position</p>	 Expected to move to medium/amber
All	2.3	Challenges caused by the Welfare Reform Act.	25	The Department of Health has provided details of roll out dates for the introduction of Universal Credit for each District. These will be applicable from November 2016 to March 2018 for all new claimants. Existing claimants to follow.	 expected to remain high/red

CR & A&C	2.4	<p><u>Help to Live at Home (HTLAH)</u></p> <p>If the domiciliary care market does not have the capacity to provide high quality services to local residents within the county, people may not receive services to meet their needs</p>	20 (New)	<p>HTLAH Steering Group is continuing to meet during stabilisation phase. Compliance and Quality Improvement Team providing additional support and oversight of higher risk providers. Weekly site reports from all Providers outlining activity capacity and service failures.</p> <p>Every provider has a mobilisation plan which is being monitored on a regular basis by Compliance Team. Re-procurement of unallocated lots is scheduled for completion by the end of March 2017</p> <p>Programme arrangements will be extended to 31 March 2017. Programme Closure plan is in development to manage the transition to business as usual for all key activities.</p> <p>Lessons learned exercises undertaken and outcomes will be reported to the Adults and Communities Overview and Scrutiny Committee in the summer.</p>	 Expected to move to medium/amber
<b>3. ICT, Information Security</b>					
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	No change to previously reported position	 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	No change to previously reported position	 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	15	Technical arrangements have progressed well and new structures have become embedded. Tableau <sup>1</sup> site licence successfully implemented, which will enable more people to self-serve and have more immediate access to their data. However, the upgrade from Frameworki <sup>2</sup> to Mosaic (new Social Care system) will create some	 Expected to move to medium/amber

		planning and to complete statutory returns then policy will not be evidence based.		additional pressure on children's social care reporting in the short term and so the risk score has been maintained at the same level.  <sup>1</sup> business intelligence software that helps people view and understand their data.  <sup>2</sup> IT system where the children's social care data is stored and the system to generate performance reports and various statutory returns.	
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 & Technology Action Plan launched on 29th September 2016 has been completed – recruitment is in progress as per action plan.	 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 previously reported position	 Expected to remain high/red
<b>4. Partnership Working</b>					
C&FS	4.1	<u>Supporting Leicestershire Families (SLF)</u>  If LCC is not able to provide adequate outcomes data to partners then partner contributions to the pooled budget may not continue.	15	Further data is being gathered to demonstrate Health metrics (in partnership with Health Colleagues). Ongoing and regular monitoring of outcomes data will also be necessary.	 Expected to remain high/red
<b>5. Commissioning &amp; Procurement</b>					
CR	5.1	If the Authority does not obtain the required value and level of performance from	15	The first phase of the commissioning training has been completed and the next steps are being reviewed.	 Expected to move to





		result of the United Kingdom leaving the European Union			
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### **Risk Management Policy and Strategy**

9. The Council's Risk Management Policy and Strategy has been reviewed, and revised and was submitted as an appendix to the report on the Medium Term Financial Strategy to the Cabinet on 10 February and full Council on 22 February.
10. Within its Terms of Reference, this Committee has a responsibility to monitor the arrangements for the identification monitoring and management of strategic and operational risk within the Council. Therefore, the recommendation to Cabinet is to approve the Risk Management Policy and Strategy subject to consideration by the Corporate Governance Committee with delegation to the Director of Corporate Resources to amend it if necessary. A copy of the revised Policy and Strategy is included in Appendix B.
11. As identified during the discussion at the November Committee on HTLAH, regarding the link between Transformation Programme and Departmental risks, the roles and responsibilities have been amended to clearly highlight and escalate risks where relevant through appropriate channels.

### **Counter Fraud Update**

#### Fraud Risk Assessment 2016/17

12. The CIPFA Code of Practice – Managing the Risk of Fraud Corruption (the Code) recommends that local authorities identify and assess the major risks of fraud and corruption to the organisation. Our approach is to perform an annual fraud risk assessment and to use the results to direct anti-fraud resources and strategies accordingly. The County Council does not provide those services that have historically been considered to be at high risk of fraud, such as revenue and benefits. However, the change of emphasis from local government being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More 'at arm's length' delivery of services by third parties, for example, the voluntary/not for profit sector and personal control of social care budgets, means that more public money is entrusted externally, which may impact on the wider control environment. All of these changes are happening against a backdrop of continued depressed economic activity in which the general fraud risk (both external and internal) tends to increase.
13. Whilst publications such as Protecting the English Public Purse (PEPP) outline the main areas of fraud risk across local government, each authority's risk profile will be different. Therefore a thorough fraud risk assessment for the County Council has been conducted taking into account areas identified in PEPP, reports from the biennial National Fraud Initiative (NFI), and other risk areas identified through other intelligence and through benchmarking with other authorities.

14. Appendix C contains a summary level of the fraud risk assessment, with a corresponding risk score for each, based on the Council's overall potential exposure (impact on service delivery, finance and reputation and perceived likelihood). Scoring has been derived through discussions with individual service leads to give them the opportunity, annually, to consider whether scores remain reasonable or whether there have been any changes during the previous year that may lead to necessity to amend scores, e.g. known frauds, additional controls introduced, and increased or decreased metrics/values. For this year, new areas have been added to the Fraud Risk Assessment, for example organised crime and the risk of fraud with activity-based contracts.
15. Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery / corruption is more likely to occur and the scale of potential losses. This in turn will direct the Council's overall Anti-Fraud and Corruption Strategy and further allow the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process.

#### Serious and Organised Crime

16. In December 2016 the Home Secretary wrote to Council Leaders to discuss the threat from Serious and Organised Crime (SOC) to publicly procured services in Local Government. The Home Office/DCLG has undertaken a pilot programme which has highlighted how local authority procurement is at risk of infiltration from SOC. SOC includes drug trafficking, human trafficking, child sexual exploitation, fraud and cyber-crime. Although the pilot programme relates to waste, taxi and transport services, the potential areas go well beyond this and include (for example) property maintenance, catering, estates management, facilities management, fleet, HR, payroll/pensions, treasury and investments, residential care, services for vulnerable children as well as lower-level spend.
17. Work has commenced with departments measuring the Council's resilience to the threat of organised crime with a view to identifying any further action that needs to be taken. It is intended that a presentation will be given to the Corporate Governance Committee at its next meeting in May 2017 regarding the threat of organised crime.

#### Counter Fraud Policy Updates

18. A number of counter fraud policies were initially approved by the Corporate Governance Committee at its meeting of 20 February 2015. These are routinely scheduled for biennial review and revised policies are appended for each of these: Anti-Fraud & Corruption (Appendix D), Anti-Money Laundering (Appendix E) and Anti-Bribery (Appendix F). At the February 2015 meeting, committee approval was given for the Director of Resources to make any necessary minor amendments to the above policies. The revised policies are therefore tabled for information and awareness only.

**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 updates regarding:
    - (i) content of the revised Risk Management Policy and Strategy
    - (ii) results of the 2016/17 Fraud Risk Assessment
    - (iii) organised crime
    - (iv) counter fraud policy updates.

**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, 23 September 2016

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**Appendices:**

Appendix A – Corporate Risk Register

Appendix B – Risk Management Policy & Strategy

Appendix C – Fraud Risk Assessment 2016/17

Appendix D – Anti-Fraud & Corruption Policy Statement and Strategy

Appendix E – Anti-Money Laundering Policy

Appendix F – Anti-Bribery Policy