



CORPORATE GOVERNANCE COMMITTEE

26 MAY 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;
 - b) Emerging Risks;
 - c) Updates on related matters:
 - Business Continuity
 - 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 17 February 2017 are detailed below:

- i. Removal of risk 2.1 (A&C) - Care Act 2014 Funding Risk for 2016/17 and beyond due to Care Act Phase 2 implementation delayed by Ministers until April 2020.

The scoring has been reduced due to the ongoing implementation of the Adult Social Care restructure, which has enabled the department to ensure the risk of unfunded posts is significantly reduced. The Commissioning and Quality action plan has been completed and the Care Pathway and Business Support action plans are in progress.

- ii. Removal of risk 4.1 (C&FS) - If the County Council is not able to provide adequate outcomes data to partners then partner contributions to the pooled budget may not continue.

The above risk has been reviewed (Assistant Director – Education & Early Help) and the current risk score re-evaluated and reduced so that this is now being managed within the Supporting Leicestershire Families Delivery Plan. The risk has been reduced as all partners have agreed continued funding and further work has been undertaken on outcomes data.


6. At its meeting on 17 February 2017, it was agreed that as part of the Corporate Governance Committee meeting on 26 May 2017, there would be a presentation on the risks relating to :




- the costs of Special Educational Needs 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 horizontal arrow shows that not much movement is expected in the risk;
- 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;
- 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 2017	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	25	<u>MTFS</u> The announcement of the General Election has increased the level of uncertainty around local government finances. As a minimum there will be a delay in the localisation of business rates,	 Expected to remain high/red


		as required in the MTFS, impact of the living wage and other demand and cost pressures.		<p>business rates pilots and fair funding.</p> <p>The Council will continue to deliver the MTFS and take any opportunity to lobby for fair funding.</p> <p>Work is continuing with CCGs to bring the Better Care Fund (BCF) into balance and agree an investment programme for additional BCF funding – investment of an extra £20m allocated to Social Care as part of the budget is being discussed with health partners.</p> <p><u>Transformation</u></p> <p>The MTFS refresh has been reflected in the Transformation Programme.</p>	
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	<p>Developer Contributions Policy is under review.</p> <p>Key issues are :</p> <ul style="list-style-type: none"> ➤ Lack of staff resources to manage all the workload ➤ Monitoring fees at risk from challenge. 	 <p>Expected to move to medium/amber</p>
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	Note: No change to previously reported position	 <p>Expected to remain high/red</p>
C&FS	1.5	<p><u>Social Care:</u></p> <p>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</p>	15	<p>There will always be a need for Independent Fostering Agencies, but the objective will be to reduce the use of the private sector by increasing in-house provision and reducing private sector costs through use of the Regional Framework. Different delivery models are being considered.</p> <p>The overall approach to fostering is being considered by the Transformation Team.</p>	 <p>Expected to move to medium/amber</p>

		CSE issues) then there may be significant pressures on the children's social care placement budget, which funds the care of vulnerable children.			
C&FS	1.6	<p><u>Education:</u></p> <p>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>Work around SEND, particularly high risk- high-cost placement risks has increased since appointment of new Head of Strategy for SEND. The actions listed form the core of the work stream for SEND within Children and Family Services over the few months.</p> <p>A plan is in place to ensure that the necessary savings within the MTFS can be achieved. A High Needs Project Board has been set up to oversee the plan. The review of Specialist Teaching Services and Behaviour Partnerships will form part of this work.</p>	 <p>Expected to remain high/red</p>
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"> ○ potential mandatory requirement to engage in the National Transfer Scheme; ○ resettlement of UASC from Calais in line with the requirements of Dublin III agreement and the Dubs amendment; 	20	<p>Note: No change to previously reported position.</p>	 <p>Expected to remain high/red</p>

		<ul style="list-style-type: none"> o continuing response to spontaneous cases of UASC arriving in the County 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 			
2. Health & Social Care Integration					
All	2.2	<p>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.</p> <p>Sub risk: Impact on County Council as a result of the left shift initiative</p>	16	<p>No change to previously reported position</p> <p>No change to previously reported position</p>	<p style="text-align: center;"></p> <p style="text-align: center;">Expected to move to medium/amber</p>
All	2.3	<p>Challenges caused by the Welfare Reform Act.</p>	16	<p>Harborough and Melton District Councils went live for full Universal Credit service in November 2016 for all new claims for adults of working age. Hinckley & Bosworth went live for full service in March 2017. Community Care Finance are now dealing with both residential and non-residential assessments with service users in receipt of Universal Credit.</p> <p>North West Leicestershire, Blaby and Charnwood districts are due to move to full service in February, March and April 2018 respectively. These are larger populations so the numbers of service users receiving</p>	<p style="text-align: center;"></p> <p style="text-align: center;">expected to remain high/red</p>

				<p>care and support and claiming Universal Credit are likely to increase substantially.</p> <p>Training for relevant staff has commenced on Universal Credit and a bid has been submitted for laptops to enable remote finance assessments so that the Benefits Team can respond to Universal Credit cases more efficiently.</p> <p>From 1 April 2017, the Government implemented the reduction in entitlement to Universal Credit for new claims for people with 'limited capability for work' equal to £29.05 per week. Also, tenants in social housing will be subject to rent hikes under the pay to stay programme, part of the Housing and Planning Act 2016. Many tenants have raised concerns about how this will affect their finances.</p> <p>Both could impact the Council in terms of increased children in need and vulnerable adults and a risk of care charges not being paid.</p>	
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	<p>Second procurement of unallocated lots is in progress, with an agreed approach to procure remaining unallocated lots. Programme arrangements extended and resources allocated as part of new strategic services structure. Programme Closure plan in development to manage transition to business as usual for all key activities.</p>	<p style="text-align: center;"></p> <p>Expected to move to medium/amber</p>
3. ICT, Information Security					
CR	3.1	<p>If there is an outage and ICT systems are not restored quickly and effectively, then service delivery could be impacted upon.</p>	15	<p>The Data Centre has been completed and full disaster recovery testing was effectively undertaken as part of go live.</p> <p>The full suite of Disaster Recovery Documentation is under review.</p>	<p style="text-align: center;"></p> <p>Expected to move to medium/amber</p>

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	<p>Mandatory E Learning for all staff (February 2017) is in place. Improved monitoring of e-learning completion through the new Learning Management System is in place.</p> <p>Action Plan is in place to move towards compliance with the new European Union General Data Protection Regulation (effective - May 2018).</p> <p>Stock take is underway to assess areas for improvement ahead of the Information Commissioner's Office Audit in September 2017.</p> <p><u>World-wide cyber-attack</u></p> <p>Members and staff were informed about the cyber-attack on Friday 12th May which impacted organisations across the world, including the NHS. At the time of writing the report, it has not affected the Council's systems and services however the incident is ongoing. The Committee will be provided with a verbal update at the meeting.</p>	 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	<p>Upgrade from Frameworki¹ (Fwi) to Mosaic (new Social Care system) - Mosaic project team set up to manage migration of performance reports from Fwi to Mosaic, meeting every 2 weeks.</p> <p>Project plan is being developed and implementation is on schedule.</p> <p>¹ IT system where the children's social care data is stored and the system to generate performance reports and various statutory returns</p>	 Expected to move to medium/amber
CR	3.4	If there is insufficient capacity to provide information technology solutions then	16	Target Operating Model is being embedded currently, although there may be some changes due to an external review of IT services which is currently underway.	 Expected to move to medium/amber

		then the Council does not have the capacity to meet the demand on the CSE resources.		and ongoing	high/red
6. Brexit					
All	6.1	Uncertainty and significant knock on consequences on public services (including potential legal, regulatory, economic and social implications), and the local economy as a result of the United Kingdom leaving the European Union	16	Note: No change to previously reported position	 Expected to remain high/red

Emerging risks

General Election

9. The Prime Minister's announcement of a snap general election to be held on 8th June 2017 was unexpected. At the time of compiling this report, the main political parties' manifestos had not been published. It's likely that each manifesto will contain plans and policies that will significantly affect the County Council, its service users and customers, its partners, its staff and potentially its retired staff. Once a better picture emerges, departmental and the Corporate Risk Register will be updated as necessary.

Insurance - Discount rate

10. The Lord Chancellor, Liz Truss, announced in December 2016 that a review of the discount rate (the rate), also known as the Ogden rate, was to be undertaken. The rate affects lump sum compensation awards arising from personal injuries sustained in motor accidents or in response to successful legal liability claims. The rate is intended to reflect the rate of investment return that an injured party might expect to receive where part of a court award is intended to provide for long term care needs and loss of future earnings.
11. The rate was last reviewed in 2001 and set at 2.5%. Clearly there has been significant change in the economic environment since that time and a review was long overdue. On 27th February 2017 the Lord Chancellor confirmed that she had made a decision to reduce the discount rate by 3.25 points to -0.75% accepting that this change would have profound financial consequences for compensators. This was a shock to the insurance industry which had not

anticipated a negative rate, more a movement to 1% or 1.5%. Whilst the change seems to be minor in nature, where a court award may be intended to provide for a lifetime, the cumulative effect over time will potentially inflate the size of an award to double (or even more) than that which would have been expected under the 2001 regime.

12. Some insurance companies are already reviewing their claim reserving strategies to accommodate the potentially increased court awards that this change will mean. In turn insurers will need to collect more premiums to fund increased claim settlements and this is how Leicestershire County Council (LCC) will be most immediately affected. There is also an indirect impact in that those with whom the County contracts will also be forced to pay increased insurance premiums and it is likely that they will seek to pass on these costs to us. The Office of Budget Responsibility has estimated that the government will have to find more than £1bn per year over the next five years to meet the expected increase in costs to the public sector. Only NHS hospitals, GPs and Medical Defense Organisations appear to have been given support from central government for extra funding (in terms of announcements made-to-date).
13. Unsurprisingly, there has been a significant reaction to this change from the insurance industry and the Association of British Insurers has already made representations to the Ministry of Justice. A consultation on how the discount rate is to be set in future closed on 11th May 2017.

Update on - Business Continuity

Supplier BC Assurance

14. The BC Supplier Assurance Process continues to be rolled out to the Council's business critical suppliers with the support of contract managers. The approach is two-fold: engaging with potential suppliers during the procurement process and seeking assurance from the Council's existing suppliers. The focus for existing business critical suppliers continues to be on Adults and Children's Social Care and Information & Technology.

The current priority is ensuring that all of the 'Help to Live at Home' and 'Supported Living' framework suppliers have effective business continuity arrangements in place.

Work Area Recovery

15. 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). In the interim, work is continuing to practice plans for displacement of individual service areas.

A successful displacement exercise was recently undertaken for Customer Service Centre (Environment & Transport).

Training & Exercises

16. An active schedule of Emergency Planning and Business Continuity exercises is in place involving teams across all departments and different types of exercise. During the last 6 months, we have completed 6 desktop exercises for teams from Corporate Resources and Environment & Transport.

Refresher training for all on-call senior managers is to take place during the summer period to ensure that they are fully aware of the Major Incident Management Plan, the Incident Management Process and the support and resources available to respond to an incident within LCC.

In November 2017 a major exercise will provide another opportunity to rehearse the roles of the Crisis Management Team (CMT) and the Resilience Planning Group (RPG) in the event of a major incident.

Incident Monitoring

17. Since the last update there have been a range of incidents, including:

November 2016 - HTLAH

- Harborough ICT issues
- Newbold Verdon Primary School

December 2016 - Avian Flu

- Capita One
- Overheating – Datacentre

January 2017 - Counterfeit Goods

- East Coast Storm Surge
- Drainage – Datacentre

February 2017 - Severn Trent - possible water supply contamination

- Storm Doris

March 2017 - Power supply failure

April 2017 - Birstall Library

- Power supply failure
- Internal flooding at Bassett Street Offices

May 2017 - World-wide cyber-attack

In each case, a debrief activity has been undertaken post incident to identify any further improvements to incident response that may be required.

Update on - Counter Fraud Initiatives

National Fraud Initiative

18. The National Fraud Initiative (NFI) is a national data matching exercise undertaken on a biennial basis by the Cabinet Office. The County Council is a mandatory participant. Data for the NFI is provided by some 1,300 participating organisations from across the public and private sectors. The data is cross matched and also compared to key data sets provided by other participants, including government departments and the DWP deceased persons database.
19. The organisations that participate in the NFI are responsible for following up and investigating the matches, and identifying frauds and overpayments.
20. The output for the current NFI exercise was released to participating bodies in January 2017. For the County Council the output can be summarised as follows: -

Related to...	Potential Matches
Pensions	290
Payroll	6
Blue Badge Parking Permit	11
Private Residential Care Homes	43
Concessionary Travel Passes	4
Personal Budgets	4
Duplicate Creditors	2
VAT Overpaid	11
TOTALS	371

21. In addition to the above, there are a high number of matches where blue badges and/or concessionary travel permits are in circulation but where the badge holders have deceased since the badge / permit was issued. In these instances it is not Council policy to recall the badges / permits but we do use the NFI data proactively to flag up at permit renewal date that there should not be any incoming application for the badge / permit to be renewed. There is no evidence to suggest that badges / permits are being misused after the death of the badge / permit holder and indeed it is pertinent to comment that these documents contain their own anti-fraud features, e.g. photo ID, holograms, making misuse by all by the most serious fraudster somewhat difficult.
22. During the last quarter, the Internal Audit Service has coordinated the Council's approach to the investigating of matches. Filtering tools were used to direct audit resources towards 'high priority' matches, e.g. matches to the DWP deceased persons' database. Investigations are largely now complete.

23. In the majority of cases, matches were reviewed and cleared as valid. However, a handful of issues came to light leading to recoups to the Council. These include:
- Payments continued to be made each four-weekly period to a care home in respect of a resident who died back in June 2015. A review of the circumstances surrounding this overpayment has identified that improvements are required in systems and procedures that will be addressed. The overpayment has been fully recovered from the care home.
 - Payments continued to be made to an individual who had died in September 2016, in respect of a direct payment. The accumulated payments remained 'unspent' on the individual's direct payment card suggesting no evidence of fraud on anybody's part, e.g. by a family member. The overpayment has been recovered in full.
 - A minor overpayment was made to a managed service provider acting on behalf of an individual who had died in December 2016, again in respect of a direct payment. Fraud is also not suspected in this case simply a timing issue regarding notification of the death. The overpayment has been recovered in full.
24. Where issues of concern have arisen, Internal Audit Service has worked with relevant departments to strengthen systems and procedures to avoid recurrence, i.e. so as not to rely on the biennial NFI exercise as the prime control against fraud.

Reporting Fraud under the Local Government Transparency Code 2016

25. Under the Local Government Transparency Code 2016, 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 2016/17 are provided in the link below:
<http://www.leicestershire.gov.uk/about-the-council/council-spending/accounts-and-payments#fraud>

Blue Badge Amnesty

26. The proposed blue badge amnesty was deferred from the last quarter in the run up to the County Council elections and will now be scheduled in this quarter.

Whistleblowing campaign

27. A targeted whistleblowing campaign is imminent, raising staff awareness of the Council's procedures for the raising of concerns. The campaign will see posters strategically placed around Council premises including links to how concerns can be raised with the Director of Law and Governance, should an individual feel unable to raise concerns with line managers.

Update on – Insurances

Claims audit

28. Each year, the Insurance Service is subject to annual claims audits by its insurers. The purpose of the audits is to obtain comprehensive insight into the Council's in-house claim handling processes and capability and to monitor the quality and performance across all claim types and potential. A good audit outcome is essential to retaining delegated claims handling authority which benefits fund administration costs. The auditor's final report for the most recent audit (December 2016) was only received three days before the 17 February Committee, and so this is the first opportunity to inform Members of the outcome.
29. This audit involved a review of twenty cases, which were selected at random from a claims listing as at the 31st October 2016. Of the 17 applicable audit categories, 13 were scored by the auditor as 'Exemplary' (a grading of 97% or above), 1 as 'Merit' (between 93% and 97%), 1 as 'Cautionary' (between 85% and 88%) and 2 as 'Require improvement' (less than 85%). This resulted in an overall proficiency rating of 'Merit' based on a combined score of 97% which is only 1% below the top score of 'Exemplary'. The auditor's recommendations for improvement were accepted and are being actioned.

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 emerging risks;
 - d) Notes the updates regarding:
 - (i) Business Continuity
 - (ii) Counter Fraud Initiatives
 - (iii) 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, 23 September 2016, 25 November 2016, and 17 February 2017

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Appendices:

Appendix A – Corporate Risk Register

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