



CORPORATE GOVERNANCE COMMITTEE

29 JANUARY 2018

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:
 - The Corporate Risk Register (CRR) – an update on risks;
 - Emerging risk - Wider public sector financial sustainability challenges;
 - Insurance claims audits;
 - The review and revision of the Risk Management Policy and Strategy.

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.
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 Accounts and Audit Regulations 2015 include a phased timetable for faster closure and publication of local authorities' audited accounts. From 2017-18 onwards the Regulations bring forward the reporting timetable for published accounts to 31 July 2018. This means that the County Council will have to produce a draft set of financial statements earlier (by 2 months).

To action the earlier closedown requirements, the timings of committee dates from January 2018 have been revised.

6. In view of the short timescale between reporting the updated CRR to this Committee on 17 November 2017, the normal detailed review of Departmental Risk Registers was not undertaken this time around. This report concentrates on movements and updates to CRR risks. The detailed register (normally submitted as an appendix) is not provided on this occasion.
7. Movements since the CRR was last presented to the Committee on 17 November 2017 are detailed below:

Risk Removed:

The details of the risk removed is summarised below:

- Risk 5.1 (C&FS) - Safeguarding

Note that whilst the 'Historical' risk and score is to be retained unchanged in the CRR, the IICSA¹ Strategy and Governance Group proposed (6 December 2017) that the 'Current' risk (*If as a result of a concerted effort by the IICSA 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*) should be removed from the CRR, but nevertheless retained (and reworded) in the C&FS Departmental Risk Register.

This suggestion is based on the limited connection between historical allegations and the current CSE service which is now established within the departmental budget in terms of costs and funding.

¹ The Independent Inquiry into Child Sexual Abuse.

8. At its meeting on 17 November 2017, it was agreed that as part of the Corporate Governance Committee meeting on 29 January 2018, there would be a presentation on risk 3.2 i.e.: -




'If the Council fails to meet information security and governance requirements then there may be breach of statutory obligations'.




A report and presentation slides covering the outcome of the Information Commissioner's Office (ICO) audit of the County Council and the preparedness for implementing new General Data Protection Regulations (2018), will be covered under agenda item 7.





9. 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.




10. 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 December 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 as required in the MTFS, impact of the living wage and other demand and cost pressures.	25	<u>MTFS</u> The MTFS has been approved by Cabinet for consultation. It contains £36m of savings and a gap of £18m. It will inevitably be a challenging period for the Council.	 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.	16	The Planning Obligations Policy review is programmed to be adopted by the County Council in the summer 2018.	 Expected to move to medium/amber
CR	1.4	If claims relating to uninsured risks materialise or continue to increase then LCC will need to find increased payments from reserves, impacting on funds available to support services	16	Following the October 2017 Supreme Court decision that a local authority can be held vicariously liable for the wrongful actions of foster carers to a child in foster care (which could lead to a lot of new claims), it is considered prudent that Council staff and management which makes placement decisions are fully briefed on the implications for the potential for further liabilities. Arrangements are being made for Insurance and Legal Services to jointly arrange and lead on a short 'seminar' in the new year to take stock of: -	 Expected to remain high/red





				<ul style="list-style-type: none"> • what staff and management already know about the outcome; • the impact for Council in terms of past and current cases that might arise; • what C&FS plan to do to improve controls/monitoring. 	
C&FS	1.5	<p><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.</p>	25	Note : No change to previously reported position	 Expected to remain high/red
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>The High Needs Project Board has a clear strategy for reducing spend. Activities already undertaken have had a positive impact on reducing the budget deficit.</p>	 Expected to remain high/red
2. Health & Social Care Integration					
All	2.2	<p>NHS 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>	16	Note : No change to previously reported position	 Expected to increase

		Sub risk: Impact on County Council as a result of the shift from acute care to community care		See above	 Expected to increase
All	2.3	Challenges caused by the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016.	16	Note : No change to previously reported position	 Expected to remain high/red
CR & A&C	2.4	<u>Help to Live at Home (HTLAH)</u> If the domiciliary care market does not have the capacity to provide high quality services to local residents within the county, then people may not receive services to meet their needs	16	New providers appointed following the 3 rd round of procurement have commenced.	 Expected to move to medium/amber
CE	2.5	If Health and Care partners fail to deliver the local integration programme in accordance with national Better Care Fund (BCF) policy, within the financial envelope of the BCF pooled budget and by meeting national metrics, then elements of BCF funds could be withheld.	16 (New)	It is highly unlikely the Delayed Transfer of Care (DTOC) target (a reduction by 3.5%) was achieved by November (validated national figures will be reported in January 2018). Councils were warned there may be consequences for local health and care systems not achieving their joint DTOC target, which could result in financial penalties within the BCF and/or IBCF ¹ funding allocations and/or CQC reviews. If BCF funding is placed at risk, this will impact the ability to deliver the Plan and is reflected in a revised BCF risk rating. However, a letter from the Secretaries of State for Department of Health and DCLG was received on 6 December to confirm that due to the improving DTOC performance locally that there will be no impact on the additional IBCF allocation in 2018/19. ¹ Improved Better Care Fund - paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan	 Expected to move to medium/amber

3. ICT, Information Security					
CR	3.2	If the Council fails to meet the information security and governance requirements then there may be breach of the statutory obligations	16	<p>The remaining 10% of the work improving perimeter security (covering the lowest risk services) has been delayed until January 2018.</p> <p>The target for staff completing training on Information Security and Data Protection is 90%. Whilst this has improved slightly to 68%, issues with data quality are currently being addressed to provide more accurate information on level of compliance.</p> <p>The findings from the Information Commissioner's Office (ICO) Audit in September 2017 have now been received. An action plan to address the issues identified by the audit has been agreed with the ICO all actions are scheduled to be completed by the end of May 2018. This work will support progress towards meeting the New European Union General Data Protection Regulations which come into force in 2018.</p> <p>An Information Governance Project Board has been set up to govern both the GDPR project plan and the ICO Audit Action Plan</p>	 Expected to increase
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>The Mosaic* upgrade has now taken place and new suite of reports is available. A new reporting Board has been set up to monitor progress on meeting new reporting requirements and data quality issues.</p> <p>* IT system where 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
All	3.5	If the Council fails to maintain robust records management processes to	15	Note : No change to previously reported position	 Expected to remain high/red

		effectively manage information under its custodianship, personal data may not be processed in compliance with the Data Protection Act 1998 resulting in regulatory action and/or reputational damage.			
4. Commissioning & Procurement					
CR	4.1	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	Different types of contracts have been defined and identified. Work is progressing on developing performance dashboards to report on KPI for high risk, high value business critical contracts.	 Expected to move to medium/amber
5. Safeguarding					
C&FS	5.1	<u>Historical:</u> If as a result of a concerted effort to explore abuse by the Independent Inquiry into Child Sexual Abuse (IICSA) and Police Operations, then evidence of previously unknown serious historical issues of child sexual exploitation (CSE) or abuse is identified.	25	The IICSA recently stated that the Janner Investigation Public Hearing will not take place before Spring 2019. However the Council continues to respond to information requests received from the IICSA and remains in close contact with the IICSA team.	 Expected to remain high/red
6. Brexit					
All	6.1	Uncertainty and significant knock on consequences on public services (including	16	Note : No change to previously reported position	

		potential legal, regulatory, economic and social implications), and the local economy as a result of the United Kingdom leaving the European Union			Expected to remain high/red
7. People					
CR (ALL)	7.1	If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted	16	<p>There has been positive feedback so far on the Intensive Project Support initiative which commenced on 1 August 2017. This initiative aims to provide targeted support to Managers in specific areas to improve skills, knowledge and confidence in addressing attendance management issues and reduce absence. CMT agreed to extend the project for up to 2 years.</p> <p>CMT agreed to pause consultation on the Increments Policy to allow further time for the Attendance Management Intensive Support Project to take effect. A date to recommence consultation on the policy will be agreed with the trade unions.</p> <p>CMT agreed to not continue the First Care pilot past 31/03/18, but acknowledged that the information management system provided by First Care had been positively received. CMT will receive a further report on the proposed exit strategy from First Care, which will provide assurance that a similar form of information management will continue to be available.</p>	 Expected to move to medium/amber
C&FS	7.2	If C&FS is unable to recruit and retain skilled staff promptly (social workers and team managers) then some services will be over -	25	Note : No change to previously reported position	 Expected to remain high/red

		reliant on the use of agency staff resulting in budget overspends and poor service delivery			
8. Business Continuity					
CE	8.1	If suppliers of critical services (e.g. HTLAH) do not have robust business continuity (BC) plans in place then the Council maybe unable to deliver services.	20	Note: No change to previously reported position	 Expected to remain high/red
9. Health & Safety					
E&T	9.1	If the Service is unable to recruit appropriate skills / resources to implement Audit recommendations then service users' safety is at risk as well as financial and reputation consequences.	15	Transport risk assessments are due to be completed by end of January 2018 which will reduce the likelihood	 Expected to move to green
10. Highways Network – Winter Maintenance					
E&T	10.1	The absence of a depot in the North East of the County may impact on the delivery and the cost of the Winter Maintenance programme for 2019/20	16	Note : No change to previously reported position	 Expected to move to green
11. Environment					
E&T	11.1	If the Authority fails to respond and manage Ash dieback (Chalara) at a local level, then it could be exposed to financial,	15	Note : No change to previously reported position	 Expected to move to medium/amber

		reputational, and environmental consequences			
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Emerging Risk: Wider public sector financial sustainability challenges

11. If partners in other parts of the public sector have financial sustainability challenges, this could impact on both the County Council's own financial position and service provision. The Council is linked to the wider public sector in a number of ways. These include trading arrangements, joint provision of services and interdependencies in terms of the supply chain. Partners include health service organisations, schools, police, fire and other councils. All parts of the public sector are facing financial challenges with consequences for the County Council. The initial focus of further work will be on maintained schools.

Insurance claims audits

12. The County Council holds delegated authority from its insurers to handle claims 'in house' up to certain values. This increases the Council's prospects for defending against claims and incurs less cost. To retain the delegated authority, the Council's Insurance Service has to prove itself in rigorous inspection by the insurers' own auditors.
13. Two recent claims audits resulted in very high scores for the Insurance Service. One audit scored 96.2% with a comment that '... claims handling remains at high standard', and the other scored 97.9% with a comment of 'Exemplary'. Minor recommendations are being formed into an action plan.

As a result of the good work that the County Council is doing managing its risk and claims, the insurer's underwriters increased the level of 'In House Handling Authority', which does not happen very often.

Risk Management Policy and Strategy

14. The Council's Risk Management Policy and Strategy has been reviewed and revised and will be submitted as an appendix to the report on the Medium Term Financial Strategy to the Cabinet on 9 February and full Council on 21 February.
15. 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 the Appendix.

Recommendation

- a) That the Committee:
- a) Approves the current status of the strategic risks facing the County Council;
 - 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) The emerging risk.
 - (ii) The good performance in recent insurance claims audits and the increase in claims handling authority.
 - (iii) The revised Risk Management Policy Statement and Strategy.

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, 26 May, 22 September and 17 November 2017.

Officers to Contact

Chris Tambini, Director of Finance
 Tel: 0116 305 6199
 E-mail: chris.tambini@leics.gov.uk

Neil Jones, Head of Assurance Services
 Tel: 0116 305 7629
 Email: neil.jones@leics.gov.uk

Appendix

Leicestershire County Council - Risk Management Policy Statement and Strategy (2018)

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