



CORPORATE GOVERNANCE COMMITTEE

23 APRIL 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 risks - Wider public sector financial sustainability challenges;
 - Update on 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.
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. Movements since the CRR was last presented to the Committee on 29 January 2018 are detailed below:

Risks Added

Risk 3.6 - (CR) - If a replacement Enterprise Resource Planning (ERP) system i.e. *Oracle* is not implemented effectively and by 2020 then the organisation will not reap the full benefits of change;

Risk 3.7 – (C&FS) - If the quality of data in C&FS Information Management System is too low to satisfy statutory requirements (e.g. data returns) this will impact upon service delivery;

Risk 4.2 - (E&T) - If Arriva is successful in its concessionary travel appeal then reimbursement costs for the total scheme could increase significantly;

Risks Removed:

The details of the risks removed is summarised below:

- Risk 2.5 – (CE) Health & Social Care Integration (BCF)

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.

The level of financial risk was reduced after a letter was received from the Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) and Department of Health and Social Care (formerly – Department of Health) Secretaries of State on 6 December 2017 to confirm that due to the improved Delayed Transfer of Care (DTC) performance there will be no impact on the Improved Better Care Fund – (IBCF) allocation for 2018/19.

The risk will be reviewed following the publication of the National BCF Operational Guidance for 2018/19 which is due to be published soon. The current risk score has been re-evaluated and reduced (from 16 to 9) so that this risk is now being managed within the Chief Executive's Department.

- Risk 3.3 (All) – ICT, Information Security (Business Intelligence)

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.

The current risk score has been reduced from 15 to 12 as good progress has been made across a number of areas:

- Data and Business Intelligence Strategy and Implementation Plan is in place.
- Ongoing support for front line managers in managing data and provision of Tableau data quality reports to identify weaker areas. Tableau self-service dashboards have been rolled out across many areas of the council. A Business Intelligence Development Team has been established and Business Partners are in post to manage

relationships with each Department and with IT. Work is ongoing to improve data quality issues. Many performance dashboards have an accompanying data quality dashboard.




The risk will continue to be managed within the Chief Executives Departmental Risk Register.




- Risk 9.1 (E&T) – Health & Safety (SEN Risk Assessments)



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.



All outstanding SEN transport risk assessments have been completed. Processes have been embedded to ensure assessments are revisited with increased staff resource focussing on planned review updates. The current risk score has been re-evaluated (and reduced from 15 to 5) so that this risk is now being managed within the Environment & Transport Department.




6. At its meeting on 29 January 2018, it was agreed that as part of the Corporate Governance Committee meeting on 23 April 2018, there would be a presentation on risk 1.4 i.e.: -
 - 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.
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.
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 February 2018	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	<p><u>MTFS</u> MTFS has been rolled forward and approved by County Council. Further work on future savings underway.</p> <p><u>Transformation</u> Development of business case for Early Help Review including Children's Centres delayed until after the completion of the public consultation. Now scheduled to go to Cabinet in May 2018 (previous date March 2018).</p> <p>Projects currently reviewed and on track with development of business cases completed. There will be a further review to identify further initiatives to take into account new areas identified in the MTFS.</p>	 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	MASTERGOV software now installed and being tested for monitoring and output reporting.	 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,	16	<p>Although there has been an uplift in abuse claims recorded by the MMI, it is unclear how much of this relates to the Armes (foster case) decision and how much of a sustained impact this will have.</p> <p>Further information will be</p>	 Expected to remain high/red




		impacting on funds available to support services		contained in the presentation to Committee.	
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.	25	Further actions for work during 2018 have been included, but the risk remains high due to the ambitious nature of fostering recruitment targets for the next 3 years compounded by complex competitive market and a number of foster carers due to retire.	 Expected to remain high/red
C&FS	1.6	<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	20	SEN Panel processes have been refreshed to include greater input from partners and decision making oversight. Post of SEND Inclusion Development Officer established to lead on Sufficiency Provision and Inclusion Project.	 Expected to remain high/red
2. Health & Social Care Integration					
All	2.2	NHS LLR Sustainability and Transformation Plan (STP) does not lead to the improved outcomes for health and wellbeing of residents, better	16	The STP is due for publication in later 2018. At the same time the Council's Cabinet will consider the position in relation to the STP. Cabinet debated the STP at its meeting on 10 April.	 Expected to increase



		<p>care and quality of services, and financial sustainability.</p> <p>Sub risk: Impact on County Council as a result of the shift from acute care to community care</p> <p>Sub risk: Impact on County Council services due to the risk of the local NHS being unable to manage demand and achieve financial balance in the current financial year.</p>		<p>See above</p> <p>See above</p>	 <p>Expected to increase</p>
All	2.3	<p>Challenges caused by the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016.</p>	16	<p>Work has progressed on this risk as follows:</p> <ul style="list-style-type: none"> • Building on the initial risk register developed by A&C, CE have undertaken a risk mapping exercise to understand how the welfare reform risks identified could impact on the Council including the strategic outcomes included in the Strategic Plan. • Engagement with Departments to raise awareness of welfare reform risks and impacts on individual departments. • Consideration as to overall risk approach – retain and monitor via individual departmental risk registers or as the risk is cross-cutting and cumulative inclusion in the corporate risk register. <p>A&C de-scored risk to amber as current evidence suggests</p>	 <p>Expected to remain high/red</p>



				the likelihood of these risks happening given the mitigations in place are not a severe risk.	
CR & A&C	2.4	<p><u>Domiciliary Care</u></p> <p>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.</p>	16	<p>New providers commenced on the 6th November 2017.</p> <p>The HTLAH project is now closed.</p> <p>In Quarter 1 (2018/19), this risk will be closed and formulated into a market sustainability risk for the department.</p>	<p style="text-align: center;"></p> <p>Expected to move to medium/amber</p>
3. ICT, Information Security					
CR	3.2	<p>If the Council fails to meet the information security and governance requirements then there may be breach of the statutory obligations.</p>	16	<p>The remaining 10% of the work improving perimeter security (covering the lowest risk services) was completed in January 2018.</p> <p>Progress is being made to improve the current compliance with training levels cross the authority. The target for compliance is 90%. The percentage has increased to 75 % approximately. The findings from the Information Commissioner's Office (ICO) Audit in September 2017 are being progressed and are scheduled to be completed by the end of May 2018. Progress is also being made towards meeting the New European Union General Data Protection Regulations which come into force in May 2018.</p> <p>Regular updates are provided to the Information Governance Project Board on both the GDPR project plan and the ICO Audit Action Plan.</p>	<p style="text-align: center;"></p> <p>Expected to increase</p>

All	3.5	If the Council fails to maintain robust records management processes to 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.	15	At the Information Governance Board it was agreed that there should be a joint report from the group chaired by the Director of Law and Governance and the Board, to CMT recommending combining work that Corporate Resources Department is leading on, with other work on adults and children's files. The aim is to identify the resources needed to complete this project across both work areas	 Expected to remain high/red
CR	3.6	If a replacement Enterprise Resource Planning (ERP) system is not implemented effectively and by 2020 then the organisation will not reap the full benefits of change.	15	Number of mitigating actions in place: Formalised project plan to procure replacement system Strict monitoring of progress against key milestones for early identification of progress issues Governance arrangements in place. Actions to: Progress procurement of new system and user engagement.	 Expected to remain high/red
C&FS	3.7	If the quality of data in C&FS Information Management System is too low to satisfy statutory requirements (e.g. data returns) this will impact upon service delivery	20	Data quality continues to be an issue. The upgrading of the IT system to Mosaic and the introduction of the Tableau reporting software has highlighted further issues. Managers working with the Business Intelligence Team have developed a revised project plan and additional resources within a new Business Support structure will enable the risks to be mitigated	 Expected to remain high/red

				and a speedy resolution achieved.	
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	<p>Work is being carried out with managers in Corporate Resources to develop the performance dashboard for high value/high risk /business critical contracts. The dashboard will be included in reporting from April onwards.</p> <p>Training for Corporate Resources contract managers is scheduled for April. This will be evaluated before being rolled out to the rest of the organisation.</p> <p>On track to deliver the full £250k savings target identified in the MTFS by end of March 2018.</p>	 Expected to move to medium/amber
E&T	4.2	If Arriva is successful in its concessionary travel appeal then reimbursement costs for the total scheme could increase significantly.	15	<p>Current mitigating actions include an appeal response to the DfT on 29/1/18 (use of external consultant to support). Submission of evidence has refuted all claims for additional costs by Arriva save for reclassification of service types. The timescale for appeal determination is possibly up to 18 months therefore until the appeal is determined the maximum risk for the Arriva appeal remains at £916,000 (of which reclassification is approx. £118,000).</p> <p>There is a further risk that if the approach adopted by Arriva is found to be appropriate then the county is likely to be exposed to a further financial risk from other operators.</p>	 Expected to remain high/red

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	Note : No change to previously reported position	 Expected to remain 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
7. People					
CR (ALL)	7.1	If sickness absence is not effectively managed then staff costs, service delivery	16	There has been positive feedback so far on the Intensive Project Support initiative which commenced on 1 August 2017. Development work on how to monitor absence more	 Expected to

		and staff wellbeing will be impacted		accurately in areas in scope of the project is taking place. Initiative has been well received by managers so far. All stage 1 training for managers in scope will have been completed by the end of March. Phase 2 training on stress/mental health on track to be completed by the end of July.	move to medium/amber
All	7.2	<u>Recruitment and retention</u> If departments are unable to recruit and retain skilled staff promptly then some services will be over-reliant on the use of agency staff resulting in budget overspends and poor service delivery	25	<u>C&FS</u> Adverts for additional Social Worker capacity continue to be posted. There have been a number of successful appointments across the service. <u>E&T</u> Development of a workforce plan and approach to recruitment - careers fairs, work experience etc. <u>A&C</u> A further recruitment programme is being planned for the summer and consideration is being given to internal learning and development opportunities to develop the professional workforce	 Expected to remain high/red
8. Business Continuity					
CE	8.1	If suppliers of critical services or critical suppliers to non-critical services do not have robust business continuity plans in place the Council may be unable to deliver services.	20	Note : No change to previously reported position	 Expected to remain high/red

9. 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	The further feasibility study undertaken at Sysonby Farm has resulted in a decision to progress this site through planning, application is due to be submitted by the 18 th March 2018, this application will be for the temporary siting of a winter maintenance facilities in the current established hard standing area of the old farm.	 Expected to move to green
10. 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, reputational, and environmental consequences.	15	Note : No change to previously reported position	 Expected to move to medium/amber

Emerging Risks: Wider public sector financial sustainability challenges

9. 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.
 - Impact of the health staff pay rise - All staff working for NHS employers on the Agenda for Change terms are covered by the additional funding the Government is providing to cover the additional cost of the agreement. The additional funds will be allocated directly to providers for 2018/19, with the mechanism to be considered for future years. The settlement should not therefore create a cost pressure for services Local Authorities commission from NHS organisations.

- School Financial Sustainability - Concerns are being raised nationally and locally regarding the future financial viability of maintained schools and academies. A project is being scoped to understand the overall financial position of schools and their ability to plan strategically, this work is being led through the Leicestershire Education Excellence Partnership (LEEP). It will be possible to reassess the financial position of maintained schools for 2018/19 in May once all school budget returns are received, the LEEP project will consider how the local authority can be apprised of the financial position of academies where all data is held by the Education and Skills Funding Agency (ESFA).

Update on Counter Fraud Initiatives

Payments by Results Fraud

10. A recent fraud investigation jointly led by senior management in a department and the Internal Audit Service, in conjunction with the Leicestershire Police's Economic Crime Unit, has led to the recovery of £128k determined to have been paid in error to a provider commissioned until recently to provide services on behalf of the Council. The fraud surrounded the manipulation of service user data by an employee of the provider to record false activity for service users. This in turn generated additional payments to the provider under the terms of a payment by results (PBR) contract. The fraud initially came to light as a result of a number of whistleblowing referrals from staff TUPE transferring to the Council from the provider following decisions taken by the Council to bring the service in-house. There are lessons to be learned from this case surrounding contract monitoring, particularly of incentivised / PBR contracts, and it highlights the need for more robust challenge of data provided in support of performance. The Internal Audit Service has worked with Finance Business Partners to raise awareness of the risk of this kind of fraud and in turn they will cascade key messages down to key staff within departments, e.g. contract monitoring officers. The Service has also worked with the Commissioning Support Unit to strengthen the Council's guidance within Procurement Toolkits with particular focus on managing PBR contracts.

Reporting Fraud under the Local Government Transparency Code

11. 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 2017/18 will be published by the deadline date of 30th April 2018 to the link below:
<https://www.leicestershire.gov.uk/about-the-council/council-spending/accounts-and-payments#fraud>.

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 risks.
 - (ii) Counter fraud initiatives.

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, 19 February, 13 May, 23 September and 25 November 2016; 17 February, 26 May, 22 September and 17 November 2017; 29 January 2018.

Officers to Contact

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Appendix

A – Corporate Risk Register