



## **CORPORATE GOVERNANCE COMMITTEE**

**24 OCTOBER 2018**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **RISK MANAGEMENT UPDATE**

##### **Purpose of the Report**

1. One of the key roles of the Corporate Governance 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 and 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
  - Corporate Risk Management Group Update
  - Risk Management Maturity Health Check Update
  - Counter Fraud Update


##### **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 25 July 2018 are detailed below.





### **Risks Added**



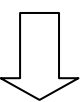
- Risk 7.3 (Adults and Communities) - If the department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities.
  - Risk 9.2 (Environment & Transport) - If there was a major incident which results in unplanned site closure (e.g. fire) then the Council may be unable to hold or dispose of waste.
6. There will not be a formal presentation on a specific corporate risk at this Committee; instead a further agenda item on the work of the Property and Occupants Risk Management Group will take its place.
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. The full CRR is attached as an appendix to this report.
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.




<b>Dept./ Function</b>	<b>CRR Risk No</b>	<b>Risk Description</b>	<b>Current Risk Score (incl changes)</b>	<b>Update Based on risks discussed at department's management teams during September 2018</b>	<b>Direction of Travel (Residual Risk Score over the next 12 months)</b>
<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><u>MTFS</u></p> <p>The Government recognise the issues with local government funding allocations. Short term Adults and Communities funding expected this year. No indication of local improvements expected until 2019.</p> <p><u>Transformation</u></p> <p>The full business case for the</p>	 Expected to remain high/red



				Early Help Review (including Children's Centres) is scheduled to be reported to the Transformation Delivery Board in October. Cabinet agreed the savings requirement (£1.5m) in July.	
CE	1.3	If S (106) monies for the Council as a whole are not managed properly then there could be financial risks as well as legal challenges.	16	Recruiting support - Developer Contributions Officer.	 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	No change to the 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	25 (increased from 20)	Number of residential places relatively stable (as at 11/9/2018) but individual costs of 4 placements are high due to children's needs.	 Expected to remain high/red

		children.			
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	25 (increased from 16)	Despite the investment in initial specialist resource provision within county, the demand for independent specialist placements has continued to rise. This has been recognised as a risk and proposals are now being taken forward to substantially increase in county specialist provision for Social Emotional or Mental Health and Autism. If these proposals are implemented, the likelihood of this risk will reduce.	 Expected to remain high/red
CR	1.7	If the Council is not compliant with the HRMC IR35 regulations regarding the employment of self-employed personnel then there is a risk of large financial penalties	20	The requirement for a central support role has been agreed recruitment is due to commence. Reminder of the Policy and Process was included in the Managers Digest 28 September, including the use of Reed Employment Agency for all recruitment activity. Finance, HR, Procurement and Legal Services (with support from Transformation Unit) and assurance from the Internal Audit Service are working together to deliver improvements.	 Expected to move to medium/amber
CR	1.8	If public sector partners and major providers of services to the public sector get into financial difficulties there could be an impact on both the Council's financial position and services	16	Initial recruitment of resource for financial monitoring of schools was unsuccessful. Position is being re-advertised.	 Expected to increase




2. Health & Social Care Integration					
All	2.2	NHS Leicester, Leicestershire and Rutland's (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.	16	A governance review of the STP is planned for the Autumn, In the interim, the current position remains.	 Expected to remain high/red
	(i)	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.		No change to previously reported position	 Expected to increase
All	2.3	Challenges caused by the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016.	16	No change to the previously reported position.	 Expected to remain high/red
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	With regard to training on Information Security and Data Protection latest data on the Council's Learning Hub shows 88% compliance against a target of 90%. Phase 1 milestones set for GDPR compliance have been met. Phase 2 has been scoped and agreed. Work is progressing on initial priority, surveillance and camera systems.	 Expected to move to medium/amber



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	A report was presented to Chief Officers on 11 October which included recommendations relating to analysis of risk and proportionate allocation of resources to tackle the highest areas of risk.	 Expected to move to medium/amber
CR	3.6	If a replacement (ERP) system is not implemented successfully the Council will not reap the benefits and the Council's financial and HR activity could be negatively impacted upon	20 (score increased from 15)	The Programme scope will be fixed following the advisory workshops, including requirements for non-Fusion solutions.  Data cleansing is being delayed to satisfy additional information governance requirements.	 Expected to move to medium/amber
C&FS	3.7	If the quality of data in Children and Families (C&FS) Information Management System is too low to satisfy statutory requirements (e.g. data returns) this will impact upon service delivery.	16 (reduced from 20)	There is improved quality over input of data. Business Intelligence to produce regular data quality reports to establish robust business processes on a monthly/weekly basis that will show data gaps and data entry errors for updating before statutory returns are due.	 Expected to move to medium/amber

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>Proposals for the Corporate Resources contracts dashboard (covers high risk and value business critical contracts) has been approved by the Corporate Services Management Team. The Contract Managers have begun quarterly reviews which are scheduled to be completed by the end of October 2018 following which the first dashboard should be available.</p> <p>Further training to contract managers is scheduled once the new tool kit is available. Discussions are also underway with Learning and Development regarding the resource requirements for internal and external training.</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>Further information has been requested from Arriva by the Decision Maker (Department for Transport- DfT) regarding the Arriva 2017/18 appeal. The Council's response to the DfT is that the information supplied by Arriva is either incomplete or inaccurate.</p> <p>There is also a further potential appeal – Hinckley Bus. Discussions are underway to determine whether a local solution can be reached before an appeal is submitted.</p>	 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	25	No change to the previously reported position	 Expected to remain high/red

		Abuse (IICSA) and Police Operations, then evidence of previously unknown serious historical issues of child sexual exploitation (CSE) or abuse is identified			
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	<p>A report was submitted to Chief Officers in September on initial scoping work.</p> <p>The outcome of government negotiations will determine whether a 'deal' is agreed. If there is a 'no deal' Brexit the transition period will not apply and consequences will begin from April 2019, not January 2021.</p>	 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>The Intensive Support Project is ongoing. Closer working with business partners to identify issues early and escalate appropriately using business intelligence.</p> <p>With regard to tightening the Absence Management Policy consultations are underway with the Trade Unions. The initial target is to reduce absence to 8 days per FTE by August 2019 recognising that the corporate target remains at 7.5 days FTE.</p>	 Expected to 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&amp;FS (risk score =25)</u> No change to previously reported position – recruitment and retention work in progress.  <u>A&amp;C (risk score =16)</u> The rates of pay are not competitive for certain posts resulting in recruitment difficulties.  In some areas market premia payments are being made. A Recruitment and Retention Strategy is being formulated Within this a further examination of core pay for certain roles and grades is required.	 Expected to remain high/red
A&C	7.3	If the department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities.	16 (New)	A small 'external workforce' team has been appointed for a two-year period, ending spring 2020, to work with the authority's providers to target more effective recruitment and retention through a range of interventions. A development plan is being drafted.	 Expected to move to medium/amber
<b>8. Business Continuity</b>					
CE	8.1	If suppliers of critical services do not have robust business continuity plans in place, the Council may not be able to deliver services.	20	Not all contracts are procured through the Corporate Commissioning Unit (CCU). A detailed report on current practices and concerns to be submitted to Chief Officers in October highlighting the risk and seeking guidance on further action.	 Expected to remain high/red

9. Environment					
E&T	9.1	If the ash dieback disease causes shedding branches or falling trees then there is a possible risk to life and disruption to the transport network.	15	The Ash dieback action plan was agreed by Cabinet (July 2018) and actions now being progressed.	 Expected to move to medium/amber
E&T	9.2	If there was a major incident which results in unplanned site closure (E.g. fire) then the Council may be unable to hold or dispose of waste.	15 (New)	<p>The Council's current Waste Transfer Station (WTS) infrastructure has only limited holding capacity.</p> <p>A number of disposal sites are scheduled to close over the next six months.</p> <p>In the interim, the Service is exploring alternative local disposal facilities or transfer sites that the Council can access on a contingency basis.</p>	 Expected to move to medium/amber

### **Corporate Risk Management Group - update**

9. The Corporate Risk Management Group is chaired by the Head of Internal Audit and Assurance Service and is comprised of departmental risk champions and officers from the insurance, health safety and wellbeing and transformation functions. A meeting was held on 23 August and some of the key points reported/discussed were: -
- a. To inform that a new Chair and new Members of Corporate Governance Committee had been appointed.
  - b. A replacement insurance management system will be introduced which is planned to integrate with other departments' operational systems (e.g. highways maintenance) thereby improving overall risk management information.
  - c. Work undertaken by the Property and Occupants Risk Management Group was explained.
  - d. Risk management information and guidance had been loaded onto the Council's intranet enabling more consistency in application and assisting induction of new employees with responsibility for risk management.

- e. A sample of risk champions would be selected for interview as part of the independent risk management maturity health check.
10. The next meeting is to include the outcomes and any actions proposed following the risk management maturity health check.

### **Risk Management Maturity Health Check Update**

11. An independent health check assessment of the Council's risk management maturity was undertaken in September by a very experienced and well qualified Risk Control Manager from Risk Management Partners (RMP) which is the managing agent of the Council's current insurers. The scope of the assessment covered: -
- a. A desk top review of policies, procedures and guidance
  - b. 1:1 interviews with: -
    - i. Members – Messrs. Bedford, Boulter and Sheahan
    - ii. The Chief Executive
    - iii. The Directors of Corporate Resources, Children & Families, Environment & Transport and Health & Social Care Integration
    - iv. Assistant Directors (or equivalent) in the Adults & Communities Chief Executive's and Corporate Resources departments
    - v. Subject experts from the Transformation Unit and insurance functions and risk champions from the Corporate Resources, Environment & Transport and Public Health departments
    - vi. The Head of Internal Audit and Assurance Service and the Senior Auditor who oversees compliance with and development of risk management processes
  - c. To gain even wider engagement, over 100 service managers were invited to complete an online questionnaire which was based on the overall health check model.
12. Initial feedback from the Risk Control Manager who undertook the desk-top review and interviews was very positive. Over 50% of managers invited completed the online questionnaire and the results look, on the whole, encouraging but with pointers to some improvements required. The questionnaire output information has now been provided to the Risk Control Manager to enable him to produce an overall report which may propose some actions which will be reviewed and discussed firstly with Chief Officers and later brought back to this Committee for consideration.

## **Counter fraud update**

### **National Fraud Initiative**

13. The National Fraud Initiative (NFI) is a national data matching exercise undertaken on a biennial basis by the Cabinet Office and in accordance with statutory powers provided by the Local Accountability and Audit Act 2014. 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.
14. The organisations that participate in the NFI are responsible for following up and investigating the matches, and identifying frauds and overpayments. At Leicestershire County Council, the Internal Audit Service holds the role of NFI key contact and co-ordinates the exercise on behalf of the Council.
15. All of the Council's relevant data has been successfully extracted from its systems and uploaded securely to the Cabinet Office. The 2018/19 NFI output will be made available to participants from 31st January 2019. A further update will be provided to Committee in due course.

### **Blue Badge (Disabled Parking Permit) Amnesty**

16. A six-week blue badge "no questions asked" amnesty was in operation during July and August, coordinated by the Internal Audit Service. The amnesty gave the Council the opportunity to reaffirm the rules regarding the correct use of disabled parking permits, remind the general public that misuse and abuse can lead to financial penalties and in more serious cases prosecution, and invite any individual in possession of an invalid blue badge to return it to the Council during the amnesty period without fear of prosecution.
17. The amnesty was widely reported in the local press, including on BBC Radio Leicester, in the Leicester Mercury and in a number of local (County town) newspapers. In total, three blue badges were anonymously returned to the Council. This relatively low number was not unexpected and very much in line with other authorities' results where similar campaigns have been run – the aim of the amnesty was primarily to promote the Council's zero tolerance approach to blue badge fraud in order to retain public confidence in the blue badge scheme and to make any abuser of the scheme think again. Although it is not possible to tangibly quantify the success of such a scheme, anecdotally, it is accepted that proactive counter fraud work such as this, particularly when accompanied by a good communications plan (e.g. press coverage) can have the effect of changing people's behaviour towards abuse and misuse.

### **Revised Counter Fraud Policies**

18. The Internal Audit Service has responsibility for the upkeep of three of the Council's counter fraud documents, namely the (overarching) Anti-Fraud and Corruption Strategy, the Anti-Bribery Policy and the Anti-Money Laundering Policy. These documents are revised on a biennial basis and have been

revised this quarter. With specific regard to the Anti-Fraud and Corruption Strategy the biennial revision coincides with the formulation of a new two-year action plan that sits within the Strategy that sets out a range of proposed actions moving forward, designed to strengthen the Council's resilience to fraud yet further. At its meeting in February 2015 the Committee delegated to the Director of Corporate Resources that they might make minor changes. Changes this time around are mostly cosmetic but should members wish to read the three documents they can be found on the Council's web site at <https://www.leicestershire.gov.uk/about-the-council/council-spending/fraud>

19. As a result of the new Criminal Finances Act 2017, which introduces a corporate offence of entities failing to prevent the facilitation of tax evasion, a new policy has been devised to underpin the Council's approach to this. A defence to the corporate offence is where entities can demonstrate that they have "reasonable procedures" in place to prevent (the facilitation of) tax evasion. Specifically, staff, agents and associates of the Council must not knowingly do anything that helps someone else evade tax. Work continues to identify the areas of potential risk to the Council, e.g. the taxation of employment, and due-diligence controls will be reviewed and strengthened where necessary. This new policy is the subject of a separate report on the agenda.

#### Raising Fraud Awareness

20. Part of our proactive role to countering fraud involves regularly raising awareness of fraud risk with stakeholders, e.g. employees. A dedicated fraud page has now been created on the staff intranet containing links to lots of relevant information, e.g. policies and procedures, whistleblowing process. During November we shall actively promote this information and other counter fraud initiatives to coincide with International Fraud Awareness Week (11<sup>th</sup> – 17<sup>th</sup> November).

#### Resources Implications

21. None.

#### Equality and Human Rights Implications

22. None.

#### Recommendations

23. 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 now provided on the Corporate Risk Management Group, Risk Management Maturity Health Check and counter fraud;

**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, 23 April and 25 July 2018

**Circulation under the Local Issues Alert Procedure**

None

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**Appendix**

Corporate Risk Register