



## **CORPORATE GOVERNANCE COMMITTEE – 1 NOVEMBER 2019**

### **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 County 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) – summary of risks. An update on each risk is provided in the Appendix attached to this report.
  - Emerging risk – HS2 Phase 2B
  - Risk Management Maturity Health Check – update
  - Counter fraud initiatives - update

##### **Corporate Risk Register (CRR)**

2. The County Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the County 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. 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 within the relevant departmental risk register.
4. Movements since the CRR was last presented to the Committee on 26 July 2019 are detailed below:

### **Risks Added**

- Risk 1.10 (Chief Executives) - The Council is unable to meet the financial investment required to deliver infrastructure in support of housing development committed in districts Local Plans and that where this contribution can be recouped through s106 agreements secured by District Councils, the funding doesn't meet the full cost and is secured long after the commitment is made.
- Risk 3.7 (Corporate Resources) – If the Council fails to prevent a major cyber-attack on its ICT infrastructure, then the Council may lose sensitive data and its ability to operate
- Risk 8.3 (Environment & Transport) - If the Council is not able to deliver on the commitments it has made in its climate emergency declaration due to the complexity and difficulty of some of the decisions and actions that will need to be made, then this will impact on the Council's ability to fulfil its leadership role and have financial and reputational consequences.
- Risk 8.4 (Environment & Transport) - If climate change impacts happen more frequently or at a greater intensity than anticipated, then there is the risk that County Council services will be negatively affected.

### **Risks Removed**

The Appendix attached provides a summary of all the risks removed together with commentary.

#### **Corporate Resources**

Risk 1.4 – Claims for uninsured risks

Risk 1.8 - Public sector partners finances impacting on Council's financial position

Risk 3.5 - Records management

Risk 4.1 - Contract Management

#### **Adults and Communities**

Risk 7.3 – Sustainable external workforce

### **Risks Reworded.**

The Appendix attached provides details of risks that have been reworded:

- 3.2 – General Data Protection Regulation
- 3.6 – ERP System

5. The table below is a summary of the all the risks on the CRR. The risks are numbered within each category and the most up to date position of each risk is shown in the Appendix attached to this report.

Ref	Dept.	Risk Description	Current risk Score Sept. 2019	Change in Current Risk Score	Target risk over next 12 months
<b>1. Medium Term Financial Strategy</b>					
1.1	All	MTFS Delivery	20	↓	15
1.3	CE	Failure to maximise developer contributions and impact on corporate infrastructure projects	16		10
1.5	C&FS	Child placements demand creates budget pressures	20		20
1.6	C&FS	Failure to achieve savings (high needs pupils)	20		16
1.7	CR	Failure to comply with IR35 regulations (self-employment)	20		12
1.9	C&FS	Failure to resolve immigration status of UAS children increases costs	16		12
1.10	CE	Unable to deliver the infrastructure <b>(new)</b>	25		15
<b>2. Health and Social Care Integration</b>					
2.2	A&C	Inability to deliver improved outcomes and financial stability	16		16
2.3	All	Failure to meet demand from Welfare Reform Act	16		16
<b>3. ICT, Information Security</b>					
3.2	All	GDPR breach	15	↓	12
3.6	CR	ERP system -delays to implementation	20		10
3.7	CR	Cyber security <b>(new)</b>	16		12
<b>4. Commissioning</b>					
4.2	E&T	Arriva are successful in concessionary travel appeal	15		10
<b>5. Safeguarding</b>					
5.1	C&FS	IICSA – seriously unknown historic issues identified	25		20
<b>6. Brexit</b>					
6.1	All	Impact of Brexit on public services	16		16
<b>7. People</b>					
7.1	CR	Sickness absence is not effectively managed	16		12
7.2	All	Failure to recruit & retain staff (C&FS)	15		15
<b>8. Business Continuity</b>					
8.1	CR	Critical suppliers fail on business continuity planning	15		15
<b>9. Environment</b>					
9.1	E&T	Impact of Ash Dieback disease	15		10
9.2	E&T	Failure to hold/dispose of waste due to major incident	15		8
9.3	E&T	Climate Emergency Declaration <b>(new)</b>	15		10
9.4	E&T	Impact on services from extreme weather events <b>(new)</b>	20		15
<b>10. Partnerships</b>					
10.1	C&FS	Failure to secure confidence in mainstream SEND provision	16		6

6. During this quarter, Departments have been proactive in reviews of the Corporate/Strategic risks and as shown in the Appendix attached, a number of risks have had scores reduced, or the risks are no longer relevant. One department has developed action plans for all of its high-ranking risks.
7. In accordance with the Committee's request made at its meeting on 26 July 2019, a presentation will be provided as part of this item on the new risk 1.10 – 'The Council is unable to meet the financial investment required to deliver infrastructure in support of housing development committed in districts Local Plans and that where this contribution can be recouped through s106 agreements secured by District Councils, the funding doesn't meet the full cost and is secured long after the commitment is made'.

### **Emerging Risk**

#### **High Speed Two (HS2 Phase 2B)**

8. The previous report to Members highlighted that there was a possible/emerging risk around the Government abandoning the HS2 Phase 2b project through Leicestershire. While this would avoid considerable disruption across the north west of the county for a number of years during construction, it would result in potentially significant benefits for Leicestershire and the East Midlands not being realised.
9. The latest update indicates that there is no new evidence to suggest that the Leicestershire section is to be delayed any more than previous assessments. However, there has been significant lobbying by East Midlands Councils, Midlands Connect and Transport for the East Midlands to the Oakervee Review, in support of HS2, and the eastern leg though the East Midlands.

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

10. A detailed action plan was presented to Chief Officers to consider the actions proposed in response to the Risk Management Partners Consultant's report. A brief update is provided below:
  - Work has been continuing over the summer with three departments taking reports to their respective Departmental Management Teams to review their own department's results from the anonymous online managers' survey and take necessary actions to make improvements in those areas with the least positive responses. A further two departments also near to reviewing their results.
  - With regard to the investment in a centralised Risk Management IT system, although Chief Officers were provided with a demonstration of Pentana, given current other demands, there was insufficient appetite to roll out the system corporately, nevertheless the concept is being explored further.
  - Work is underway to define the County Council's risk appetite, explore risk management training programmes through various options and develop guidance on partnership risks.

**Counter Fraud Initiatives**

11. In preparation for International Fraud Awareness Week (17<sup>th</sup> to 23<sup>rd</sup> November 2019), the Internal Audit Service's counter fraud lead has met with Communications Unit to plan raising fraud awareness. This will include a poster campaign on both County Hall noticeboards and at outlying offices raising awareness in several key areas.
12. The Counter Fraud Lead recently attended:
  - a. A 'masterclass' on Fraud Risk Assessment Training giving thoughtful insight into how to conduct an effective fraud risk assessment within an authority. This will lead to a change in how we approach our biennial fraud risk assessment at the time of next refresh.
  - b. Midland Counties Fraud Group. This group exchanges ideas, experiences and recent developments which are shared with appropriate key officers and often lead to targeted internal audit work.

**Recommendations**

13. It is recommended that the Committee:
  - a) Approves the current status of the strategic risks facing the County Council;
  - b) Makes recommendations on any areas which might benefit from further examination and identify a risk area for presentation at its next meeting;
  - c) Notes the update provided on HS2 Phase 2B;
  - d) Notes the updates provided on the risk management health check and 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, 23 April and 25 July 2018, 24 October 2018, 18 January 2019 and 10 May 2019. <http://politics.leics.gov.uk/ieListMeetings.aspx?Committeeld=434>

### **Officers to Contact**

Chris Tambini, Director of Corporate Resources

Tel : 0116 305 6199

E-mail : [chris.tambini@leics.gov.uk](mailto:chris.tambini@leics.gov.uk)

Neil Jones, Head of Internal Audit and Assurance Service

Tel: 0116 305 7629

Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

### **Appendices**

Appendix - Corporate Risk Register Update