



## **CORPORATE GOVERNANCE COMMITTEE – 12 JUNE 2020**

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

#### **RISK MANAGEMENT UPDATE**

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

1. The purpose of this report is to provide an update to the Corporate Governance Committee (the Committee) on the impact of the Coronavirus (COVID-19) in the context of the Council's risk management arrangements.
2. 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 which now includes assessing the risk through the prism of COVID-19 impacts.
  - Risks added to the CRR and work of other groups in risk mitigation
  - Emerging risks and service recovery – COVID-19
  - Counter fraud – COVID-19
  - Insurance – COVID -19

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

3. Within the County Council's Constitution, Article 9.03 'Role and Function of the Corporate Governance Committee' states that the Committee shall have responsibility for the promotion and maintenance within the Authority of high standards in relation to the operation of the Council's Code of Corporate Governance with an emphasis on ensuring that an adequate risk management framework and associated control environment is in place.
4. In early March 2020, as part of the Council's planning for the likely and significant business interruptions caused by the coronavirus (COVID-19) outbreak the Director of Corporate Resources took the decision to 'pause' non-business critical work, including the standard approach to risk management and the cycle of corporate risk reviews and the update of the Corporate Risk Register. This was to enable the delivery of business-critical services to be prioritised, recognising the unprecedented demand the pandemic would place on management teams at least in the short term. It should be noted, however, that despite this, risk management has been at the heart of decision making during this period.
5. The existing risks on the CRR last presented to the Committee on 31 January 2020 are shown in the Appendix attached to this report. Most of the risks have been impacted by COVID-19 and the summary highlights the current situation. A full re-assessment of the current risk scores has not yet been undertaken.

6. At its meeting on 31 January 2020, the Committee had requested that a presentation be provided at the May meeting on the CIPFA Financial Management Code which had been launched in October 2019. However, the accompanying CIPFA Guidance Notes publication was delayed due to COVID-19 and has only just been made available at the end of May. Officers will now review the guidance and a presentation will be rescheduled at an appropriate time.

### **Risk Added**

7. The following risk will be added on to the Corporate Risk Register:
- If the Council does not plan, prepare and respond adequately to future developments in relation to both the COVID 19 pandemic and recovery to a “new normal” level of services, it could suffer long lasting economic, environmental, societal and technological challenges and miss opportunities.
8. The actions taken to mitigate this risk have and are being undertaken by the Local Resilience Forum and the County Council. The main coordinating groups involved are:
- LLR Prepared which is the Local Resilience Forum (LRF) for Leicester, Leicestershire & Rutland. It has statutory responsibilities arising from the Civil Contingencies Act 2004, which requires specific organisations (such as local authorities, emergency services, the NHS and others) within an area to work together to prepare for, respond to, and recover from different emergencies. LLR Prepared has, through its multi-agency Strategic Co-ordinating Group (SCG) developed a COVID-19 strategic risk assessment which aligns to the key strategic priorities agreed by the group. The assessment covers COVID-19 operational issues arising from the response to the disease. This is regularly updated by the LRF, SCG and details all the relevant risks to the response.
  - The County Council’s Resilience Planning Group (RPG) which is supported by key officers from all County Council Departments. This meets to oversee the COVID-19 key issues and business continuity planning aspects. For example, actions include redeployment of staff; Personal Protective Equipment (PPE); closure of sites and services; waste disposal; emergency bill; critical services list; County Hall site.

### **Emerging Risks and Service Recovery Planning COVID-19**

9. In March, when the pandemic was declared, the Council’s risk profiles changed significantly. The virus has affected not only the Council’s existing risks but created many new ones.
10. The Council’s Crisis Management Group (CMG), consisting of all Chief Officers, meets regularly and is supported by the RPG. The CMG also oversees the Council’s business continuity planning including the delivery of critical services.

11. As the response continues, the Council is fast progressing its plans to recover and rebuild services. Work is underway to develop a Recovery Strategy which will outline the strategic framework for recovery from the COVID-19 pandemic. It is recognised that there will be a period of transition, with phased steps towards the 'new normal'. The existing risk management arrangements will be aligned to the recovery planning principles.
12. A Recovery Group (including task specialist Work Groups) has been formed and is working closely with Heads of Service and support functions to develop interim and long-term recovery plans as outlined in the Recovery Strategy. These will enable services to recover to an acceptable level following the end of the lockdown, whilst operating under social distancing measures, and identify how services may need to transform their future operational activities post COVID-19.
13. This work will ensure that the Council's services recover to a sustainable position, reflective of potential changes in service demand, community capacity etc., as well as changing aspirations and practicalities regarding ways of working and the use of office space, IT and Digital ambitions, driven by the increased financial constraints that are likely to influence service re-design.
14. It is proposed that risks which may affect/undermine delivery of the interim recovery plan (e.g. non-delivery of required corporate support) be managed through risk logs, kept up-to-date by Heads of Service in collaboration with Departmental Risk Champions. Other types of risk, such as those arising from delivery of a full longer-term recovery plan (e.g. risk that prolonged remote-working may affect staff wellbeing) are proposed to be managed through the usual process whereby Heads of Service in conjunction with Departmental Risk Champions identify risks arising from the Recovery process in their Departments and log them in their Departmental Risk Registers for approval by their respective Departmental Management Teams. Key corporate risks identified through this process will be highlighted in the Corporate Risk Register and escalated to Chief Officers and the Corporate Governance Committee.
15. Much of the recovery planning work including that of the task specialist Sub-Groups and Cells will consider risks and issues to ensure appropriate mitigations are put in place. Examples of some of the emerging risks which have already been considered or may form their focus in the short, medium and longer term are as follows:
  - **Protecting People**
    - PPE – availability due to global demand and distribution impacting upon staff safety.
    - Testing for COVID-19 – staff.
    - Vulnerable persons – delivery of food and medicines.
  - **Safeguarding**
    - Support for vulnerable children and adults.
    - Expected increase in domestic violence incidents.

- **Legislative**

- Impacts on Departments from the Coronavirus Act 2020 and associated emergency regulations and guidance implemented in response to COVID-19
  - Children and Adult Social Care easements
  - Cessation of some services to comply with the restrictions on movement
  - Contact tracing
  - Emergency volunteers
- GDPR compliance
  - Increase in services being delivered digitally, leading to a commensurate increase in data being collected about individuals through those digital interactions.
  - Working from home and concerns about the security of data leaving the office environment.
  - Technology-based solutions to monitor employee interactions and track and trace the spread of the disease will create significant GDPR compliance questions. However, there will be positive consequences too, since digital interactions are often more secure and allow technical controls to be installed rather than relying on human compliance.

- **Financial**

- Reduced income levels and significant additional expenditure
  - Reduced income from commercial services, business rates etc.
  - Increased costs – shielding, community grants, IT equipment and infrastructure, waste disposal costs, delays to capital works and projects e.g. Fit for the Future.
- Increased strain on resources as a result of COVID-19 resulting in an increased risk of fraud.

- **Workforce/Work Place/ Wellbeing**

- Staff resource capacity to implement, manage and co-ordinate the recovery response activities as well as manage routine services.
- Health measures in response to COVID-19 to review travel and work at County Hall and other sites including movement restrictions.
- Social distancing guidance for the workplace.
- Redeployment of employees to emerging needs, based on a fuller understanding of roles, skills and availability.
- Assessment to mitigate against new risks created by the new working environment.
- Increased levels of sickness.
- Impacts of isolation and vulnerabilities and mental health.

- **Service Provision**

- Continuing work with essential service providers to ensure essential service continuity for future pandemic waves.
- Ongoing impact of school, childcare facilities, libraries closures.
- The 'risk-sharing' model being proposed nationally may mean that the full financial effect on the Council is not to be mitigated by the Government, putting future service provision at risk.
- Lack of broadband capacity for home workers.
- Understanding any future risks and liabilities of unique changes to service provision e.g. redeploying council staff to other care services including front line.
- Future impact on care home capacity

- **Business Continuity and Recovery**

- Test/learn from existing plans, systems and lesson-learnt exercises to inform future preparedness and response activities.
- COVID-19 scenario planning to identify and plan for worst case outcome.
- The safe, controlled recovery of services, safety of staff, and service users.
- Assessing financial viability and other measures for critical suppliers.

- **Contractual**

- Understanding the contractual liabilities that the Council is currently exposed to.
- Collapse of suppliers and contractors and/or failing to meet contractual commitments.
- Insurance considerations

### **Counter fraud – COVID-19**

16. Intelligence sources have reported a dramatic increase in attempted frauds against individuals and organisations, seeking to exploit weaknesses in defences, during times of major upheaval, process changes, increased anxieties and reduced resources. These include fake suppliers, poor quality goods (e.g. PPE), urgent payment requests from cloned senior management email accounts, phishing attempts and bogus correspondence, e.g. 'from' the NHS inviting donations to the COVID-19 cause or 'from' HMRC advising individuals of tax refunds due.
17. Urgent grant funding is highlighted as a high-risk area that fraudsters will seek to exploit, although the large emergency funds, e.g. Small Business Grants Fund and Retail, Hospitality and Leisure Grant Fund, are administered by Leicester City Council and the district councils.

18. The County Council has administered a local Communities Fund (£1.5m of emergency funding to charities and social enterprises). The Internal Audit Service (IAS) was instrumental in giving proactive counter fraud advice to the administering department to reduce the risk of fraud. This considered central government advice on control, available data matching tools (such as the Cabinet Office's Spotlight Counter Fraud solution), whilst supplementing these with common sense due-diligence tools that have been used for some time now, e.g. Experian credit checks. IAS raised fraud awareness with key staff to enable them to remain professionally vigilant, such as by highlighting the need to validate applicants through independent means. Additionally, a webinar devised by the Fraud Advisory Panel and the Charity Commission on COVID-19 and charity fraud was shared, which is also intended to be passed on to charities and social enterprises. An audit of the Communities Fund is currently under way to provide assurance that due process was followed.
19. IAS continues to provide regular warnings about fraud developments as they arise and guidance to mitigate the risk, and advice or even investigations if fraud is suspected. It is currently reviewing a recent study on the costs and effects of occupational fraud (fraud committed by individuals against the organisations that employ them) which will be disseminated to senior management. Also, it has raised awareness of fraud risk with staff in their personal lives as part of the Council's wider 'good employer' role.

### **Insurance – COVID-19**

20. Due to the requirement to take significant and very quick decisions, and make changes to service provision, managers have been reminded of their responsibilities to keep the Insurance Service advised of changes as they occur, so that the Council's insurers can be duly notified. This is to ensure cover isn't breached and the Council remains protected. Managers have also been advised to keep records of decisions made regarding changes to usual service provisions and to ensure that robust risk assessments are performed and recorded as part of that process. Doing so will help to defend any potential future liability claims.
21. In conjunction with colleagues in other departments, the Insurance Service has provided advice and guidance on several service delivery proposals including: -
- a. Staff working from their own homes
  - b. Re-deploying Council staff into care homes and hospital kitchens
  - c. Administering PPE
  - d. Highways inspections
  - e. Recovery plans - waste sites; workplace (property) and workforce (staff); country parks (using re-deployed staff and volunteers); highways inspections and maintained schools and academies
  - f. School trip cancellations
  - g. ESPO being used as a food distribution hub

## **Recommendations**

It is recommended that the Committee:

- a) Notes the impacts arising from COVID-19 on 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 risk to be added to the Corporate Risk Register;
- d) Notes the updates regarding the emerging risks and service recovery planning, counter fraud and insurance.

## **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, 29 January, 23 April and 25 July 2018 and 24 October 2018; 18 January, 10 May, 26 July and 1 November 2019; 31 January 2020

<http://politics.leics.gov.uk/ieListMeetings.aspx?Committeeld=434>

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## **Appendices**

Appendix - Corporate Risk Register Update

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