



CORPORATE GOVERNANCE COMMITTEE – 28 JANUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT UPDATE

Purpose of the Report

1. One of the 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 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
 - Emerging risks and issues
 - Mitigating the risk of fraud
 - Risk Management Policy Statement and Strategy
 - Insurance Policy

Corporate Risk Register (CRR)

2. 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.
3. 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.
4. The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature usually has a longer 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 managed within the relevant departmental risk register.

5. The current risks on the CRR (last presented to the Committee on 5 November 2021), risks removed, and a brief reminder of risk scoring are shown in Appendix A attached to this report. The impact and likelihood are shown below each current risk score.

Movements since the CRR was last presented are detailed below: -

Risk descriptions amended

Environment and Transport

Risk 4.2 – from - If Arriva is successful in its concessionary travel appeals and the method of apportioning between the City and the County is changed then reimbursement costs for the total scheme could increase.

To - If Arriva is successful in its concessionary travel appeal, **or the City in its challenge on the methodology of reimbursing operators**, then reimbursement costs for the scheme could increase.

Risk 9.4 – from - 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.

To - If services do not take into account current and future climate change in their planning, they may be unable to respond adequately to the predicted impacts, leading to significantly higher financial implications and service disruption, as well as making future adaptation more costly.

Emerging Risks and Issues

Pay dispute

6. On 14 January, UNISON (local government's biggest trade union) announced the outcome of its recent national ballot for industrial action. The Trade Union Act 2016 requires that for any strike action to be lawful, at least 50% of the members entitled to cast a vote must do so. The result of the ballot (England and Wales only) was that for those employees who voted, just over 70% voted 'yes' to strike action. However, the turnout was only 14.5% and having failed to reach the 50% threshold, UNISON cannot now proceed with industrial action related to the 2021 NJC pay offer. Among the other unions representing council staff, Unite began a formal strike ballot on 14 January which is expected to continue until 17 February. Some of its ballot papers also include questions about existing or potential local disputes. GMB held a consultative ballot on strike action which closed on 13 December, and its national local government committee will meet before the end of January to decide next steps. The overall risk of industrial action is considered low.

Inflation increases

7. The rate of inflation is increasing and currently stands at 5.4%. Many commentators expect this could increase to nearly 7% in April when national insurance and energy price rises impact. This will result in a squeeze on the

cost of living for many residents. There is a risk that this particularly impacts on people who use the Council's social care services, with a resulting impact on both the demand and cost of services.

Additionally, there is increased risk of cost escalation on major capital projects due to the current rate of inflation, and in particular construction inflation, combined with challenges around resources. Tender prices are expected to rise due to increases in the cost of energy and the focus for inflation has moved away from price increases in materials, which have affected the industry for so long, to the impact of rising energy costs. Due to the high energy intensity involved in their manufacture, products such as bricks, glass, cement and concrete (i.e. highways construction materials) are particularly exposed. This is expected to have a much wider impact on prices than the raw materials boom, which mostly affected metals and timber.

Avian Influenza 'Bird flu'

8. The UK has recently seen a large number of outbreaks and incidents of the H5N1 strain of avian influenza (bird flu) in birds across the country. The current situation is unprecedented, with 58 confirmed cases across 26 local authorities in England and Wales. Whilst several outbreaks of bird flu have been confirmed in Leicestershire, some local authorities are managing multiple outbreaks (9-12 in some areas) and within the first few days of January over 1 million birds were humanely culled.

The UK Health Security Agency (UKHSA) has said that bird flu is primarily a disease of birds and the risk to the general public's health is very low; however on 6 January, UK officials confirmed that a person living in the south-west of England had caught bird flu following very close, regular contact with a large number of infected birds, over a prolonged period of time. Currently there is no evidence that this strain detected in the UK can spread from person to person.

The workload in terms of visits, tracing etc is significant for Trading Standards officers and has been flagged at Government level and is recognised by The Animal and Plant Health Agency (APHA) and The Department for Environment Food and Rural Affairs (Defra). APHA likewise is managing the demands on its services in trying to support the outbreak. Demands on APHA/DEFRA services sometimes leads to delays in getting maps to colleagues and the availability of culling and disposal contractors and teams had to be brought in from Holland.

The Council's enforcement is about reducing the spread of the disease for animal health purposes and to minimise the overall impact on the food chain and protect the market. Intelligence suggests officers will be dealing with annual multiple outbreaks as bird flu becomes more dominant in wild birds, essentially placing the commercial poultry sector at greater risk as migrating birds arrive in the UK during the autumn and winter periods.

As with many other notifiable diseases (e.g. Foot and Mouth) the local resilience forum (LLR Prepared) has incident response plans in place. However, with all notifiable diseases the Trading Standards Service has no means in which to call on additional financial resources to deal with outbreaks

and to backfill other statutory work that will need to continue. Government has acknowledged that overall there is a funding and skills gap across local government regulators, but this has not been prioritised.

Mitigating the risk of fraud

National Fraud Initiative

9. At the 5 November Committee, members were informed that the output from the 2020/21 National Fraud Initiative (NFI) had identified four cases where pensions were continuing to be paid to deceased persons. For each of the four, monthly payments were immediately suspended, and the cases were passed over to the Pensions Service for further investigation. The Pensions Service has recently confirmed that, whilst not high in value (just over £18,000 in total), staff are continuing to chase and seek repayment, but this has been hindered by deaths occurring overseas and the impact of covid-19 on General Register Office services. The Local Pension Board will be updated on progressing and closing off these cases.
10. As a result of the four overpayments identified, two process changes have been introduced to prevent recurrence. Firstly, the Pensions Service is undertaking a full review of any current pension payments where “care of” addresses are held for the individual, e.g. c/o a firm of solicitors. Secondly, a decision has been taken to subscribe to the NFI Mortality Screening Service which, for an additional nominal fee, will see data on overseas pensioners matched against the DWP’s Deceased Persons database on a twice-yearly basis in an attempt to identify deaths earlier in the process, thus facilitating earlier suspension of payment and investigation/recovery of any amounts overpaid. The first data matching took place in November 2021 and no issues of concern arose from the output received.
11. Additionally, the Internal Audit Service (IAS) subscribes to the National Anti-Fraud Network (NAFN) and in conjunction with the Pensions Service is exploring what additional (call off) products are available that could be utilised in recovery situations.

Procurement Fraud Training

12. Procurement fraud is regularly cited as one of the major fraud risks to the public sector. Procurement fraud can take many forms, including corruption in the award of contracts, for example internal collusion with suppliers, bid rigging, cartels, etc. Fraud can be prevalent at all stages of the procurement cycle, including post-contract award stage, e.g. overcharging, false invoicing, substitution of materials to those of a poorer quality, etc.
13. Along with an accredited external provider, the IAS has developed a procurement fraud awareness raising video and associated knowledge check which is now available on the Council’s Learning Hub. This is in the process of being rolled out to those staff who have procurement activity of one form or another in their job descriptions and duties. This includes procurement officers, contract managers, contract monitoring officers and those staff involved in the ordering and payment of goods.

14. The raising of fraud awareness in key areas such as procurement fraud remains a key defence to fraud and corruption.

Supplier Bank Account Validation

15. Invalid change requests to bank accounts, also known as mandate fraud, remain a major fraud risk. Whilst historically these have affected creditors, there are signs that fraudsters are moving into new areas as organisations tighten controls regarding changes to bank accounts. These new areas include adult social care payments, pensions, and salaries.
16. The Transformation Unit recently concluded some work analysing the various processes within the Council for validating bank account change requests. The IAS provided some critique to this work in the form of a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). This analysis, in conjunction with the work of the Transformation Unit, can be used proactively to introduce further process changes to fraud-proof systems yet further.
17. East Midlands Shared Services (EMSS) is about to introduce automatic supplier validation software to its business as usual procedures. The effectiveness of this product will be assessed in due course with view to rolling it out wider across the organisation where it is considered beneficial and cost-effective to do so.

Risk Management Policy Statement and Strategy

18. The Council's Risk Management Policy Statement 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 11 February and full County Council at the Budget Meeting on 23 February.
19. 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 Statement 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 Appendix B.

Insurance Policy

20. The Insurance Policy has also been reviewed and revised and will be submitted as an appendix to the report on the Medium-Term Financial Strategy to the Cabinet on 11 February and full County Council at the Budget Meeting on 23 February. A copy of the revised Policy is included in Appendix C.

Recommendations

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.
- c) Notes the updates regarding: -
 - i. Emerging risks and issues
 - ii. Mitigating the risk of fraud
 - iii. The Risk Management Policy Statement and Strategy
 - iv. The Insurance Policy

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, 31 January 2020, 12 June 2020, 24 July 2020, 25 November 2020, 29 January 2021, 3 June 2021, 23 July 2021 and 5 November 2021.

<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

Neil Jones, Head of Internal Audit and Assurance Service
Tel: 0116 305 7629
Email: neil.jones@leics.gov.uk

Appendices

Appendix A - Corporate Risk Register Update (December 2021)

Appendix B - The Risk Management Policy Statement and Strategy (2022)

Appendix C - The Insurance Policy (2022)

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