



CORPORATE GOVERNANCE COMMITTEE – 17 NOVEMBER 2023

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)
 - Emerging risk – Equal Pay
 - Counter fraud update

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. Updates to the current risks on the CRR (last presented to the Committee on 22 September 2023), are shown in Appendix A. Risks which have been

removed in the last two years, and a brief reminder of the risk scoring process are at the end of the appendix.

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

Risk(s) added

None.

Risk(s) Removed

None.

Risk(s) Amended

1.1 All

Change from: If we fail to achieve the agreed financial MTFs targets for income generation then additional savings will need to be made.

Change to: If we fail to deliver the MTFs savings, have an unexpected loss in income and/or fail to control demand and cost pressures then this will put the Council's financial sustainability at risk with major implications for service delivery.

Rationale – The Assistant Director Finance, Strategic Property & Commissioning (AD (FSP&C)) considered that the description had become too narrow, the new description broadens the risk.

1.5 C&FS (Children's Social Care)

Change from: 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.

Change to: IF the number and type 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.

Rationale – The AD (FSP&C) risk is not only around the number but also the type of placements.

1.6 C&FS (Special Educational Needs)

Change from: If demand for Education Health and Care Plans (EHCP) continues to rise, and corrective action is not taken, there is a risk that the high needs deficit will continue to increase.

Change to: IF demand for and the complexity of Education Health and Care Plans (EHCP) continues to rise, and corrective action is not taken, there is a risk that the high needs block budget deficit will continue to increase and create a significant burden on the Council.

Rationale – The slight change is to ensure the financial deficit is encapsulated in the risk update, as well as the effect of the complexity of the plans on the financial burden.

1.9 ALL

Change from: If the immigration status of refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC)) who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties.

Change to: If the immigration status of refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC) and Homes for Ukraine Scheme (H4US)) who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties, with the biggest cost and staffing impacts on C&FS.

Rationale – The description has changed to include a specific reference to the Homes for Ukraine Scheme.

1.12 Chief Executives

Change from: If the Council fails to maximise developer contributions by shaping local plan policies, negotiating S106 agreements and pro-active site monitoring, then there could be a failure to secure funding for County Council infrastructure projects (such as transport and schools).

To: If developer contributions are not secured, are not sufficient to cover costs or are not spent efficiently then there could be a failure to pay for roads, schools and other essential infrastructure.

Rationale – The risk has evolved to include securing, sufficiency and efficient spending of the developer contributions.

Presentation

7. At its meeting on 22 September 2023, the Committee was advised that a presentation would be provided as part of this item on risks overseen by the Property and Occupants Risk Management Group in light of the emerging risk relating to Reinforced Autoclaved Aerated Concrete (RAAC).
8. However, there is a webinar scheduled just before the Committee on requirements for implementing the 'Protect Duty' (Martyn's Law) and this may impact the work of the Group. Additionally, there is a Group meeting scheduled in early December to review work done, revise the Terms of Reference, set a workplan for the next year and prepare an annual report initially for the Director

of Corporate Resources and then Chief Officers. The annual report will be presented to the Committee at its meeting in January 2024.

9. Following consultation with the Chair, this presentation has been deferred to allow the points above to take their course.

Emerging risk

Leicestershire County Council's Equal Pay position

10. Birmingham City Council's Section 114 declaration centred largely around the level and nature of its equal pay liability has made headlines over the last few weeks and will continue to do so. Whilst Birmingham is by far the highest profile Council with declared equal pay challenges, there have been a number of other Councils recently, with trade unions (GMB in particular) pursuing a number of cases.
11. The purpose of this update is to assure the Committee in relation to the approach adopted in Leicestershire County Council, the rigour and the checks and balances. It's crucial that the Council is transparent about its processes, and findings and concerns, and that action is taken to address them.
12. The Council has an equality proofed job evaluation scheme (Hay) which has been in operation for over 20 years in Leicestershire. This covers all County Council posts (including ESPO) with the exception of a small number which are on Soulbury conditions of service. Officers undertaking job evaluation are formally trained and accredited by Korn Ferry (who own Hay). Appeals and moderation processes are in place. Equal pay audits using consistent methodology are carried out every 3 years, with data currently being gathered in preparation for the next audit. Results are due to be reported in spring 2024. Given the backdrop, extra checks will be carried out e.g. re-evaluating a sample of jobs e.g. where there are predominately either females or males, typically at the lower end of the pay scales.
13. During the past few weeks, we have engaged with a number of front line services to ensure that we have not inadvertently adopted practice identified by Birmingham City Council as one of their key challenges i.e. 'task and finish' i.e. being on a rota for a fixed number of hours, but finishing early if work has been carried out, effectively resulting in a higher hourly rate of pay compared to others who work a full shift. In addition, Chief Officers gave assurances that they were not aware of any unusual arrangements in their departments.
14. In summary, the Council has a level of confidence that it does not have any significant equal pay risks, but we will continue to operate our systems and processes in a fair and equitable way and to closely monitor any potential risks.

Counter fraud update

International Fraud Awareness Week (12-18 November 2023)

15. To coincide with International Fraud Awareness Week (IFAW), the Internal Audit Service will issue targeted comms to staff during the week via the Corporate Intranet and other means on a range of fraud risk areas.
16. A strong and continuous process of raising awareness of fraud risk with staff remains a key defence against fraud and IFAW 2023 provides an ideal opportunity to convey important messages.
17. In the run up to IFAW 2023 a fraud awareness training session was facilitated specifically for HR Advisers to strengthen further the good working relationship that exists between Internal Audit, Human Resources and Legal Services with regard to the investigation of internal (employee) fraud. Topics included “What is zero tolerance?” and a discussion on recovery of losses.

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 on the emerging risk;
- d) Notes the updates on mitigating the risks of fraud.

Resources Implications

None.

Equality Implications

None.

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, 13 May 2022, 30 September 2022, 21 November 2022, 26 January 2023, 16 March 2023, 26 May 2023 and 22 September 2023.

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

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Appendices

Appendix A – Corporate Risk Register Update (November 2023)