



## **CORPORATE GOVERNANCE COMMITTEE**

**25 NOVEMBER 2013**

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

#### **RISK MANAGEMENT UPDATE**

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

1. One of the key roles of the 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 considered necessary, as well as highlight risks that may need to be given further consideration. It covers:
  - The Corporate Risk Register;
  - Emerging Risks;
  - Internal Audit Review.
2. The report also provides an update on related risk management matters such as Insurance, Business Continuity, training; and Anti-Fraud initiatives, being undertaken.

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

3. The Council maintains a CRR and departmental risk registers. These registers contain the most significant unmitigated risks which the Council is managing and are owned by Director's and Assistant Directors.
4. The key changes since the CRR was last presented to the Committee in September, are:
5. *Risk 1 (Adults and Communities) – 'Utilisation of the Resource Allocation System (RAS) does not ensure the most cost effective package of care, leading to service users given too much or not enough cash to commission their care'* [Previous rating: 15 / Revised rating: 12] There is continual monitoring in place to produce a report of indicative and actual budget results with a snapshot analysis of 2012/13 revealing no issues. The 2013/14 review is underway and although there is a slight increase in costs per person, Adults and Communities will be simplifying processes for service users and will be looking at the RAS as part of the Customer Journey Simplification project. This risk will therefore be

managed through the department's Efficiencies and Service Reduction programme.

6. *Risk 5 (Corporate Resources) – ‘From April 2013 the East Midlands Shared Service (EMSS) began phasing the implementation of shared systems, including Oracle, and changing some business processes. Inadequate system controls and operational processes post ‘go live’ may result in disruption to service delivery’.* [Previous rating: 15 / Revised rating: 12]. An action plan was put in place and significant progress has been made to resolve issues. This work includes: implementation of system improvements; updating I-procurement hierarchies (thus rectifying problems within the approval process) and recruitment of additional temporary staff to focus on any existing back logs/complex queries. Whilst there will be an ongoing review of processes both within EMSS and the County Council, the dedication of staff implementing the plan has meant that the current risk score has decreased from quarter 1, to an ‘amber/medium’ risk and will be managed at departmental level going forward.
7. *Risks 10 and 11 (Corporate Resources) – ‘Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS’ and ‘The County Council is unable to deliver savings required to produce a ‘balanced budget’ in addition to those already allocated to departments within the MTFS’.* These two risks have been amalgamated into one new risk (16) to better reflect overall position.
8. The latest assessment of the highest ranking risks is shown in the table below.

<b>Dept/ Function</b>	<b>Risk No</b>	<b>Risk Description</b>	<b>Risk Score</b>	<b>Actions taken/Progress during Qtr 2</b>
(A&C) Adult Social Care	2	Proposals in the Government's Care Bill (Dilnot Reform) which provide for very significant changes and implications for Adult Social Care and the whole Council	25	<p>The key risks and implications to LCC have been identified and included for feedback to Department of Health through a consultation, which was approved by the Cabinet in October. The feedback also includes comments from a Member Q&amp;A session.</p> <p>An officer level Project Board is to be established to oversee development and delivery of an implementation plan.</p>

(CE) Strategy, Partner- ships & Community	3	Partnerships failing to agree a joint approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	20	First draft of the revised Leicestershire Together outcome framework circulated to partners with discussions held between: health and local government; Districts and County Council; City and County council; and with the Voluntary & Community Sector, to explore where further efficiencies and joint working could take place to achieve better outcomes at lower cost. There is a need to further develop partnership working in relation to health and social care integration and other transformation.
(CE) Strategy, Partner- ships & Community	4	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	20	There remains a challenge in ensuring PBR data is correct – ways are being explored to obtain correct data, including information on worklessness.  Additional funding has been announced in the Spending Review for the continuation of the national Troubled Families programme.
(CR) Customer Service & Operations	6	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	20	This risk primarily relates to the performance issues experienced with the Council's Storage Area Network (SAN) in February. The new SAN is now in place and has significantly improved the ability to restore critical services in the event of an outage. Work continues with Strategic Information & Technology and Business Continuity to further improve the policies and documentation around Disaster Recovery.
(CR) Strategic Information & Technology	7	Continuing risk of failure of information security.	16	Comprehensive internal and external health checks undertaken by consultants as part of preparations for submission of new and more rigorous PSN Code of Connection standards. Work is progressing on the resulting action plan and it is on-track to be re-submitted by 8 December 2013. Additional PSN security measures have been published on mobile device management and are being assessed.

(E&T) Transportation	8	Impact of academy and secondary age conversion on home to school transport policy.	16	A report to the Cabinet in November will seek approval to consult on a new school transport policy.
All	12	Challenges caused by the Welfare Reform Act.	25	<p>The Committee received a presentation on the key risks, causes and consequences of service users losing support/income, which could lead to a rise in the number of people needing support from LCC and other local agencies.</p> <p>The County Council has agreed a contribution towards the districts hardship funds to assist people in financial difficulty, with additional contingency help for non collection of council tax. Economic growth is a key priority and an Economic Growth Board will be established to oversee delivery of City Deal.</p>
All	13	Failure to ascertain and manage increased demand for services.	20	Action to improve business information on customers and costs of services is on track with the establishment and scoping of cross-organisation virtual team to focus on Business Intelligence (BI). This includes an initial assessment of the areas that affect our current BI capability, and very initial discussions with the affected stakeholders to create some impetus around the action plan, consider structural options for the teams involved and identify priority actions to address the current barriers.
(CR) Procurement	14	Ability to effectively contract manage devolved services through new service delivery models.	15	To ensure that proactive contract management arrangements are in place, the Corporate Commissioning Contracts Board began monitoring the performance of some of the Council's key contracts. This new regime is expected to show some differences in the way contracts are currently managed, which will be addressed. A review of business critical services will also help confirm key supplier dependencies for inclusion in monitoring.

(CR) Strategic Information & Technology	15	Insufficient Information & Technology solutions.	16	<p>Work is continuing to identify future business requirements and prioritise and manage demand. Additional work on the I&amp;T strategy will be completed in order to consider the implications of the MTFS, the vision for the organisation and ensure it is aligned with the strategic direction of the Council. I&amp;T solutions that enable mobile and flexible working and improve access to information for BI purposes are being investigated and trialled.</p> <p>The Corporate Information and Technology Work Programme enable good visibility and this will be linked to a wider 'stock-take' of project/change activities.</p>
All	16	Risk around our ability to deliver savings and efficiencies through service redesign and transformation as required in the MTFS	25	<p>Although an overall under spend is forecast for 2013/14, there is likely to be underachievement of the 'Effective Support' Adult Social Care saving.</p> <p>The Council recently concluded a large scale consultation on the need to save £110m over the next 5 years and these results have now been published. The public has identified services totalling £32m which they would be prepared to see reduced, as well as other services they would not want to see reduced. Whilst the results provide a useful starting point, no decisions have been made yet and the Council is carefully considering the results.</p>

9. This register is designed to capture strategic risk, which by its nature has a long time span. However, risk owners are engaged and have demonstrated a good level of awareness regarding their risks. The full Corporate Risk Register is attached as Appendix 1 (shaded areas represent updates).
10. The improvements introduced to the risk management framework acknowledge that the CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be introduced to the Corporate Risk Register on an ongoing basis, as necessary. Equally, as further mitigation actions come to fruition and current controls are enhanced, the risk scores will be reassessed and this will result in some risks being removed from the CRR and being reflected within the relevant departmental risk register.

### **Emerging Risk - ITF**

11. The June 2013 Spending Round announced a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities - This money is called the Integration Transformation Fund (ITF).
12. The ITF provides an opportunity to transform care so that people are provided with better integrated care and support – it encompasses a substantial level of funding and it will help deal with demographic pressures in Adult Social Care. It calls for a new shared approach to delivering services and setting priorities, and presents Councils and Clinical Commissioning Group's (CCG's) working together, through their Health & Wellbeing Boards, with an unprecedented opportunity to shape sustainable health and care for the foreseeable future.
13. The requirements of the fund are likely to significantly exceed existing pooled budget arrangements and Councils and CCG's will have to redirect funds from these activities to shared programmes that deliver better outcomes for individuals. The Government has made it clear that part of the fund will be linked to performance.
14. To access the ITF, each locality has to develop two year plans for 2014/15 and 2015/16 (which must be in place by February 2014). The plans will need to be developed jointly by CCG's and the County Council and signed off by each of the parties and the Health and Wellbeing Board. Areas receiving the ITF funds must be able to meet certain conditions which were laid out as pre requisites for ITF funding.
15. The County Council has established a Health Transfer Monies Subgroup and a draft timetable for agreement/submission of the ITF plan. Work has started across agencies to develop the plan. Detailed guidance is still awaited from the Department of Health on the requirements of the plan and the full conditions for the ITF. The Council will receive its detailed funding allocation following the Autumn Statement (December) in the normal way and it will include two-year allocations for 2014/15 and 2015/16 to enable planning. The likely size of the ITF in Leicestershire is around £30m. Allocation details will specify the amount that is included in the pay-for-performance element, and is therefore contingent in part on planning and performance in 2014/15 and in part on achieving specified goals in 2015/16.
16. There are many potential risks surrounding the delivery of an integrated function and these will be highlighted through the Corporate Risk Register in February 2014 when more detail is known.

### **Internal Audit Review**

17. The County Council's revised Risk Management Policy Statement and supporting documentation form an integrated framework that supports the

Council in the effective management of risk. The Internal Audit Service has begun work on a phased consolidated risk management audit which focuses on framework design and associated governance.

18. The objective of the audit during Phase 1 is to provide assurance to management that sufficient direction, attention and approval has enabled a framework to be designed, which exists to promote and guide robust risk management arrangements within the organisation and there is adequate governance to monitor compliance with the framework. Phase 2 will review implementation at department level to ensure that the department's risk management processes demonstrate adequate compliance with the corporate framework.
19. The Committee will be provided with an update of the internal audit in January 2014.

### **Other Risk Information**

20. To ensure improvements are achieved against the revised Risk Management Strategy (by expanding reporting to Corporate Management level and Members) these quarterly reports will also now include key points from Insurance and Business Continuity.

### **Business Continuity (BC)**

21. The purpose of this section is to provide an update to Members on BC progress.
22. During 2012, a number of BC priorities were agreed to drive through improvements in the BC approach following a desk top audit. A Schedule of Work and revised BC Policy was approved.
23. The following is a summary of progress made on Business Continuity since November 2012:
  - BC plans are in place for critical services covering Chief Executive's Department, Children and Young People's Services (CYPS) and Environment and Transport (E&T). The majority of plans are in place for Corporate Resources, whilst Public Health and Adults and Communities (A&C) planning is also underway;
  - Major Incident Management Plan has been reviewed and updated;
  - 10 incidents have been managed to a successful conclusion, without visible impact on the council's critical services;
  - 10 BC exercises have been completed with teams from CYPS, Chief Executives, A&C, Corporate Resources, E&T and Resilience Planning Group (RPG) (Silver level response);

- Work has taken place to develop BC plan templates for Care Homes and Schools;
  - The BC Manager continues to be actively involved in a number of ICT projects to ensure business needs are represented and to reflect the growing dependency on ICT systems and infrastructure in the Corporate Risk Register;
  - The Cold Weather and Heat wave plans have been refreshed under the guidance of the RPG;
  - An external review of the council's BC capability was carried and assessed as '**good; progress being made**'.
24. To ensure the County Council's BC response reflects priorities and that we stay abreast of both current threats and industry best practice, focus over the next year will be on: supplier planning; work area recovery strategy; and telephony resilience.

## Insurance

### Renewal

25. The County Council's insurance programme was due for renewal on 1<sup>st</sup> October and the main Commercial Combined Insurance covering corporate property and liability risks is placed with Travelers Insurance Company Limited. Overall, liability rates increased for public liability and employers' liability insurance by 84% and 56% respectively.
26. There are two key factors that can be attributed to the significant increase in renewal costs. Firstly, local government is viewed as unattractive business by insurers owing to arson in schools and high cost claims, such as those arising from abuse. Secondly, in the current economic climate insurers are taking the view that reductions in budgets in areas such as highways, will result in an increased numbers of claims.

### Liability Claims Experience

27. The insurance section handles liability claims on behalf of the insurer under a delegated claims handling authority up to a value of £150,000. Travelers undertake an audit of the quality of claims handling each year and in July 2013 the handling was considered 'excellent' with an overall technical proficiency score of 97%.
28. This rating is particularly pleasing considering the steady increase in the volume of claims (particularly public liability claims) that are now being handled. The average number of claims received each insurance year between 2006 and 2012 was 475, whereas the average number of claims received to date for the insurance year 2012/13 is 691.



### **Risk Management Training**

29. One of the objectives within the revised Risk Management Strategy is the availability and improvement of appropriate risk management training. E-Learning is the most suitable forum to reach the wider staff group and to this effect, work is taking place with Learning and Development to develop an existing module, with the aim of having something in place by the end of the calendar year.
30. Refresher training and support will also be provided to Departmental Management Teams and specific groups within department's, to coincide with the annual service planning process in early 2014.

### **Anti Fraud Initiatives**

31. At its meeting on 2 September 2013, the Committee was informed that the County Council will revise its existing anti-fraud framework to align with best practice outlined in the National Fraud Authority (NFA), Fighting Fraud Locally (FFL) – The Local Government Fraud Strategy.
32. The underlying principle of the NFA strategy is that local government should use its knowledge, flair and determination to tackle the serious problem of fraud, but also that central government should create the right conditions for local authorities to take the necessary initiatives and create the right incentives to reward councils that reduce fraud.
33. The FFL Strategy is organised around three themes of Acknowledge, Prevent and Pursue and the phased revision will follow key recommendations contained within each of these themes. The starting point of a strategic approach is to acknowledge the threat of fraud by performing a fraud risk assessment.

### **Acknowledge - Fraud Risk Assessment**

34. The County Council does not provide those services that have historically been considered to be at high risk of fraud, such as revenue and benefits. However, the change of emphasis from local government being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More arm's length delivery of services by third parties, for example, voluntary/not for profit sector and personal control of social care budgets, means that more public money is entrusted externally, which may impact the wider control environment. All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase.
35. Whilst the FFL outlines the main areas of fraud risk across local government, each authority's risk profile will be different. Therefore a thorough fraud risk assessment for the County Council has been conducted taking into account areas identified in FFL, as well as the Audit Commission's Protecting the Public

Purse publication, reports from the bi-annual National Fraud Initiative (NFI) exercise, Ministry of Justice Bribery guidance and historical local information on reported fraud cases.

36. Appendix 2 contains a summary level of the fraud risk assessment, with a corresponding risk score for each, based on the Council's overall potential exposure (impact on service delivery, finance and reputation) and actual reported frauds of this kind. Recognising fraud in this manner has ensures there is a comprehensive understanding and knowledge about where potential fraud and bribery problems are likely to occur and the scale of potential losses. This in turn will direct the revision of the strategy and allow the Council to direct resources accordingly.

#### Building the Leicestershire County Council Strategy

37. The Committee will be pleased to learn that whilst there is always room for improvement, the County Council has robust procedures in place within respective areas that contribute to prevention of fraud/bribery. On an annual basis, the Head of Internal Audit completes the 'Audit Commission Fraud Survey' – an analysis of the number and value of reported fraud cases at the County Council over the last three years reveals relatively low numbers and values of fraud against the Council.
38. However, no local authority is immune from fraud and the changing landscape detailed above echoes this outlook. In the absence of a dedicated fraud investigative team, an effective fraud response relies on the efficient sharing of information internally, both to prevent and investigate fraud. In producing the fraud risk assessment, it was evident that some sections have access to information that maybe useful for other areas – a simple review of such opportunities are conducive to creating a more pro-active approach to preventing fraud.
39. The best fraud fighters are the staff and clients of local authorities and to ensure they are supported to do the right thing, comprehensive anti fraud arrangements need to be in place. Fraud prevention is closely linked to early recognition and reporting processes and therefore local authorities are encouraged to establish clear and transparent Whistleblowing procedures. To this effect the County Solicitor has commissioned a team to review the Council's existing Whistleblowing Policy to ensure that it conforms to the 'British Standard (PAS1998) Whistleblowing Arrangements Code of Practice'.
40. To help maintain an anti-fraud culture, the NFA have developed a 'fraud awareness campaign pack' that can be adapted locally and communicated across the Authority. The benefits of running a 'fraud awareness week' are being considered.
41. Officers will continue to follow recommendations contained within each of FFL themes and a further update will be provided to the Committee in February 2014.

**Recommendation**

42. That the Committee:

- (a) Notes the current status of the strategic risks facing the Council and make recommendations on any areas which might benefit from further examination;
- (b) Identify a risk area for presentation at its next meeting;
- (c) Approve the updated Corporate Risk Register;
- (d) Support the initiatives adopted to improve the Councils acknowledgement, prevention and pursuit of fraud.

**Resources Implications**

None.

**Equal Opportunities 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, 2 September 2013

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**Appendices**

Appendix 1 – Corporate Risk Register

Appendix 2 - Summary Fraud Risk Assessment

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