

Audit, Risk and Governance Committee
Meeting to be held on Monday, 30 January 2023

Electoral Division affected:
(All Divisions);

Corporate Risk and Opportunity Register - Quarter 3 Update
(Appendices 'A' and 'B' refer)

Contact for further information:
Paul Bond, Tel: 01772 534676, Head of Legal, Governance and Registration Services,
paul.bond@lancashire.gov.uk

Brief Summary

This report provides an updated (Quarter 3 2022/23) Corporate Risk and Opportunity Register for the committee to consider and comment on. The register has been refreshed to reflect the council's current operating environment and is presented to this committee to provide a progress update and assurance that the current risk management arrangements are both robust and effective.

The updated Corporate Risk and Opportunity Register is attached at Appendix A. The risk entry for Cyber Security contains private and confidential information and is provided at Appendix 'B' and included in Part II of the agenda.

Recommendation

The Audit, Risk and Governance Committee is asked to note the updated Corporate Risk and Opportunity Register.

Background

This report provides an updated (Quarter 3 2022/23) Corporate Risk and Opportunity Register for committee to consider and comment on. The register was refreshed at Quarter 2 to reflect the council's current operating environment and is now presented to committee to provide an update and assurance that the current risk management arrangements are both robust and effective.

In line with the council's Risk Management Framework, the Executive Management Team review (quarterly) the Corporate Risk and Opportunity Register, taking account of the current and predicted future internal and external environment in which the county council and its strategic partners operate. The Corporate Register sets out the 'across the board' risks that could threaten the authority's core business and the way it operates. Below this are Directorate Registers that are managed by Executive Directors and identify risks that could threaten day-to-day activities. Where a new

directorates risk has a score of 12 or above, it is automatically referred to the Executive Management Team for consideration for inclusion on the Corporate Register. However, the Executive Management Team may decide not to escalate such a risk to the Corporate Register and ask that it is managed at an operational level. This may be because the Executive Management Team consider that the risk does not threaten the core business of the organisation or that the score has been over inflated (scores are subjective). This process was discussed at the last meeting of the Audit, Risk and Governance Committee. Consequently, the committee has asked to be informed of future instances of when a risk has been considered by the Executive Management Team but not escalated onto the Corporate Register. Further details of such risks are set out below.

Quarter 3 Update Summary of key points:

The risks and opportunities have been updated using information provided through directorates risk registers. None of the current risks or opportunities were removed from the register as they had not reached their target score. Two of the new risks added at the last review (Financial Sustainability, and Recruitment and Retention) will prove challenging over the short to medium term as their current risk scores remain high even though mitigating actions have been put in place.

It should be noted that the target risk confidence RAG rating for School Places has moved from green to amber to reflect the current position. Work is ongoing with schools to support them to offer places and the council's school place sufficiency strategy will deliver additional places. The amber rating reflects the level of challenge to mitigate completely.

Corp 1 - Financial Sustainability

On 3 November 2022, Cabinet agreed the budget and savings proposals for 2023/24. The financial forecast reported to Cabinet in September identified an estimated financial gap of £87.054m in 2023/24, rising to £159.678m by 2026/27 which reflected the financial pressures common across local government. The savings proposals were generally focused on areas which would reduce cost or generate additional income without impacting negatively on service quality. There were also several cross cutting strategic targets that were included that would further support reducing the financial gap and improve the efficiency and effectiveness of the organisation. The savings that have been agreed to date are being closely monitored. There is a combination of savings that were planned to be delivered in 2021/22 or earlier and were delayed due to the pandemic, and the budgeted savings agreed to be reprofiled for 2022/23.

On 17 November 2022, the Autumn Statement took place, with the Chancellor of the Exchequer providing details of both additions and reductions in funding for the local government sector overall and changes to costs, such as the National Living Wage. Whilst an initial assessment suggests that the impact of the funding changes announced in the statement should be positive overall for the 2023/24 budget position, there is uncertainty about the actual impact on individual council funding allocations until further information is made available. The provisional local



government finance settlement published on the 19 December 2022 is anticipated to have a positive impact on the current Medium Term Financial Strategy position and the updated Medium Term Financial Strategy will be reported to Cabinet in January 2023. The impact of the settlement on this risk will be reported in Quarter 4.

Corp 2 - Workforce Recruitment and Retention

Workforce Recruitment and Retention focusses on the Human Resources aspects of the risk as well as incorporating the service issues and consequences, together with the mitigating actions being implemented. This has a risk score of 16 and a target score of 12. This acknowledges that whilst this is a major risk, we are proactively working to mitigate it in the short to medium term. However, given the breath of the risk across services it is RAG-rated red.

Corp 3 – Demand for Services

Demand for client-based services across Adults and Children's Services continues to increase. Both Adult and Children's Social Care and the Special Educational Needs and Disabilities (SEND) service have put in place a range of mitigating actions and are progressing actions on several fronts to reduce the risk score.

Corp 4 – Our Improvement Journey

The Interim Executive Director of Resources is working with services to develop an integrated business planning and performance framework. Other developments include:

- The introduction of a corporate change plan;
- Developing additional metrics and measures relating to the Staff Experience and Customer Experience workstreams;
- Work to develop additional data and analysis skills within Lancashire County Council's workforce is proceeding;
- A programme of training for Lancashire County Council's staff to develop Agile, Lean, and continuous improvement skills has commenced; and
- New data sets will support the next phases of the property review, providing a more accurate and up to date picture of building usage and efficiency.

Corp 5 – Social Care Reform

Adult Social Care and the Health Partnership Board has agreed a joint work programme and work is progressing. Work is being undertaken to explore the opportunity to create an integrated approach to commissioning and the development of an integrated approach to service delivery. This is particularly focused on the use of Lancashire County Council residential care to prevent avoidable admissions and increase support for EMI (Elderly Mentally Infirm) and EMD (Elderly Mental Dementia) homes. An Adult Social Care Performance Board has been established to monitor progress.



Corp 6 – School Places

The target risk confidence RAG rating for School Places has moved from green to amber to reflect the current position. Work is ongoing with schools to support them to offer places and the council's school place sufficiency strategy will deliver additional places. The amber rating reflects the level of challenge to mitigate the risk completely. Developing approaches to better support new arrivals to county/country including support to address language barriers

CO1 – New Ways of Working

Within Adult Social Care and Public Health, the 'lessons learned' from remote working have provided a platform for future ways of working. It also provided an opportunity for improved partnership working to build better alliances with our partners to deliver improved outcomes for the people of Lancashire. The Living Better Lives in Lancashire project will build on new ways of working, and Adult Social Care and the Health Partnership Board continue to build on the benefits of joint working.

CO2 – Environmental Improvements

Recent changes include a Corporate Charging infrastructure for Electric Vehicles. We are also undertaking a premises review which will help reduce carbon emissions and identify properties for improvement. We continue to investigate opportunities for carbon reduction in our premises and seek sources of external funding.

CO3 – Sub Regional Place Leadership and Governance

The Government has re-emphasised its commitment to devolution through the Levelling Up White Paper, and several devolution deals with other regions were announced over Summer 2022. Work on Lancashire 2050, governance and scope continues through regular meetings of the Lancashire Leaders. Leaders await a response from Government about further engagement on a county deal, and clarity on how the new government will continue to develop this policy agenda.

New Risks Considered by the Executive Management Team

The Executive Management Team were asked to consider whether the following issue(s) should be added to the corporate register:

- **National Changes to Sustainable Travel Policy and Funding (Current risk score 16) (RAG: RED)**

This is a new risk on the Growth, Environment and Transport directorate register. The risk relates to changes about how highways and transport are funded nationally (sustainable and active travel). If the county council does not have the capacity to respond positively and consistently there is a risk that we will be unable to maintain existing funding from the Department for Transport nor secure new capital funding.



In terms of mitigation, the service is examining options to increase capacity in the area of sustainable travel.

- **Health, Equity, Welfare & Partnerships (HEWP) – Staff Capacity to Deliver Key Responsibilities (Current risk score 20) (RAG: Amber)**

This is a new risk on the Public Health register. The risk relates to the capacity to deliver statutory and non-statutory services, for example recommissioning public health contracts.

To mitigate this risk the service is filling critical posts. Recommissioning has been identified as a service priority and they are receiving support from the Programme Office.

- **Health, Equity, Welfare and Partnerships – Performance Management of Key Services (Current risk score 16) (RAG: Amber)**

This is a new risk on the Public Health register and relates to the performance of key contracts. Underperforming contracts may not provide the desired outcomes. In terms of mitigation, contract monitoring arrangements are in place together with performance challenge meetings with providers. Additional measures are being introduced via further contract management and legal support to appropriately challenge under performance.

- **Health, Equity, Welfare and Partnerships – Budget Pressures including Agenda for Change Requests from Providers (Current risk score: 20) (RAG: Amber)**

This is a new risk on the Public Health register and relates to budgetary pressures faced by providers that leads to under performance or contract variation. The service has established a process to deal with uplift requests and has reserves to meet one off requests. The service is assessing the appropriate scope of the contract and identifying appropriate level of potential annual uplift at recommissioning.

Whilst each of the new risks above scores 12 or above, the Executive Management Team felt that they tended to be more operationally focused than strategic in nature. Therefore, the Executive Management Team decided not to escalate the risks onto the Corporate Register.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management



Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a Corporate Risk and Opportunity Register means the council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

Appendix 'B' to this report is included in Part II of the agenda because it contains exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972:

- Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

