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## Report of the Director of Corporate Services

### Executive Board

Date: 13<sup>th</sup> December 2006

Subject: Annual Report on Corporate Risk Management Arrangements

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Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

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## Executive Summary

This report provides Executive Board with an annual report on the Council's risk management arrangements in line with the corporate policy which was approved in February 2005.

### 1.0 Purpose of This Report

1.1 The purpose of this report is to provide Executive Board with an annual report on the Council's risk management arrangements in line with the corporate risk management framework which was approved in February 2005. This report fulfils this requirement.

### 2.0 Background Information

2.1 On 11 February 2005 Executive Board approved a new Risk Management Policy and Strategy (the Leeds Risk Management Framework) drawn up by the Risk Management Unit (RMU). This aimed to address the requirements of the Audit Commission's Comprehensive Performance Assessment process as well as a range of shortcomings identified in District Audit's 2002 review of the Council's risk management arrangements.

2.2 As part of the Framework, it was agreed that Executive Board would receive an annual report from the Director of Corporate Services on the Council's risk

management arrangements. The policy also provides that the Corporate Management Team will review the Corporate Risk Register each year and escalate to Executive Board any risks that remain 'very high' despite treatment or that cannot be/are not being managed at this level.

- 2.3 In May 2006, following a review of the Council's evolving risk management arrangements, KPMG issued a report called "Risk Management Review" which found that the Council is successfully embedding its risk management framework and noted a number of specific positive points, including: a Corporate Risk Register is in place and is being informed and updated by departmental risk registers; training being rolled-out has been positively received by departmental managers and risk co-ordinators; and departments have taken forward their risk management arrangements in response to training.

### 3.0 Main Issues

- 3.1 Since the approval of the Risk Management Framework by Executive Board in 2005 significant progress has been made on delivering the requirements set out at both a corporate and departmental level.

- 3.2 A corporate risk register has been established and is being reviewed by Corporate Management Team (CMT) on a quarterly basis. The register was developed through an iterative process which began with one-to-one meetings with each of the Council's directors to identify their key corporate risks. The results of these meetings were used to inform a half-day risk management workshop with directors which developed collective agreement on the corporate risks and allocated responsibility for their management. Subsequently, each risk was analysed, evaluated and detailed action plans drawn up. RMU collated this data into a corporate risk register and this has since been reported on a quarterly basis to CMT. A Director may add corporate risks at any time to the register subject to subsequent collective agreement by all directors.

- 3.2 In terms of the content of the corporate risk register, this encompasses a range of generic risks of relevance at the strategic level relating to HR (e.g. attendance management, recruitment and retention, compliance with health and safety), finance (e.g. preventing fraud, meeting efficiency savings), and contingency planning (e.g. managing emergencies, disruptions to services). In addition, it includes risks relating to specific agendas or major projects being addressed at a departmental level, but which have a wider significance *at that moment in time* which are therefore under review also by the Corporate Management Team. Specific risks which are mentioned as being *most significant* at present, primarily due to their potential impact rather than probability, relate to:

- the Customer Services Strategy;
- the Waste Management Strategy;
- the revised pay and grading structure successfully;
- the city's transport infrastructure;
- Supporting People;
- EASEL.

In each of these instances, appropriate actions and strategies have been implemented to manage these risks to provide CMT with the assurance that these

are being effectively addressed. No further actions are required for these risks which will be subject to on-going monitoring.

- 3.3 All Council departments, ALMOs and Education Leeds have established their own departmental risk registers. To enable this to happen, RMU worked with departmental management teams (DMTs) to establish departmental risk registers after risks were identified that could impact upon departmental priorities. In addition, any risks for which a director was allocated ownership of at the corporate risk register level are included in the relevant departmental risk register. In line with the Framework, senior managers review departmental risks and reports to departmental management teams and the RMU on a quarterly basis to ensure risks are being managed appropriately and that any new and emerging risks are captured.
- 3.4 The contents of the departmental risk registers are then reported to the quarterly meetings of the Corporate Risk Management Group (CRMG) to enable the identification and discussion of any cross-cutting risks for potential inclusion in the corporate risk register. If senior managers and CRMG deem that a departmental risk is of sufficient corporate significance to merit its inclusion in the corporate risk register, RMU adds this to its next quarterly report to CMT for potential inclusion in the corporate risk register. These processes enable both key strategic risks identified by directors and also any significant operational or project risks identified by other officers to be picked up in the corporate risk register.
- 3.5 The CRMG is comprised of senior managers representing each department which was set-up in June 2005 to:
- ❑ Challenge the Council's Risk Management policy and strategy.
  - ❑ Review the corporate risk register on an on-going basis.
  - ❑ Review very high risks documented in departmental risk registers.
  - ❑ Identify cross-cutting risks through departmental risk co-ordinators and reviews of departmental risk registers.
  - ❑ Consider new risk management initiatives proposed by RMU.
  - ❑ Act as a forum to exchange views on risk management issues and share good practice.

Although CRMG has only been meeting since June 2005, this has already matured into an invaluable and cohesive forum in which departmental concerns can be raised and the broader corporate risk profile clarified and addressed.

- 3.6 The Corporate Governance and Audit Committee (CGAC) has been meeting since 19 April 2005 and receives quarterly updates and formal annual reports on the Council's risk management arrangements to ensure that these are appropriately robust from a governance perspective. This reporting arrangement appears to be working satisfactorily.
- 3.7 Training on the principles and practice of risk management has already been successfully provided to all members of the CGAC. Following this, the Executive Member (Development) has written to all elected members requesting that their attendance at a series of bespoke briefings to request they familiarise themselves with this agenda. The briefings will also enable members to be briefed on the types of questions relating to risk management they should be posing on key decisions. The briefings have been scheduled for January 2007.

#### **4.0 Implications for Council Policy and Governance**

4.1 This report fulfils a requirement under the corporate risk management policy.

#### **5.0 Legal and Resource Implications**

5.1 Two full-time staff are employed within the Risk Management Unit to progress risk management issues together with nominated officers within departments.

#### **6.0 Conclusions**

6.1 This report highlights that excellent progress has been made in establishing and embedding a culture and practice of risk management at both a corporate and departmental level and that the Council's key strategic risks are being appropriately managed by senior officers.

#### **7.0 Recommendations**

7.1 It is requested that Executive Board notes this report and progress made on implementing and embedding risk management within the management culture of the Council.