



Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 18 July 2011

Subject: Annual Risk Management Report

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

Under the Council's Risk Management Policy and the Committee's own Terms of Reference, Corporate Governance and Audit Committee is responsible for reviewing the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'. This annual report helps provide assurance on the strength of these risk management arrangements and is therefore an important source of evidence for the authority's Annual Governance Statement.

Since the previous report presented to the Committee on 12 May 2010, the authority's Risk Management Unit (RMU) has worked with officers and members to enhance the rigour of the corporate risk register, facilitated a number of successful risk management workshops and training sessions and conducted risk management reviews of such key areas as the 11/12 budget and workforce planning. The processes for maintaining and reporting on corporate, directorate and budget risk registers as well as risks within our performance indicators are now well-established as are the role and functions of the Corporate Risk Management Group. In these areas, the RMU can therefore give assurance to this Committee that the arrangements are adequate.

When considering the adequacy of our risk management arrangements, the Committee is also able to place reliance on other update and assurance reports produced in such areas as financial risk management, the internal control environment and performance management as well as specific reports on the management of corporate risks (for example, safeguarding children, burglary and community engagement) drawn up by officers, internal and external audit and independent assessment bodies such as Ofsted and the Care Quality Commission.

1.0 Purpose of this Report

- 1.1 This report provides Corporate Governance & Audit Committee with an overview of the risk management work conducted by the Risk Management Unit (RMU) in the last year in support of the Council's Risk Management Framework. It also reports on the corporate risk register and highlights future areas of work to enhance our risk management arrangements. The report helps provide assurance to the Committee on the strength of these risk management arrangements and thus, when taken in conjunction with other assurance reports on specific risk areas, provides an important source of evidence for the Annual Governance Statement.

2.0 Main Issues

Corporate Risk Register

- 2.1 The corporate risk register continues to be updated quarterly by directorates (including Education Leeds) and the 3 housing ALMOs, reviewed and moderated by the Corporate Risk Management Group (CRMG) and approved by the Corporate Leadership Team (CLT). During 2010/11, the RMU made several changes to the corporate risk register to enhance the contents and reduce duplication and bureaucracy for officers who update the individual risk records. This included the incorporation of a 'RAG' assessment for all the Council's programmes and major projects as this provides useful data on emerging potential corporate risks. A target risk rating for all risks is now assigned to help indicate where further risk management attention and resources can and should be targeted.
- 2.2 The corporate register is supported by a range of other risk registers at directorate, service, budget and project levels from which the most significant risks are escalated to the corporate level. Executive Board members now review and provide input to the corporate risk register on a regular basis. The RMU extended this review to this Committee in January 2011 and intends hereafter to offer such review sessions to Corporate Governance & Audit Committee members each year. Along with the RMU's own horizon scanning exercises (for example, through review of external assessment reports and of the media), these processes should provide the Committee with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects both members' and officers' concerns.
- 2.3 The corporate risk register is a live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. The register was last reviewed in May and contains 31 risks of which 10 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its impact if it did and so a number of risks are rated as 'red' as a consequence of their impact score rather than there being a high likelihood of the risk actually arising. The corporate risk register provides assurance to the citizens of Leeds, Council staff and elected members that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. This means they are both less likely to occur and also have less of an impact if they did.
- 2.4 The 10 corporate risks currently rated as 'red' are: School Places, Medium-Term Budget, Universal Credit, City Flooding, Children's Services' Budget, Adult Social Care Budget, Streetscenes' Improvements, Equal Pay, Safeguarding Children and Emergency and Business Continuity Management. Work is underway to analyse and re-assess the corporate risks on NEET (the number of 16-18 year-olds Not in Education, Employment or Training) and industrial action as well as new risks on the

Council's changes to the workplace culture and Customer Access Strategy and so the ratings for these are not yet known. 'RAG' assessments have been provided for 158 Council programmes and major projects with 10 flagged as 'red'. A high-level version of the corporate risk map has been provided at Appendix 1. Where we are awaiting the latest risk evaluations (i.e. NEET and industrial action), the previous quarter's assessments have been used.

Financial Risk Management

- 2.5 At the request of the Chair of this Committee, the RMU undertook a review of the robustness of the Council's 2011/12 budget risk assessments included in the *Revenue Budget and Council Tax 2011/12* report presented by the Director of Resources to Executive Board on 11 February 2011 and subsequently approved by Full Council on 23 February. We reported our findings to the Committee on 15 June and concluded that throughout the Council there is an excellent understanding of the key budget risks. Whilst there is a sound risk management framework in place for financial management and this puts us in as good a position as possible to deliver the 2011/12 budget, there remain significant risks due to the challenging targets and assumptions we have had to set and make and continued increases in demand-led services.

Programme and Project Risk Management

- 2.6 Under the Council's Risk Management Policy, all programmes and projects should incorporate formal and proportionate risk management arrangements. Although there is no longer capacity to independently assure projects, there are in place arrangements for the incorporation of a RAG assessment of all programmes and major projects within the corporate risk register. Also, all programmes and major projects are sponsored by senior managers and should have in place Programme/Project Boards which are responsible for the management of risks. Officers are provided with guidance and templates on applying scaleable risk management to their projects through the RMU's risk management sections of the Council's Delivering Successful Change (DSC) project management methodology for which training is available through the Council's external training provider. Finally, in the case of programmes and projects for which the RMU has facilitated risk management workshops, a full range of risks has been properly identified and draft risk registers established.

RMU Workshops and Training

- 2.7 During 2010/11, the RMU facilitated 4 risk management workshops: one for Aire Valley Homes Leeds to help establish a new corporate risk register and three for major projects – Eastgate & Harewood Redevelopment; Community Homecare Framework Procurement and the Leeds City Region. In addition, the Unit has worked with officers to undertake risk assessments for the Changing the Workplace Programme and workforce planning and also reviewed the 2011/12 budget risk assessments detailed in section 2.6 above. It has provided risk management training for this Committee and for new (from 2010) Executive members. Feedback from all 4 workshops has been very positive with 100% of respondents finding them worthwhile and beneficial.

Risk Management Policy and Supporting Documentation

- 2.8 Last year, the RMU carried out a review to identify whether the Council's Risk Management Framework (Policy, Strategy and Toolkit) remained fit-for-purpose. This review included holding 1-2-1 meetings with key internal stakeholders and benchmarking the Framework against those of external organisations and the

International and British Standards on Risk Management. A revised Policy is currently being drawn up and it is proposed that the Risk Management Strategy is revised in 2011/12.

2011/12 Priorities

- 2.9 The biggest single improvement to the quality, consistency and ease of maintaining and reporting on risk registers will be the implementation of the Council's risk management software system which will be rolled out this year. We had intended to roll this out in 2010/11 but, due to lack of staffing resources and other priorities, this was not possible and so it will now be one of the top 2011/12 priorities. Alongside this, work is being undertaken with colleagues in Performance Management to develop joint corporate reporting arrangements to CLT to help better align our risk and performance information. As reported to the Committee in February, the revised performance management framework incorporates a corporate performance dashboard that brings together a broad range of performance and risk data and informs senior managers' one-to-one meetings and appraisals. This enable emerging potential risks and issues to be identified quickly, thereby acting as an early warning system. This feeds into another area of work for the RMU in which it will review and propose changes as needed to the corporate and directorate risk registers in light of the new Council, City and Directorate priorities.
- 2.10 The Unit will also be working with Corporate Financial Management colleagues to review the budget risk assessments and registers. The RMU will revise the Council's Risk Management Strategy and Toolkit, facilitate as many risk management workshops as possible, extend risk management training to Area Committees, update the Partnership Risk Management documentation and finalise a Programme Risk Management guide.

3.0 Implications for Council Policy and Governance

- 3.1 Under Principle 4 of the Council's Code of Corporate Governance, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management' and the risk management framework that supports this should ensure that members are actively involved in the risk management process. The terms of reference of this Committee require it to review the adequacy of the Council's risk management arrangements. This annual report helps provide assurance to the Committee on the strength of these arrangements and is an important source of evidence for the Annual Governance Statement.

4.0 Legal and Resource Implications

- 4.1 As in other areas, the resources of the RMU have to be prioritised with 2010/11 seeing us focusing on strengthening the corporate risk register, undertaking risk assessments only in high priority areas and maintaining strong quarterly risk reporting arrangements. 2011/12 will see us continue to assess our work priorities as outlined above in paragraphs 2.9-10 in line with the Unit's staffing capacity.

5.0 Conclusions

- 5.1 Whilst we can never be complacent in the area of risk management, the RMU has identified no issues in the Council's risk management arrangements that need to be drawn to the Board's attention. Throughout 2010/11, the RMU has worked with officers and members to enhance the rigour of the corporate risk register, facilitated a number of successful risk management workshops and training sessions and conducted risk management reviews of such key areas as the 2011/12 budget and workforce planning. The processes for maintaining and reporting on corporate, directorate and budget risk registers as well as risks within our performance indicators are now well-established as are the role and functions of the Corporate

Risk Management Group. In these areas, the RMU can therefore give assurance to this Board that the arrangements are effective.

5.2 This assessment is supported by the last Use of Resources assessment carried out by KPMG in February 2010 in which the indicative score showed we were on track to achieve a '3' for risk management ('Exceeds minimum requirements – performs well'). When considering the adequacy of our risk management arrangements, the Committee is also able to place reliance on other update and assurance reports produced on the management of specific corporate risks and projects drawn up by officers, internal and external audit and independent assessment bodies such as Ofsted and the Care Quality Commission.

5.3 Having effective risk management arrangements in place provides assurance that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. It also means that our projects and decision-making are more likely to deliver the outcomes and benefits they set out to do and that resources are used more effectively. The RMU will continue to work with members and officers to enhance our risk management arrangements. This will include extending these arrangements to key partners with whom the Council shares responsibility for delivering the new City Priorities.

6.0 Recommendations

6.1 Corporate Governance & Audit Committee is asked to receive the RMU's annual report on the Council's risk management arrangements and note the assurances given on our corporate risk management (notably the enhancements to the contents and greater involvement of elected members), financial risk management (for example increased monitoring and reporting), project risk management and integration of risk into performance management. These assurances are supported by other assurances given by officers and external assessors on the management of specific corporate risks.

7.0 Background Papers

7.1 Background papers referred to in this report are as follows:

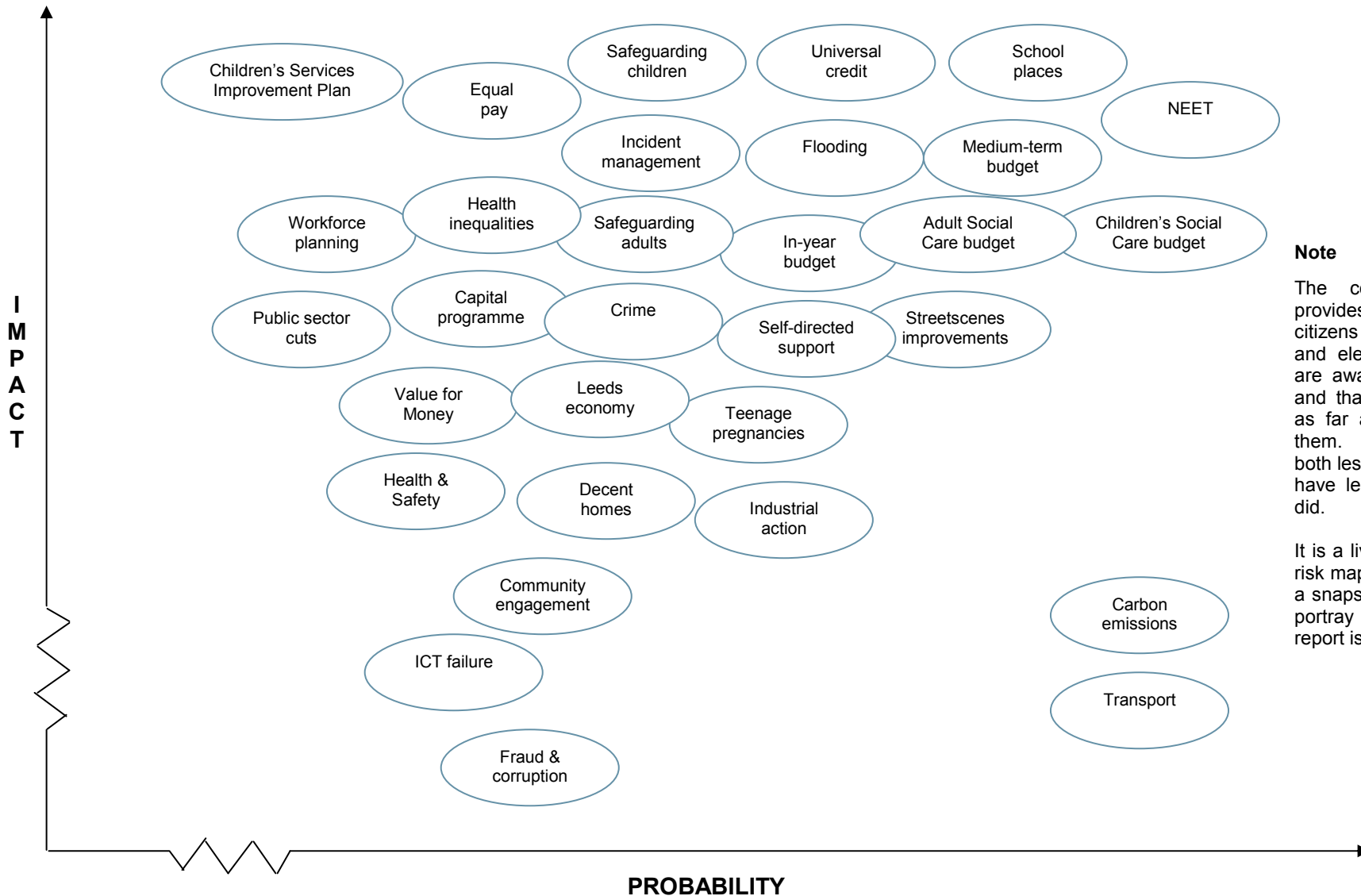
- Leeds City Council Risk Management Policy
- Leeds City Council Code of Corporate Governance
- Audit Commission 2009 Comprehensive Area Assessment – Leeds City Council
- Report of the Director of Resources to Executive Board, '*Revenue Budget & Council Tax 2011/12*', (11 February 2011)
- Report of the Assistant Chief Executive (Planning, Policy & Improvement) to Corporate Governance & Audit Committee, '*Corporate Performance Management Arrangements*', (14 February 2011)

Appendix 1: Corporate Risk Map

Risk Management Unit



Leeds City Council's Corporate Risks as at 24 May 2011



Note

The corporate risk register provides assurance to the citizens of Leeds, Council staff and elected members that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. This means that they both less likely to occur and also have less of an impact if they did.

It is a live document and so the risk map shown here represents a snapshot in time and may not portray the risks at the time the report is presented.