



## Report of the Director of Resources

### Executive Board

Date: 27 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

Eligible for Call In

Not Eligible for Call In (Details contained in the report)

## EXECUTIVE SUMMARY

Under the Council's Risk Management Policy, Executive Board is ultimately responsible for ensuring that the Council has effective risk management arrangements in place. This annual report helps provide assurance to the Board on the strength of these arrangements and is an important source of evidence for the authority's Annual Governance Statement. The report also presents an overview of the Council's strategic risks.

During 2010/11 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 the Board that the arrangements are effective.

When considering the efficacy of our risk management arrangements, the Board is also able to place reliance on the work of the Council's Corporate Governance & Audit Committee and 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.

### 1.0 Purpose of this Report

1.1 This report provides Executive Board with an overview of the Council's corporate risks and the risk management work undertaken by the Risk Management Unit (RMU) in the last year in support of the Council's Risk Management Framework. It also highlights future areas of work to improve our management of risk. The report helps provide assurance to the Board 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 Background Information**

- 2.1 Under the Council's Risk Management Policy, Executive Board is charged with responsibility for ensuring that the Council has effective risk management arrangements in place. As such, its roles include identifying risks associated with the delivery of the authority's strategic outcomes, providing appropriate challenge on risk assessments in relation to strategic decision-making and ensuring that the risk management implications of our strategic priorities and all major business change proposals coming before it have been satisfactorily taken into account.
- 2.2 To help the Board fulfil its risk management responsibilities, the RMU provides training to Executive members, meets with them 1-2 times per year to review the corporate risk register and provides this annual report which gives an overview of the Council's key risk management arrangements.

## **3.0 Main Issues**

### ***Corporate Risk Management***

- 3.1 Given the importance, the diversity and the number of services the Council provides, it is essential that we recognise and manage the key risks that could threaten our organisation and the work that we do. Our corporate Risk Management Framework lays out processes and procedures to help us do this, resulting in the escalation of the most significant risks to a corporate risk register. The corporate risk register and the wider Risk Management Framework provide assurance that we are aware of our most significant 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.
- 3.2 The information within the corporate risk register is unsurprising and, indeed, can already be found in the public domain in reports and papers produced by the council or external assessors. But having it captured in one place means that a great deal of information on our key risks is brought together in a relevant and consistent way. This consistency means we can compare the different risks on a broadly like-for-like basis and, by comparing them, we can identify which are the most significant and so which we need to focus attention and resources on. As risks are reduced, we can often downgrade them to be managed at a lower level of the organisation and so they are removed from the corporate risk register.
- 3.3 The corporate risk register continues to be updated quarterly by directorates 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.
- 3.4 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 and the RMU extended this

review to the Corporate Governance & Audit Committee in January 2011. These processes should provide the Board with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects the concerns of both officers and members.

- 3.5 The corporate risk 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.
- 3.6 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.
- 3.7 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 tables below provide an overview of the risks that have come on to the corporate risk register for the first time in 2010/11 (Table 1), those that were previously on directorate risk registers but have now escalated to a corporate level (Table 2), and those corporate risks that have gone up or down since the beginning of 2010/11 compared to now (Tables 3 and 4). In addition, a summary is given of those corporate risks for which the emphasis has changed during 2010/11: for example, where the corporate risk prior to 2010/11 focused on 'burglary' but was extended to 'crime' (Table 5). The tables do not show those risks that were on the corporate risk register prior to 2010/11 and continue to feature within it, as shown on the risk map at Appendix 1. Within this category fall such risks as achievement of the in-year budget, safeguarding children, health inequalities and health & safety, risks which are likely to continue to be part of the corporate risk register of any organisation such as Leeds City Council.

**Table 1: New risks added for the first time in 2010/11**

<b>Universal credit</b>	This new risk recognises changes in housing benefit regulations that may mean that more tenants (both private and social) will experience difficulties in covering rental charges. At the same time, reductions in housing benefit caps could lead to private landlords being less willing to let properties to benefit-dependent tenants.
<b>Value for Money (VfM)</b>	Following the government's Comprehensive Spending Review, the focus on efficiency and the need for public services to deliver value for money has never been greater. If the Council's services fail to provide VfM, this could have serious implications for the authority's budget and reputation.
<b>Customer Access Strategy</b>	The Council is committed to improving customer access to services and so a number of strands of different work have now been brought together into a new integrated Customer Access Delivery Programme. The Programme will focus on re-designing those service areas or transactions with customers where the biggest cost savings and customer benefits can be achieved.

**Table 2: Risks escalated from directorate to corporate level during 2010/11**

<b>School places</b>	As the commissioner of school places, ensuring that there are sufficient places is a statutory duty for local authorities. Due to population growth, there is currently a risk around our ability to secure sufficient primary places which is projected to impact on secondary place provision risks by the 2015/16 academic year. The impact of the coalition's government proposals with regards to free schools and academies in this role needs to be continuously reviewed, particularly with regard to funding. To help mitigate this risk, Executive Board has agreed to expand some schools and extend the age range of others with other proposals subject to ongoing consultation. The authority also continues to review its demographic profile to help identify population trends and potential fluctuations.
<b>Children's Services' budget and Adult Social Care budget</b>	These risks were previously included within the relevant directorates' directorate risk registers and formed part of the overarching Council budget risk. However, given the potential impact of any significant overspends in the social care budgets (that could arise due to increased demand and referrals which may be out of the Council's control), especially at a time of tightening budget pressures, it was agreed that these should be brought out as 2 risks in their own rights.
<b>Capital programme</b>	As with the social care budget risks, this previously formed part of the overarching Council budget risk. However, following reductions in public sector funding the level of capital programme that can be sustained has been impacted. Also, a large proportion of the capital programme is financed through borrowing, the costs of which are met by the revenue budget, and with large revenue grant reductions, it is imperative that only priority capital schemes are progressed. It was therefore agreed that this should form its own corporate risk.
<b>City flooding</b>	The risk of significant flooding across the Leeds region has been on the corporate risk register before but, due to extensive work with partners and the implementation of a number of flood risk management schemes, it was moved to a directorate level. The risk of City centre flooding came back on to the corporate risk register this year following the coalition government's proposed changes to the funding system which have put the planned Leeds Flood Alleviation Scheme at risk.
<b>Fraud &amp; corruption</b>	Serious fraud or corruption could occur anywhere or at any time though research by PriceWaterhouseCoopers (PWC) shows that an organisation's vulnerability to fraud increases in times of economic pressures which is why the Council has escalated this risk from a directorate to corporate level.

**Table 3: Corporate risks that increased during 2010/11**

<b>Streetscenes' improvements</b>	In 2009, a number of improvements and efficiencies to Streetscene Services were agreed with the trade unions and staff. Revised ways of working were introduced and improvements in crew and route performance have been evidenced. The risk went up during the year in recognition of issues around some refuse collections that have impacted upon a small proportion of citizens and also the delay in achieving some operational efficiency savings and improvements.
<b>Industrial action</b>	This risk has gone up in light of changes proposed at a national level around public sector pay and pensions that could lead to co-ordinated national action. Locally, the Council is in regular dialogue with the trade unions to help reduce the risk of local unrest resulting from the efficiency agenda and trade union representatives are working with HR staff on our workforce planning arrangements.

**Table 3: Corporate risks that increased during 2010/11**

<b>Emergency &amp; business continuity management</b>	This risk was increased during 2010/11 in relation to its business continuity management (BCM) element. At a time of rapid workforce change and changes to service provision, maintaining continuity of services becomes more challenging. To help address this, a new BCM Strategy has been developed and will be rolled out during 2011/12.
---	---

**Table 4: Corporate risks that decreased during 2010/11**

<b>Teenage pregnancies</b>	This is not a risk that can be managed overnight but, though long-term and co-ordinated action, the recently-published annual teenage pregnancy conception rates for 2009 show that Leeds has seen a reduction from the 1998 baseline rate of 6.2% in the number of conceptions per 1,000 young women aged 15-17 years old. This is our lowest rate since 2004.
<b>Major ICT failure</b>	Through improvements to the power provision and other resilience measures put in place, the risk of a major failure has come down in the last few months.
<b>Carbon emissions</b>	The risk of not achieving our carbon reduction targets has come down over the year due to the actions of strategic groups such as the Climate Change Partnership that involves national and regional partners and internal Director-level Environment Programme Board and Carbon & Water Management Group that co-ordinate, drive action and monitor progress towards corporate carbon reduction targets. In addition, the Core Cities (a coalition of England's 7 major regional local authorities that includes Leeds) climate working group is seeking to access support and resources from government for priority works.
<b>Community engagement</b>	The risk has come down over the last year as new arrangements have been established to support improvements in the way we manage consultation activity. For example, the council consultation group (with representatives from every directorate) and the partner-wide Strategic Involvement Group are developing new training, guidance and ways to make best use of shared tools such as the Talking Point coordination system and a citizens' panel. The appointment of new Area Leaders and the development of delegations for area committees is an opportunity to review and improve how engagement is delivered on a local geographic basis.
<b>Leeds economy</b>	Whilst most studies have pointed to the relative resilience of the City, the impact of current spending cuts, and the limited investment in infrastructure over the short- to medium-term could have a significant impact. Although escalated from a directorate to the corporate risk register, this risk has recently been reduced due to a cautiously optimistic prognosis of the Leeds economy at this point in time.

**Table 5: Corporate risks that were revised during 2010/11**

<b>Crime</b>	Prior to 2010/11, the corporate register included a risk on burglary rates in the Leeds area but this was extended to a wider risk on the Council's contribution – with key partners, notably the police - to helping tackle crime and anti-social behaviour. Several multi-agency groups meet weekly or monthly to review performance and activities and assign tasks, including the Safer Leeds Executive, Burglary Tasking group, Community Safety Partnerships and Integrated Offender Management Case Conferencing.
<b>Workforce planning</b>	The corporate register previously contained risks around the loss of senior officers and workforce representation but this risk was extended in 2010/11 to the wider workforce planning arrangements. During the year,

**Table 5: Corporate risks that were revised during 2010/11**

	this risk has been revised to focus on the arrangements put in place to help mitigate the impacts of a reduced workforce on services.
--	---

***Financial Risk Management***

- 3.8 At the request of the Chair of the Corporate Governance & Audit Committee (which is charged with reviewing the adequacy of the Council's risk management arrangements), 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 Audit 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***

- 3.9 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***

- 3.10 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 paragraphs 3.8-9 above. It has provided risk management training for Corporate Governance & Audit 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***

- 3.11 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**

- 3.12 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. 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, including the development of a performance dashboard that will incorporate risk data. 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.
- 3.13 Also as noted above, 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.

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

- 4.1 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. Under the Council's Risk Management Policy, Executive Board is charged with ensuring that the Council has effective risk management arrangements in place. This annual report helps provide assurance to the Board on the strength of these arrangements and is an important source of evidence for the Leader to approve the authority's Annual Governance Statement.

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

- 5.1 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 3.12-13 in line with the Unit's staffing capacity.

### **6.0 Conclusions**

- 6.1 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.
- 6.2 When considering the efficacy of our risk management arrangements, the Board is also able to place reliance on the work of the Council's Corporate Governance &

Audit Committee and other update and assurance reports produced on the management of specific corporate risks and projects (for example, the budget, Children's Services Improvement Plan, school places, carbon emissions and the Leeds Arena) drawn up by officers, internal and external audit and independent assessment bodies such as Ofsted and the Care Quality Commission.

- 6.3 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.

## **7.0 Recommendations**

- 7.1 It is recommended that Executive Board notes this report, the risks on the corporate risk register and the progress made on enhancing the Council's risk management arrangements. It is also requested that Executive members continue to review and challenge these arrangements, particularly in relation to strategic decision-making and the delivery of the authority's new City and Council strategic priorities.

## **8.0 Background Papers**

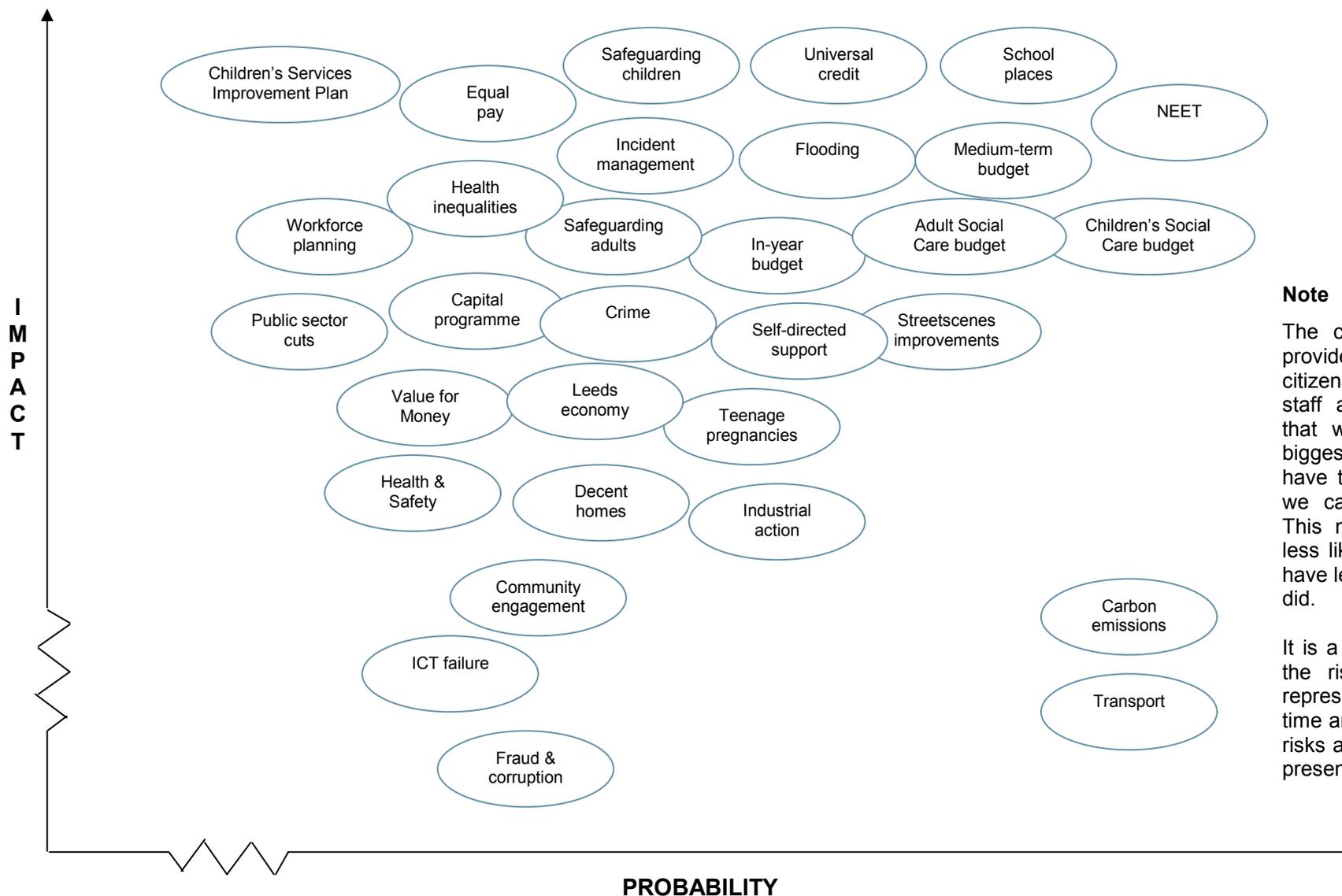
- 8.1 Background papers referred to in this report are as follows:
- Leeds City Council Risk Management Policy
  - Leeds City Council Code of Corporate Governance
  - Audit Commission 2009 Comprehensive Area Assessment – Leeds City Council
  - Corporate Governance & Audit Committee Terms of Reference
  - Report of the Director of Resources to Executive Board, '*Revenue Budget & Council Tax 2011/12*', (11 February 2011)
  - '*Fraud in a Downturn: A review of how fraud and other integrity risks will affect business in 2009*', PriceWaterhouseCoopers (2009)

# 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.