

Report of the Director of Resources

Report to Executive Board

Date: 17 July 2013

Subject: Annual Risk Management Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This annual report provides the Executive Board with assurances on the strength of the Council's risk management arrangements. This aids the Board in fulfilling its role and responsibilities under the authority's Risk Management Policy and the Council Leader in signing off the Annual Governance Statement later in the year.
2. The council's risk management arrangements have been further developed, improved and updated during 2012/13. Of particular note is the further integration of risk and performance management information that has enabled better use of the two sets of data and provided a more rounded view for senior officers and Executive portfolio holders. Also, the risk management web-based system has now gone live and full rollout across the authority is underway.
3. Whilst we can never be complacent in the area of risk management, and some risks lie outside our control, we have identified no issues in the Council's risk management arrangements that need to be drawn to the Board's attention. Compliance with the Risk Management Policy remains good. This report therefore provides the Board with a high level of assurance on the strength of the risk management arrangements currently in place across the authority with specific assurances given at Appendix 1 on the most significant corporate risks.
4. When considering the efficacy of our risk management arrangements, the Board is also able to place reliance on the work of the Corporate Governance & Audit Committee and other reports produced on the management of specific risks drawn up by officers, audit and independent assessment bodies.

Recommendations

5. Executive Board is asked to receive the annual risk management report and note the assurances given.

1 Purpose of this report

- 1.1 This annual report provides assurance to the Executive Board on the strength of the Council's risk management arrangements and presents an overview of the authority's strategic risks. This helps the Board fulfil its role under the Council's Risk Management Policy for ensuring that the organisation has effective risk management arrangements in place and is an important source of evidence for the Annual Governance Statement which is signed by the Leader.

2 Background information

- 2.1 Executive Board is charged with ensuring that the authority has effective risk management arrangements in place. As such, its roles include identifying the risks associated with the delivery of the Council's priorities, providing appropriate challenge on risks 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 meet its risk management responsibilities, the corporate Risk Management Unit (RMU) provides training to new Executive members, meets with them annually to review the corporate risk register and provides this annual report. Assurance is also gained from the Corporate Governance & Audit Committee which has the role of reviewing the adequacy of Leeds' risk management arrangements.

3 Main issues

3.1 *Risk Management Policy*

- 3.1.1 The strength of our risk management arrangements stems from the authority's Risk Management Policy which was revised in 2011, endorsed by the Council's Chief Executive and Leader and updated in 2012. Since then, the RMU has reviewed the Policy and the underlying arrangements against national and international standards on risk management. We have also undertaken a benchmarking exercise with a number of regional local authorities. These exercises show that our risk management arrangements remain up to date, fit-for-purpose, effectively communicated, routinely complied with and monitored.

3.2 *Risk & Performance Management*

- 3.2.1 Since the previous annual report, the integration of risk management and performance management data has continued with a combined Risk & Performance Board established. In the last year, the Board has met quarterly to consider strategic risk and performance issues to escalate to the Corporate Leadership Team (CLT). The resulting succinct reports make the most of the forward looking risk assessments and the backward looking performance information and provide a more rounded picture for discussion and decision-making. In a similar vein both sets of information have been used to directly inform the Chief Executive's and Directors' appraisals.
- 3.2.2 These arrangements will be enhanced in the coming months through further consolidation and co-ordination of a range of intelligence functions, including risk and performance.

3.3 *Risk Registers*

- 3.3.1 A range of risk registers are in place across the Council at corporate, directorate, service, budget, programme and project levels, many established as a result of risk workshops facilitated by the RMU. Specific assurances are given to this Board and other member groups on financial risk management and on various projects upon request. The most significant risks from these registers and reports are escalated as required, ultimately up

to the corporate risk register. 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. It also contains a 'Red/Amber/Green' (RAG) assessment with supporting comments for all the authority's programmes and major projects.

- 3.3.2 In January 2012, CLT agreed 6 'standing' corporate risks that will always remain on the corporate risk register and for which annual assurance reports - or more frequently if required - will be provided to this Board. These risks relate to Safeguarding Children, Safeguarding Adults, Financial Management, City Resilience (i.e. emergency planning), Council Resilience (i.e. business continuity management) and Health & Safety.
- 3.3.3 The corporate risk register was last reviewed by CLT in May and contains 22 risks; 6 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its potential impact if it did and so some risks score highly as a consequence of their impact score. Detailed assurance reports on the 10 most significant corporate risks, including the 6 'standing' risks referred to in the previous paragraph, are provided at Appendix 1.
- 3.3.4 Executive portfolio holders see the corporate risk register each quarter and the RMU engages with other Executive members and the Corporate Governance & Audit Committee to review the corporate risk register as part of an annual risk management briefing. Along with the RMU's own horizon scanning exercises (for example, through media monitoring, consideration of changes to government policy, review of reports to members and external assessment reports and benchmarking our risk register against those of other organisations), these should provide the Board with a significant source of assurance on the rigour of the Council's corporate risk register.

Risk Management Software

- 3.3.5 Following extensive development by the RMU and successful pilots, a web-based risk management software system is now being rolled out across the authority. Over time, this will capture all risk registers in one place and bring a number of benefits: a range of reports to be generated within seconds, enabling trend analysis and linkages between different risks to be made; audit trails and access controls to protect sensitive/confidential information; facilitation of more real-time updates; a reduction in officer time spent in updating Word and Excel documents.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Risk and performance management arrangements were revised following consultation and engagement with all key officer and member stakeholders. The risk and performance reports to the CLT and Executive portfolio members have been amended during the year in response to feedback from their audiences.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This is an assurance report and not a decision so due regard is not directly relevant.

4.3 Council Policies and City Priorities

- 4.3.1 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'. The Risk Management Policy we have in place in the authority supports this. Using a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking will aid the successful delivery of the Best Council and Best City priorities.

4.4 Resources and Value for Money

4.4.1 These arrangements are resourced through existing teams across the council and the changes implemented during 2012/13 have no specific resource implications. The new arrangements make both risk and performance management more effective through better joined-up analysis and are more efficient, particularly for senior officers and members with a single joint risk and performance report.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Without robust risk management arrangements, the Council could be in breach of the Accounts and Audit Regulations 2011 which require us to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.' (Section 4.1).

4.6 Risk Management

4.6.1 Without effective risk management arrangements, there is a danger that the most significant risks and issues that could impact upon the Council and Leeds are not properly identified and managed.

5 Conclusions

5.1 The Council's risk management arrangements have been further developed, improved and updated during 2012/13. Of particular note is the further integration of risk and performance management and the risk management software system rollout.

5.2 Whilst we can never be complacent in the area of risk management, and some risks lie outside our control, we have identified no issues in the Council's risk management arrangements that need to be drawn to the Board's attention. Compliance with the Risk Management Policy remains good. This report therefore provides the Board with a high level of assurance on the strength of the risk management arrangements currently in place across the authority with specific assurances given at Appendix 1 on the most significant corporate risks.

5.3 When considering the efficacy of our risk management arrangements, the Board is also able to place reliance on the work of the Corporate Governance & Audit Committee and other reports produced on the management of specific risks drawn up by officers, audit and independent assessment bodies.

6 Recommendations

6.1 Executive Board is asked to receive the annual risk management report and note the assurances given.

7 Background documents¹

- Leeds City Council Risk Management Policy (2011)

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.