



Report of the Director of Resources

Executive Board

Date: 23 January 2008

Subject: Annual Report on Risk Management Arrangements

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

1. Following the approval of the 'Risk Management Policy' in February 2005, Risk Management Unit (RMU) has been leading work on implementing and embedding risk management arrangements across the Council and Education Leeds.
2. This work has progressed well to-date, although a number of lessons have been learned from this on-going process. In addition, the British Standards Institute has recently issued a new Code Of Practice for Risk Management whose contents should inform our work. In response to these changes, RMU has redrafted and updated the Council's Policy on Risk Management and seeks approval for this to underpin its work programme.
3. This report also provides an annual summary of the Corporate Risk Register and progress made by each Directorate in embedding risk management.

1.0 Purpose of This Report

- 1.1 This report provides an assessment of how well each Directorate is progressing in implementing and embedding risk management arrangements across the authority, based on the information collated from each Directorate. It also seeks approval from Executive Board on the revised Risk Management Policy.

2.0 Background Information

- 2.1 Executive Board received its first annual report on the Council's risk management arrangements from the Director of Resources in December 2006. This latest reports helps to fulfill requirements set out by the Audit Commission as part of the Comprehensive Performance Assessment (CPA) to engage elected members in the risk management process and to undertake a formal annual review of the risk management process.
- 2.2 In accordance with the Policy, the Risk Management Framework was subject to a thorough review in September 2007. This review has taken account of the recent audit recommendations as well as picking-up lessons learned and guidance from the publication of a draft British Standard in Risk Management. The revised Policy is attached at Appendix 1.

3.0 Main Issues

Corporate Risk Register

- 3.1 Since the last report to Executive Board in December 2006 the authority continues to embed risk management at both a corporate and directorate level. This progress has been formally recognised through the achievement of a maintained Comprehensive Performance Assessment rating of level '3', despite the challenges of the Audit Commission's harder test.
- 3.2 Fundamental to the achievement of a level '3' rating is the establishment of a Corporate Risk Register which links risks to its key strategic objectives. The authority maintains a comprehensive Corporate Risk Register (CRR) which continues to be reviewed on a quarterly basis by Corporate Leadership Team (CLT). This ensures the currency of the register, provides an opportunity for re-evaluation following progress of mitigating actions and helps to ensure that CLT are well-informed about the authority's key risks.
- 3.3 Following submission of CRR to senior members, several revisions were made to risk categories, which are now defined as follows:
- Service Delivery (e.g. maintaining customer service levels, achievement of ALMO decency targets);
 - Remaining nationally and internationally competitive (e.g. improvements to transport infrastructure);
 - Financial (e.g. meeting efficiency savings);
 - Technological (e.g. ensuring that effective disaster recovery arrangements are in place in the event of an ICT failure);
 - Environmental (e.g. ensuring an effective waste management strategy);
 - Human Resources (e.g. recruitment and retention issues);
 - Safety (e.g. safety of people working within and looked after by the Council and its key partners); and

- Change Management (e.g. risks relating to specific projects and programmes of change, such as East and South-East Leeds regeneration).

3.4 In the last few months, many of the highly significant risks have been managed down through effective mitigation actions. This has meant a reduction in 'Red' risks on the CRR of which there are now *three*. These relate to the following:

- The city's transport infrastructure;
- Waste management; and
- Equal pay claims.

3.5 Those risks which have been downgraded over the last few months include risks relating to:

- Business continuity management (substantial work has been undertaken to identify critical services and develop business continuity plans to support these services in the event of an incident);
- ICT contingency planning (work undertaken to re-align existing resources and capabilities to provide most adequate support cover for a complete ICT service);
- Compliance with health & safety regulations (the historical information relating to non-compliance with health and safety legislation would indicate that this risk would have a lower impact than originally envisaged); and
- The sale of Leeds-Bradford Airport (archived as LBA now sold).

Overall Progress

3.6 In addition to the CRR, all Council directorates and Education Leeds continue to maintain their own risk registers and report these on a quarterly basis to the Corporate Risk Management Group for review of all 'Very High' risks. Currently, most directorates are undertaking a fundamental review of their risk registers to ensure that risks associated with new services transferred to their areas in line with the Council Change Programme are picked up. The new Resources Directorate, for instance, will consider the establishment of service-level risk registers owned by chief officers to replace the existing directorate register in order to fall in line with new governance and reporting structures.

3.7 Following the merger of the 6 ALMOs (Arms-Length Management Organisations) into 3, the RMU has worked with the overarching Environment and Neighbourhoods Strategic Landlord function to re-establish risk management arrangements in line with the new reporting structures. As a result, each ALMO will now adhere to the Leeds Risk Management Framework and report to the RMU on a quarterly basis as set out in the ALMO performance management framework. This will be taken further in the coming months as risk management will be included within the forthcoming contract review with the ALMOs.

3.8 The Corporate Risk Management Group (CRMG) is well-established and has played a key part in the development of departmental risk management arrangements. This includes the identification and discussion of cross-cutting risks for potential inclusion in the Corporate Risk Register, challenge of project and service risk registers and contribution to the Policy review process.

- 3.9 Elected member involvement in the process has also grown, particularly with those members with specific responsibility for risk management, such as the Corporate Governance and Audit Committee (CGAC) and Executive Board. CGAC continues to receive update reports on a quarterly basis and all members attended an awareness session in June and viewed the CRR in September 2007. CGAC have also been consulted on the revised RM Policy to ensure that their views are taken into account.
- 3.10 Risk management briefings have been offered to elected members, but this has only been taken up by a small number to-date. In addition, awareness sessions have been delivered to all members with executive portfolios which has briefed them on the types of questions relating to risk management they should be posing during policy-formulation and key decision-making. Members' feedback from these sessions has been very positive and further training will be provided to members of Scrutiny Boards in January 2008 to encourage the challenge of risk assessments by members.
- 3.11 The Risk Management Unit will be working with all directorates in the next few months to support the implementation of all recommendations and to ensure that due consideration is given to the implications of the Council Change Programme on risk registers and reporting arrangements.

Review of Risk Management Policy

- 3.12 Whilst the current arrangements have gone a significant way to embedding risk management, it is acknowledged that there are still steps to be taken to improve these arrangements. These improvements will also support the achievement of a level '4' CPA rating and also allow the Council to undertake actions as recommended by the recent internal audit.
- 3.13 The review of the Risk Management Policy picked up these issues and offers the following improvements to the process:
- To mandate the inclusion of formal risk assessments for all strategic decision-making and for these to be included within in all reports seeking approval of new policies or key / major decisions
 - the introduction of *evidence-based* monitoring and assurance arrangements by RMU to support Directorate assurance assessments and enhance the process through which risk registers are challenged;
 - clearer delineation of roles and responsibilities for officers and members based on the experiences of the last three years;
 - the acquisition of risk management software to enhance the communication and reporting of risks;
 - the roll-out of a new programme risk management approach for all programmes; and
 - the integration of risk management into strategic planning by adopting a risk-based approach to the setting of corporate priorities for 2008 and beyond.
 - the introduction of risk assessments within all service plans to be supported by additional training,

- the establishment of partnership risk registers. These risk assessments will become a necessary part of the decision-making process in the allocation of budgets under the new Comprehensive Area Assessments;

4.0 Implications for Council Policy and Governance

- 4.1 The report provides a revised Policy on Risk Management which restates the purpose of RM, our statutory and regulatory responsibilities, what is required at each level of the organisation, and where the relevant roles and responsibilities lie.
- 4.2 It also requests that the authority to revise the Policy be delegated to the Director of Resources.

5.0 Legal and Resource Implications

- 5.1 The review of the Policy complies with good practice guidelines as set-out within the draft British Standard for Risk Management and other key publications. The implementation and development of a monitoring and assurance framework ensures that we meet our regulatory requirements under the Accounts and Audit Regulations 2006 (amendment) (England).

6.0 Conclusions

- 6.1 This report highlights that excellent progress continues to be 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. However, it is clear that additional work is necessary to further embed risk management.

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 culture of the Council;
 - approves the revised Risk Management Policy on Risk Management; and
 - approves delegation of authority to revise the policy to the Director of Resources.