# LEEDS CITY COUNCIL POLICY ON RISK MANAGEMENT

1 Aim of the Policy

1.1 The aim of this Policy is to set out the Council's commitment and approach to risk management in order to ensure that risk management becomes an integral part of decision-making and day-to-day business.

1.2 Within this broad aim, the principal objectives for undertaking risk management are to:

- enable the early mitigation of threats or maximisation of opportunities in order to support the achievement of objectives;

- promote better decision-making;

- encourage innovation by being risk-aware rather than risk-averse;

- embed a consistent approach to risk management which is a key part of day-to-day business functions; and

- ensure the Council meets its statutory and regulatory responsibilities relating to risk management and that it adheres to industry good practice;

1.3 By achieving these objectives, the Council will be better placed to meet its strategic and directorate priorities and also protect the authority's reputation and other assets.

2 Scope of the Policy

2.1 Risk management forms a key part of the Council's corporate governance and internal control framework and should form part of all decision-making and policy-making. For the purposes of the Policy, risk management is defined as "the effective management of threats and opportunities in order to support the achievement of objectives".

2.2 The scope of risk management is highlighted by the European Framework for Quality Management diagram which sets out the key components necessary to implementing this (see Figure 1).

2.3 In line with this definition, the Policy aims to ensure that robust risk management is applied to all services and business change, proportionate to their significance.

2.4 This Policy forms part of an overarching Council Risk Management Framework which encompasses both a Strategy explaining processes and arrangements for implementing the Policy's principles and a Toolkit of guidance and templates for officers to develop risk management arrangements within their own service areas. These elements will continue to evolve to ensure that the Council meets the current industry standards and good practice.

2.5 The Policy has been developed to be consistent with the objectives and content of the Council's 'Policy on the Governance of its Business Change Programme and Projects'. In addition, risk management is a vital component of the Business Continuity Management lifecycle which is referenced within the Council's Business Continuity Management Policy.

Figure 1: Risk Management Excellence Model: Adapted from European Framework for Quality Management
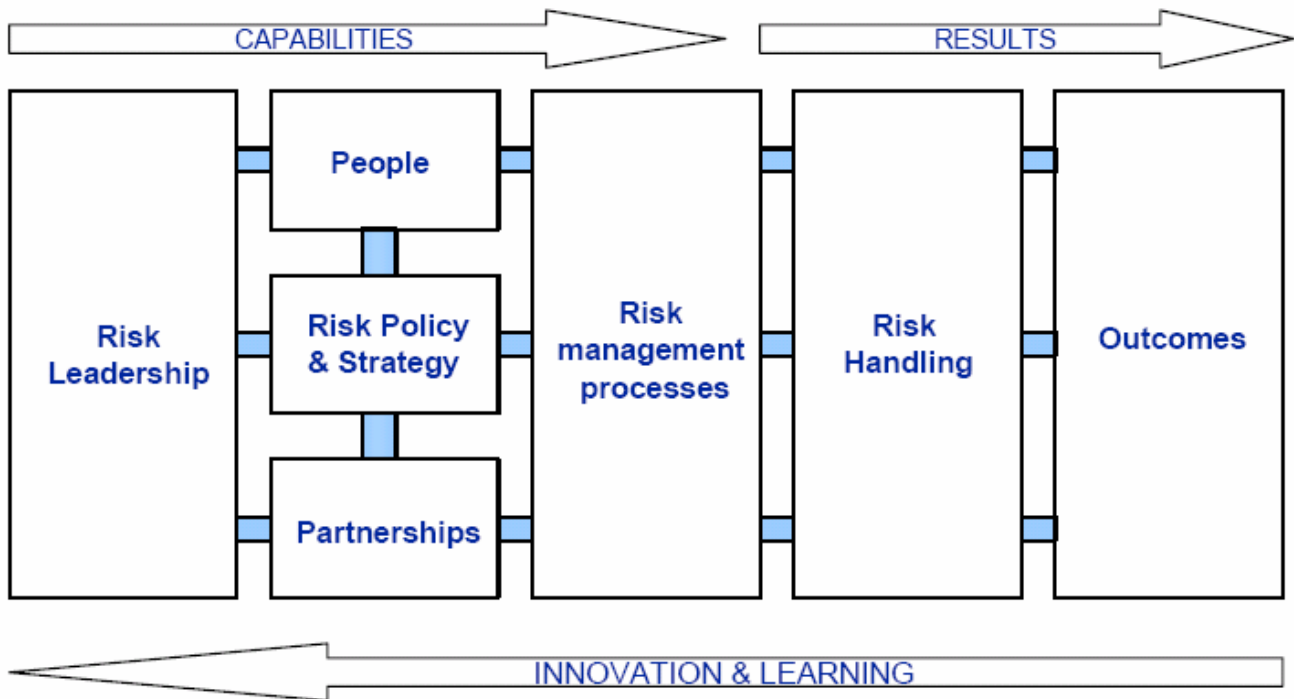
Risk Capabilities	Requirements
Risk Leadership	*Senior management & elected members support the risk management agenda*
People	*People are equipped and supported to manage risk well*
Risk Policy & Strategy	*A clear risk policy and strategy is available*
Partnerships	*Effective arrangements are in place for managing partnership risk*
Risk Management Processes	*Processes incorporate effective risk management*
Risk Results	**Requirements**
Risk Handling	*Risks are handled in accordance with the Leeds Risk Management Framework*
Outcomes	*The extent to which risk management contributes to achieving outcomes is visible*

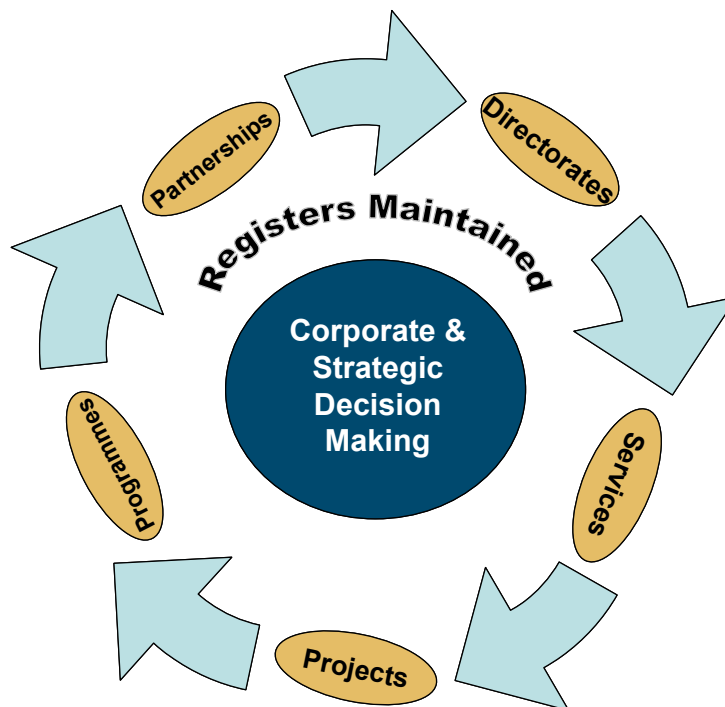## 3   Risk Management Policy

3.1   In terms of the basic principles which underpin our approach to risk management, it is the Council's policy to ensure that:

- ❑ there is a single corporate approach to risk management which is adopted consistently by services and projects;

- ❑ the roles and responsibilities for risk management are clearly defined, communicated and understood by all staff;

- ❑ elected members are actively involved in identifying key risks and ensuring their effective management;

- ❑ risk assessments are formally undertaken as part of all strategic decision-making and included in all reports seeking approval of new policies or key / major decisions;

- ❑ all risks are managed within an agreed risk appetite;

- ❑ risk registers are maintained and reviewed regularly (quarterly as a minimum);

- ❑ the policy applies to all directorates and strategic partners, Education Leeds and Arms-Length Management Organisations;

- ❑ strategic risks are identified, evaluated, treated, reviewed and documented within the Corporate Risk Register;

- training is provided for appropriate staff to increase and develop the Council's risk capability;

- risk assessment is an integral part of the corporate and service planning process;

- all projects and programmes manage risk throughout their lifecycles, in line with the arrangements of the corporate programme and project management approaches;

- the risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.

- all partnership arrangements are subject to risk assessments where risks are formally recorded, mapped and treated;

- assurance is provided by all directorates on the progress of embedding risk management into key business processes;

- the Council's risk management arrangements are benchmarked against peer authorities; and

- the effectiveness of risk management arrangements is reviewed annually and evidence-based assurance is available in order to inform the outcomes of this review.

3.2 Risks do not simply reside at only one level of the organisation and risk management should therefore consider strategic, operational and project risks at a directorate or corporate level. The process is both top-down and bottom-up and will involve staff at all levels. Figure 2 illustrates the interdependency of risk levels:

Figure 2: Interdependency of risk reporting and escalation across the authority

4 Statutory & Regulatory Responsibilities

4.1 Although there are very real benefits from embedding risk management throughout the organisation voluntarily, the Council also has a duty to implement this due to statutory and regulatory requirements, namely:

❑ regulation 4 of the Accounts and Audit Regulations 2006 (amendment) (England) which requires that relevant bodies 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*' and 'conduct[s] a review at least once a year of the effectiveness of its system and shall include a statement on internal control…' ;

❑ the Civil Contingencies Act 2004 places a duty on local authorities to assess the risk of emergencies occurring and use this to inform contingency planning. In addition, business continuity arrangements are required to be in place to ensure that local authorities are able to carry out their critical functions.

4.2 The Council is required to demonstrate to the Audit Commission that its risk management arrangements are sound and an integral part of the authority's overall management arrangements.

5 Roles and Responsibilities for Risk Management

5.1 Executive Board

5.1.1 Ultimate responsibility for ensuring that the Council has effective risk management arrangements lies with the Executive Board. Executive Board has delegated authority for maintaining and approving changes to the Policy and Strategy to the Director of Resources. The Board receives an annual update on this work and a summary of the management of corporate risks from the Director of Resources.

5.1.2 Executive Board have a key role in the identification of risks associated with the delivery of the authority's strategic outcomes. In addition, it should provide appropriate challenge in relation to strategic decision-making and should ensure that the risk management implications of its strategic priorities and all major business change proposals coming before it have been satisfactorily taken into account. In this way, Executive Board is also responsible for setting the Council's risk appetite.

5.1.3 The annual Corporate Governance Statement which takes account of the contribution that risk management plays in achieving objectives is signed by the Council Leader.

5.2 Corporate Governance and Audit Committee

5.2.1 The Corporate Governance and Audit Committee is responsible for reviewing the adequacy of the Council's governance arrangements and robust risk management arrangements are an important component in ensuring the Council complies with its statutory and regulatory obligations.

5.2.2 The Risk Management Policy will be reviewed annually, and any changes submitted to Corporate Governance and Audit Committee (CGAC) for review. Progress on the RM Strategy will also be reported to CGAC on a quarterly basis.

5.2.3 The Director of Resources submits an annual assurance report on risk management arrangements to the Corporate Governance and Audit Committee and quarterly progress reports on risk management implementation. This report is submitted in conjunction with the annual Corporate Governance Statement which is signed by the Chair of the Committee.

5.3   Scrutiny Boards

5.3.1   Scrutiny Boards should ensure that appropriate risk management considerations have been given to the areas of their investigations.

5.4   Member Risk Champion

5.4.1   The Member Risk Champion is a senior Councillor with an executive function. This member will be responsible for ensuring that adequate consideration is given to the responsibilities of members and that a robust risk management process is applied to all decisions made by elected members. This role includes promoting the application of risk management and related training to elected members and also encouraging the use of risk assessments within reports requiring decisions.

5.5   Elected Members

5.5.1   All elected members should maintain an understanding of the risk management process within the Council and consider risk implications during decision-making and policy approval.

5.6   Area Committees

5.6.1   All Area Committees should maintain an understanding of the risk management process within the Council. In addition they should consider risks during decision-making which; has resource implications, an impact on the authority's strategic priorities or proposes a service change / improvement.

5.7   Corporate Leadership Team

5.7.1   Members of Corporate Leadership Team are responsible for ensuring that:

- all strategic risks are robustly managed and reviewed in line with the Council's risk appetite. They have a key role in challenging the effectiveness of mitigating actions in treating risks.
- individual directors take ownership of strategic risks and that these risks make-up the Corporate Risk Register which is collectively reviewed on a quarterly basis;
- directorate risks are escalated for inclusion on to the Corporate Risk Register;
- consideration is given to risks to achieving Council priorities and, where necessary, the allocation of resources is reviewed in line with corporate objectives and their associated risks;
- appropriate challenge is provided to assure that the risk management implications of major business change proposals have been satisfactorily taken into account; and
- risk management is used as a tool to help to establish corporate plans, priorities and strategies.

5.8   Directors / Chief Officers

5.8.1   Directors and Chief Officers are responsible for ensuring that arrangements are in place within their directorates and services to ensure that risks are identified and managed in accordance with the Council's RM POlicy. To facilitate this, Directors and Chief Officers are responsible for ensuring that:

- officers are nominated at a suitable level of seniority to act as 'risk management facilitators' to lead on risk management issues within the directorate, promote awareness through workshops and training and raise issues through the directorate's representative on the Corporate Risk Management Group (CRMG);

- all project and service areas identify staff with specific risk management responsibilities and ensure that these staff are trained to an adequate level of competence to discharge their responsibilities effectively;

- up-to-date Directorate Risk Registers are maintained and identify cross-cutting risks which impact on the achievement of directorate objectives;

- service-level registers are maintained and reviewed and any cross-cutting risks escalated on to the directorate risk register.

- the risk management implications of all new major business change proposals are satisfactorily taken into account; and

- where key services are to be provided through a partnership arrangement, clear lines of risk ownership and accountability are established.

5.8.2 The Director of Resources has specific responsibility for providing assurances to the Corporate Governance and Audit Committee on the adequacy of risk management arrangements. In addition, the Director of Resources holds delegated authority to approve changes to the Risk Management Policy and Strategy on behalf of Executive Board.

5.8.3 The Assistant Chief Executive (Corporate Governance) has a responsibility to sign the annual Corporate Governance Statement.

5.9   Corporate Risk Management Group

5.9.1 The Corporate Risk Management Group's role is to challenge the Council's risk management arrangements in the shape of its policy and strategy, consider new risk management initiatives proposed by the Risk Management Unit, and act as a forum to exchange views and good practice on risk management issues. In addition, the role includes the consideration of Directorate Risk Registers to identify and recommend risks requiring escalation on to the Corporate Risk Register.

5.9.2 The Corporate Risk Management Group will consider the Policy on an annual basis and act as consultees for its formal review, proposing changes where necessary. It will also recommend any risk management related issues to be reported to the Corporate Governance and Audit Committee.

5.10   Corporate Governance Board

5.10.1 The Corporate Governance Board will review the adequacy of the Council's corporate governance arrangements including risk management and ensure that the RM Policy and Strategy complies with statutory and other guidance.

5.11   Directorate Risk Facilitators

5.11.1 Risk Facilitators should be established within each directorate to ensure that a Directorate Risk Register is maintained and reviewed by the appropriate management team. The co-ordinating role also involves the collation of the most significant service-level risks and aggregating these into the directorate risk register. The Risk Facilitator will act as the main point of contact for communications between the RMU and the directorate. In addition, the Risk Facilitator will be trained in risk management and promote the corporate approach through cascade of training and the delivery of workshops.

5.12   Service Managers

5.12.1 Service Managers should ensure that risk management is applied to the service planning process in line with the corporate Service Planning Guidance. They should also ensure that any risks which cannot be managed at a service level or that have a cross-cutting impact are escalated to Chief Officers for potential inclusion on to the Directorate Risk Register.

5.13   Project Executives and Project Managers

5.13.1   Project Executives and Project Managers have responsibility for ensuring that adequate risk management arrangements are in place for ensuring that risks are identified and managed throughout the project lifecycle.

5.13.2   The Project Executive, when setting project tolerances, should determine the level of risk exposure that the project is willing to accept. Those project risks which are deemed to have a direct impact on the achievement on directorate or strategic objectives should be escalated to the directorate leadership team.

5.14   All Council Staff

5.14.1   All staff have a duty to consider the risks to the achievement of their day-to-day objectives and notify managers of any threats or opportunities which could hinder or enhance working practices.

5.15   Risk Management Unit

5.15.1   The corporate Risk Management Unit (RMU) co-ordinates the development of the Council's risk management arrangements and is responsible for:

- reviewing and maintaining the Council's Risk Management Policy and Strategy as well as a portfolio of useful resources;
- developing and co-ordinating a process for the effective monitoring of risk management arrangements across the Council;
- preparing assurance reports for Corporate Governance and Audit Committee on the adequacy of the risk management arrangements on behalf of the Director of Resources;
- supporting the embedding of the corporate approach through dissemination and providing guidance to officers and members through workshops and training;
- validating directorate assessments of compliance with the framework by reviewing supporting evidence;
- maintaining and reporting on the Corporate Risk Register on behalf of the Corporate Leadership Team;
- establishing a framework through which partnerships can demonstrate adequate risk management arrangements and reporting and escalation processes;
- developing, maintaining and implementing the corporate project risk management approach;
- appraising Directors on how well the directorate has performed in embedding risk management into key management processes.