

Report of the Director of Resources and Housing

Report to Corporate Governance and Audit Committee

Date: 26th July 2019

Subject: Annual assurance report on corporate risk management arrangements

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes X No
Has consultation been carried out?	<input type="checkbox"/> Yes X No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes X No
Will the decision be open for call-in?	<input type="checkbox"/> Yes X No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes X No

Summary

1. Main issues

This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. It explains the current arrangements and an update on work planned during 2019/20 to review the authority's Risk Management Policy. The review will include key themes around reporting, accountability, together with latest guidance, updated standards and any changes in statutory / government requirements of risk management in local authorities.

- This report is supplemented by the Annual Corporate Risk Management Report which summarises how the council manages its most significant risks and was reported to the Executive Board on the 26th June 2019.
- The report provides one of the sources of assurance the Committee is able to take into account when approving the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's Risk Management Policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- To help the council achieve its vision to be the UK's best council and best city, there is a need to understand and manage the risks that could threaten delivery of the outcomes and priorities as set out in the Best Council Plan (BCP).
- The council recognises that risk management is a vital activity to help achieve the ambitions, outcomes and priorities set out in the BCP. The council is not risk averse; risk is present in all its services, operations and activities. It is council policy to identify, analyse and manage the risks, as both a potential threat and an opportunity.

3. Resource Implications

- In the context of increasing budget constraints, risks to public services and the potential impacts on vulnerable people in particular can go up and so the need for us to have strong risk management arrangements remains essential.
- Should any risk arise, there could be significant consequences on the council's resources including fines and penalties, time and cost of implementing corrective action and increased levels of monitoring required.

Recommendations

- a) Corporate Governance & Audit Committee is asked to receive this report on the council's corporate risk management arrangements and note the assurances in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

1. Purpose of this report

- 1.1. This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk management arrangements. It updates the Committee on work carried out since the previous assurance report dated 26th June 2018 and summarises work planned for 2019/20.

2. Background information

- 2.1. The council's risks arise from a variety of sources, some of which are out of our direct control such as a global economic downturn or major weather event. Others stem from changes in government policy and the shifting needs and make-up of our communities. Such changes bring uncertainties that can pose threats that need addressing but also bring opportunities to exploit. Managing both aspects of risk relies on the council working effectively with partners across the public, private and third sectors and with the people of Leeds themselves.
- 2.2. Through the arrangements outlined in this report, the council seeks to embed an effective risk management culture across its values, and in the behaviour of all its staff and elected members. This responsibility extends to managing risks with our key partner organisations to ensure they are aware of and are compliant with our risk management policy.
- 2.3. In recent times, local authorities and communities have experienced a wide range of significant risks: the increased National Threat Level, cyber-attacks, adverse weather conditions and high profile safeguarding incidents. In the context of ongoing financial pressures and risks to public services, the potential impacts on vulnerable people in particular can increase and so the need for us to have strong risk management arrangements remains essential.

3. Main issues

3.1. Risk Management 2018/19

- 3.1.1. During 2018/19, assurance on the adequacy of the council's risk management arrangements was demonstrated by the following:
 - Skilled, experienced staff within the council's Intelligence and Policy Service (IPS) who lead on the authority's central risk management function. Their responsibilities include maintaining the council's Risk Management Policy and corporate risk register, facilitating risk management workshops and providing training and guidance, drawing on up to date good practice and legislative and regulatory requirements.
 - Corporate, directorate, programme and project risk registers continue to be maintained, with significant risks escalated to appropriate boards and management teams as required. This includes providing quarterly updates on the risk status of the council's programmes and projects to the Strategic Investment Board as part of the corporate risk register, and an opportunity for all directors to raise prospective risks through quarterly BCP reports to the Corporate Leadership Team (CLT- the council's Chief Executive and directors).
 - Financial risks are included within both the corporate and directorate risk registers with updates also provided to Executive Board and Full Council

through the budget reports and to Executive Board through Medium-Term Financial Strategy (MTFS) reports. An annual assurance report on the financial management and control arrangements was reviewed by this Committee on 22nd March 2019, the report providing assurance that the council has robust arrangements in place for proper and effective financial control, governance and other financial management activities.

- The corporate risk register continues to house the most significant risks to the council including the seven 'standing' corporate risks that will always remain on the register. Assurances for these 'standing risks' as well as those for two additional risks currently rated as 'very high' are included in the Annual Corporate Risk Management report for Executive Board. These risks are:
 - Safeguarding children
 - Safeguarding adults
 - Health and safety
 - City resilience (emergency planning)
 - Council resilience (business continuity management)
 - Finance (both the in-year budget risks and medium-term financial sustainability)
 - Information management and governance
 - Insufficient school places
 - Major cyber-incident
- The latest corporate risk map continues to be published on the council's internal intranet and externally through the leeds.gov website.
- The risk management arrangements take into consideration the National Risk Assessment (NRA), published by the Cabinet Office. The NRA captures the changing risk landscape affecting the UK and is also used to inform the more local West Yorkshire Community Risk Register. A member of the council's Resilience and Emergencies Team (RET) attends the West Yorkshire Resilience Forum Risk & Capabilities Sub Group which provides an excellent conduit for horizon scanning of changes to risks and threats. Together the NRA, West Yorkshire Community Risk Register and the work of the West Yorkshire Resilience Forum informs the review and update of the council's corporate risks on City Resilience and Council Resilience. The member of RET was instrumental in reviewing the NRA from a West Yorkshire perspective to ensure key risks were reflected in the WYCRR. The key risks from the review were incorporated into a short [ebook](#)¹, which aims to help communities be better informed, prepared and be able to respond to an emergency.
- The guidance and template for Committee and Executive Board reports for decision making require authors to detail the risk management aspects as part of the mandatory 'Corporate Considerations' section.
- Council directorates continue to administer their corporate risks on the '4Risk' software. However, as the software is nearing the end of its contract period, a free in-house Share Point solution to replace 4Risk is being developed.
- Quarterly meetings continue to take place between IPS and Internal Audit to share information on:

¹ Please note that the ebook link provided is designed to be viewed on a mobile device.

- Emerging themes from Internal Audit reviews and reports regarding control weaknesses / failures and risks arising;
 - Feedback to Internal Audit on any new risks/risk areas identified and any changes to existing risks; and
 - Risk management work undertaken across the council e.g. risk workshops and training delivered.
- Regular meetings also continue to take place between IPS and Insurance to share relevant information between the two services and to consider the insurance aspects of the corporate and directorate level risks.
 - Risk management workshops continue to be offered to council services. In 2018/19, IPS facilitated workshops on:
 - Information management and governance risks for the Communities and Environment directorate
 - Procurement and Commercial Services
 - Replacement software for the council's Housing functions
 - During the year a high level of focus was placed on considering the implications and risks to the council and the city from the UK's withdrawal from the European Union (Brexit). A cross-council Brexit working group has met regularly and a series of Brexit risk management workshops were held on the following themed areas:
 - Infrastructure and supplies
 - Business and economic impact
 - Health and social care
 - On the 20th March 2019, the council's Executive Board considered a [report](#) – 'Update on Leeds City Council's preparations for the UK's exit from the European Union'. The report referenced the risks facing the council from Brexit and that they would continue to be monitored through the council's existing risk management processes.
 - Risk management training sessions continue to be offered to council staff and are combined with risk workshops where possible. During the year training sessions were delivered to staff taking over risk management duties in Legal Services, Public Health.

3.2. Partnership risk management

3.2.1. Partnership risks generally cover two main areas:

- Partnerships of a commercial and contractual nature (such as those for major suppliers or construction schemes) tend to have risk management arrangements included in the terms and conditions of their contracts. In accordance with the council's Contract Procedure Rules, risk registers are required for all partnerships and projects with a value above £100k.
- Risk management arrangements for partnerships of a more strategic nature (such as Third Sector Organisations and other public sector organisations) tend to be less well defined. Due to the differing nature of these strategic partnerships, a single risk management methodology is harder to apply, in part because the council is not always the lead organisation in the partnership (e.g. with the West Yorkshire Combined Authority). Where this is the case, the council may be required to adopt the partner's risk management arrangements.

3.2.2. The 2017/18 annual assurance corporate risk management report highlighted an opportunity for additional central guidance to be developed to support the consistent and effective management of partnership risks across the authority. The guidance on Partnership Risk Management, including a set of principles, has been included in a partnerships advisory note developed jointly between colleagues from the council's Intelligence and Policy Service, Financial Services and Governance Service. Once the advisory note has been circulated for further comment and then formally approved, training will be developed and made available across the council to help ensure it is embedded. The guidance will also include links to the council's Risk Management Policy (as outlined in 3.3.2 below).

3.3. Risk Management 2019/20

3.3.1. Following the refresh of the [Best Council Plan](#) (BCP) for 2019/20 – 2020/21 (approved by Full Council in February 2019), work is underway to review and update the council's Risk Management Policy to ensure it is properly aligned to the ambitions, outcomes and priorities set out in the BCP. The update will also consider latest guidance, updated standards, and any changes in statutory / government requirements of risk management in local authorities.

3.3.2. Other work planned for the year includes:

- Following the refresh of the BCP, a proportionate review and update of the council's Risk Management Policy is underway to ensure it remains properly aligned to the organisational ambitions, outcomes and priorities set out in the plan. The update will take into account the latest guidance, updated standards (including ISO 31000²), and any changes in statutory / government requirements of risk management in local authorities. The Risk Management Policy update will include reference to the guidance being developed to support the consistent and effective management of partnership risks across the authority.
- In March 2019 the council declared a 'Climate Emergency', setting out a commitment to make Leeds carbon neutral by 2030. The council's corporate risks are to be reviewed to ensure their details fully consider the implications of the Climate Emergency.
- Continuing to support the cross-council work being done on Brexit.
- An annual refresh of the council's guidance and template for Committee and Executive Board reports for decision making along with continued support to report writers.
- Carrying out a review of the financial risks facing the council to ensure they are still relevant, properly described and their ratings are correct. More detail on the key financial risks and their management will be provided to the Executive Board through the updated MTFS in July 2019.
- Finalising the development of the in-house risk management 'Share Point' system and piloting it across a sample of directorates before full roll out.
- Benchmarking the risks on the council's corporate risk register with those from other core city Local Authorities.

² In 2018, the International Organization for Standardization (ISO) issued updated risk management guidelines (ISO 31000).

- Bringing together experienced project managers from across the organisation to consider the council's project management methodology (including project risk management), tools and templates, and to share best practice.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1. Key stakeholders continue to be engaged in maintaining the council's corporate risk management arrangements. These include the Executive Board, Scrutiny Boards and the Corporate Leadership Team.

4.2. Equality and diversity / cohesion and integration

- 4.2.1. This is an assurance report with no decision required. Due regard is therefore not directly relevant.

4.3. Council policies and the Best Council Plan

- 4.3.1. The risk management arrangements in place support compliance with the council's Risk Management Policy and Code of Corporate Governance, through which, under Principle 4, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management'.
- 4.3.2. Effective management of the range of risks that could impact upon the city and the council supports the delivery of all Best Council Plan outcomes and priorities.

Climate Emergency

- 4.3.3. This report is an assurance report with no decision required. However, as the Climate Emergency is cross-cutting in nature, there will be links to many of the corporate risks. As part of the next formal quarterly corporate risk review, due in August 2019, risk owners will be asked to consider the implications of the Climate Emergency on their risks.

4.4. Resources, procurement and value for money

- 4.4.1. The risk management arrangements set out in this report help the council to target and prioritise resources to help reduce costs, deliver savings and achieve value for money.

4.5. Legal implications, access to information, and call-in

- 4.5.1. The council's risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2011 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.'
- 4.5.2. The corporate risk map is published on the council's leeds.gov website with annual reports to Executive Board on the council's most significant risks also publicly available.
- 4.5.3. No decision is required; therefore this assurance report is not subject to call in.

4.6. Risk management

- 4.6.1. This report provides assurances on how Leeds City Council manages the most significant risks facing the organisation and the city.

5. Conclusions

- 5.1.1. This report provides assurance on the council's corporate risk management arrangements. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

6. Recommendations

- 6.1. Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk management arrangements and note the assurances in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

7. Background documents³ - none

³ 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.