

**Report of the Director of Resources and Housing**

**Report to Corporate Governance and Audit Committee**

**Date: 27<sup>th</sup> July 2020**

**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 key arrangements during 2019/20 and additional work planned for 2020/21.
- 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 impact on the ambitions, outcomes and priorities as set out in the Best Council Plan (BCP).
- The council is not risk averse; risk is present in all our services, operations and activities. It is council policy to identify, analyse and manage these risks, as both a potential threat and an opportunity.

### **3. Resource Implications**

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

### **Recommendations**

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.

#### **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 26<sup>th</sup> July 2019 and summarises work planned for 2020/21.

#### **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 the global coronavirus pandemic and the associated economic downturn. 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: cyber-attacks, adverse weather conditions, increases in the national threat level and high profile safeguarding incidents. And of course, local authorities, communities and businesses have been significantly impacted by the risks arising from the coronavirus pandemic. In the context of the council's financial challenge and risks to public services, the potential impacts are increasing, and so the need for us to have strong risk management arrangements remains essential.

#### **3. Main issues**

##### **3.1. Risk Management 2019/20**

During 2019/20, assurance on the adequacy of the council's risk management arrangements was demonstrated by the following:

- 3.1.1. 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 the latest good practice and legislative and regulatory requirements. Corporate, directorate, programme and project risk registers continue to be maintained, with risks escalated to appropriate boards and management teams and the Corporate Leadership Team (CLT- the council's Chief Executive and directors) 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. All directors have the opportunity to raise prospective risks to CLT at any time and through routine quarterly reporting.
- 3.1.2. 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 16<sup>th</sup> March 2020, the report providing assurance that the council has robust arrangements in place for proper and effective financial control, governance and other financial management activities.
- 3.1.3. The corporate risk register continues to house those risks of significant, cross-cutting importance that require the attention of the council's most senior managers and elected members. Each of the corporate risks has named risk owners - a lead portfolio member and a member of the Corporate Leadership Team, (comprising the Chief Executive and directors) - who are jointly accountable for their management. The Executive Board as a whole retains ultimate responsibility.
- 3.1.4. The nature of risks is that they come and go as the environment changes. However, there are a set of 'standing' corporate risks that will most likely always face the council, as seen in the following table along with details of their ownership:

Risk area	Accountability (Risk owners)	
	Director	Executive Member
<b>Safeguarding children</b>	Sal Tariq, Director of Children and Families	Cllr F Venner: Executive Member for Children & Families
<b>Safeguarding adults</b>	Cath Roff, Director of Adults and Health	Cllr R Charlwood: Executive Member for Health, Wellbeing & Adults
<b>Health &amp; Safety</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>City resilience</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>Council resilience</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>In-year budget</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>Medium-term financial position</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>Information management and governance</b>	Neil Evans, Director of Resources and Housing	Cllr J Lewis: Deputy Leader & Executive Member for Resources
<b>Climate change</b>	Neil Evans, Director of Resources and Housing	Cllr L Mulherin: Executive Member for Climate Change, Transport & Sustainable Development

- 3.1.5. Assurances for all 'standing risks' and the four additional risks currently rated as 'red' – i.e. of the highest significance - are provided through the Annual Corporate Risk Management report considered at June 2020's Executive Board. The details provided in the assurances include the key controls in place and future work planned to manage and mitigate against the risk. The four additional risks currently rated as 'red' are: coronavirus, economic growth lag, major flooding and major cyber incident. Please click [here](#) to read the report: Item 10, pages 127-150.
- 3.1.6. The latest corporate risk map continues to be published on the council's intranet and externally through the [leeds.gov](http://leeds.gov) website. (The most recent risk map was included in the annual risk report to the Executive Board detailed above.)
- 3.1.7. 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.
- 3.1.8. 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. The report authors have the opportunity to review Executive Board reports at draft stage, providing feedback to the authors on the risk information and the links to the relevant corporate risk(s).
- 3.1.9. In January 2020, the externally provided IT system previously used to administer the council's corporate and directorate risks was replaced by a more up to date, streamlined SharePoint solution, developed in-house by IPS through cross-council user consultation.
- 3.1.10. Quarterly meetings continue to take place between IPS and Internal Audit to share information on:
- 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
  - Specific risk management work carried out, including risk workshops and training delivered.
- 3.1.11. Regular meetings also continue to take place between IPS and the Insurance Service to share relevant information between the two services and to consider the insurance aspects of the corporate and directorate level risks.
- 3.1.12. Risk management workshops continue to be offered to council services. In 2019/20 IPS facilitated workshops on Information Management and Governance within City Development directorate and also Taxi and Private Hire Licensing.
- 3.1.13. 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 Housing Services and the Council Housing Growth Team.

### **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) usually 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. A guidance note on Partnership Governance, including risk management principles, has been developed jointly by colleagues from IPS and Financial Services. Once piloted, the guidance note will be rolled out and made available for use by all partnerships, with particular applicability to those of a more significant nature.

### **3.3. Risk Management 2020/21**

3.3.1. Since March 2020, a significant amount of risk management focus has been the ongoing work related to the Coronavirus (COVID-19) pandemic. Council services and resources have – and will continue to be – impacted by the pandemic and this places additional focus on risk management arrangements to ensure that new and evolving risks are identified and treated.

3.3.2. The impact of the pandemic on the council's corporate risks has seen the ratings for the financial and economy risks increase considerably, as well as a new specific 'coronavirus' corporate risk established. This new risk is updated regularly and is included in the 'Update on Coronavirus (COVID-19) Pandemic – Response & Recovery plan' reported to Executive Board each month since April through a specific risk annexe. The risk is updated with details from 'Silver Groups', each one covering a different aspect, these being: Health & Social Care; Communities, Business & Economy; Infrastructure & Supplies; Communication; and Organisational Impact. These groups form part of the ongoing strategic activity in place across the council to identify and manage Covid-related risks. The council's risk management framework also plays an important role in the city's multi-agency command and control arrangements, which have been developed further in response to COVID-19 to facilitate the coordination and communication on a set of complex interrelated challenges. The new Leeds COVID-19 Outbreak Control Plan forms a key part of these arrangements, particularly as lockdown measures are being eased.<sup>1</sup>

3.3.3. The [Best Council Plan](#) (BCP) 2020 to 2025 was approved at February's Full Council alongside the Budget. It is currently being amended to reflect the changed context as a result of coronavirus, with a more significant update anticipated for later in 2020/21 when the impacts on our citizens, communities and the economy are better known. At that point, a proportionate review and update of the council's Risk Management Policy will be carried out to ensure it remains properly aligned to the

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<sup>1</sup> The Plan – available [here](#) – sets out how local partners will work together to reduce transmission, prevent and manage outbreaks and has three aims: to reduce infections, save lives and support recovery.

organisational ambitions, outcomes and priorities set out in the plan. The update will take into account the latest guidance, relevant standards (including ISO 31000<sup>2</sup>), and any changes in statutory / regulatory requirements of risk management in local authorities. We will engage with this Committee on the Policy update.

- 3.3.4. With the signing of the Withdrawal Agreement by the UK Government, the immediacy of the UK leaving the EU without a deal receded. The council continues to monitor the progress of the negotiations between the UK Government and the EU and any risks and opportunities for Leeds arising from this. The council is concentrating on the economic and social implications of the transition arrangements, including the EU Settlement Scheme, and new arrangements as they become clear e.g. trade and regulatory implications. Updates will be provided to Executive Board, and other relevant Scrutiny Boards where appropriate.
- 3.3.5. Other work planned for the year includes an annual refresh of the council's guidance and template for Committee and Executive Board reports for decision making and reviews of risks in specific service areas to ensure they are still relevant, properly described, their ratings are correct and that they are at the correct level of risk register.
- 3.3.6. Following the implementation of the in-house Share Point site used to administer our corporate and directorate risks, a user survey is planned to obtain feedback on how well the system is working and to identify any areas where improvements can be made.
- 3.3.7. A final major area of focus is IPS's involvement in the cross-council work to develop savings options to help manage the financial challenge. The Head of Business Planning & Risk will review emerging options to make savings from a risk management perspective prior to proposals being considered by September's Executive Board. As with all services, it should also be noted that IPS is currently reviewing its own service to identify savings options, which may have implications for the council's risk management arrangements and the work planned for 2020/21 described above.

## **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. As well as this Committee, 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**

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

4.3.3. Following the council's declaration of a climate emergency in 2019, a risk was added to the corporate risk register: 'Failure to adapt to and mitigate more extreme weather conditions brought about by climate change, resulting in an adverse impact on Leeds (its people, communities, infrastructure, economy and natural environment).' The council and our partner organisations are taking a range of actions to help mitigate and continue to adapt to this long-term risk. These include progressing schemes to reduce the risk of flooding across the city, encouraging increased tree canopy cover in urban areas and promoting community resilience through effective communications with the public. As the climate emergency is cross-cutting in nature it is linked to many other corporate risks. Where applicable, the supporting details for these risks - such as the sources, consequences and mitigating actions - reflect aspects of the climate emergency.

#### **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, explaining the internal control arrangements in place at a strategic level. 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 documents<sup>3</sup> - none**

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<sup>3</sup> 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.