

Report of the Director of Resources

Report to Executive Board

Date: 18 July 2012

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 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and Executive portfolio holders.
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 meets its risk management responsibilities, the corporate Risk Management Unit (RMU) provides training to 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 updated in 2011 and endorsed by the Council's Chief Executive and Leader. At the time of writing, a report is due to be provided to the Corporate Governance & Audit Committee on 4 July that provides an assurance that risk management arrangements are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.

3.2 *Combining Risk & Performance Management Information*

- 3.2.1 Since the previous annual report, a major change has been to formally bring together risk management and performance management data to make the best use of both sets of information. A joint analysis is undertaken by the authority's corporate risk management and performance management teams each quarter and then discussed at a combined meeting of the Corporate Risk Management Group and Corporate Performance Board for review and challenge. This makes the most of the more forward looking risk assessment and the backward looking performance information and provides a more rounded picture for discussion with officers and members. In a similar vein both sets of information have been used to directly inform the Chief Executive's and Directors' appraisals.

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. Specific assurances are given to this Board and other member groups on financial risk management and on

various projects upon request. In the last year, a single report template has been established for all reports to Executive Board, a Committee (excluding Plans Panel or Licensing Committee) and if a key or other delegated decision is required. This includes a section on 'risk management' in which officers must detail the key risks to that decision/policy/project etc.

- 3.3.2 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.
- 3.3.3 The information within the corporate risk register is unsurprising and can already be found in the public domain in reports and papers produced by the Council or external assessors. But having it captured in one place means that a great deal of information on our key risks is brought together in a relevant and consistent way. This consistency means we can compare the different risks on a broadly like-for-like basis and, by comparing them, we can identify which are the most significant and so which we need to focus attention and resources on. As risks are reduced, we can often downgrade them to be managed at a lower level of the organisation and so they are removed from the corporate risk register.
- 3.3.4 In January of this year, the corporate risk register was revised to ensure that the risks remained accurate, up to date and also that the risk descriptions made clear what the tangible risks to the authority and/or the city are. The review resulted in 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 and the Corporate Leadership Team. 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.
- 3.3.5 The corporate risk register was last reviewed in May and currently contains 23 risks of which 7 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.
- 3.3.6 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 a risk management briefing each November/December. Along with the RMU's own horizon scanning exercises (for example, through media monitoring, review of reports to members and external assessment reports and benchmarking our risk register against those of other organisations, including those of the Core City local authorities), these should provide the Board with a significant source of assurance on the rigour of the Council's corporate risk register.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The Risk Management Policy and the 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 Corporate Leadership Team 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 help the successful delivery of the Council and 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 2011/12 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 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and Executive portfolio holders. The risk and performance information is also being used much more directly to inform and provide challenge within appraisals for senior officers.

- 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)
- Accounts and Audit (England) Regulations 2011
- Leeds City Council Code of Corporate Governance

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.