Annual Risk Management Report 2016/17

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Contents

1.0 Introduction

1.1 The Council's ongoing risk and assurance aims are:

- To provide Members and Senior Officers an understanding of the key risks facing the Council and its community, and to show how these risks are being mitigated.
- To implement and maintain a fluid process for the everyday management of risks relevant to our objectives, outcomes, services and assets.
- To align reporting mechanisms for finance, risk, audit and performance providing members and senior officers triangulated risk and assurance profiles.
- To continue to meet the requirements of our external auditor and compliance providers.

2.0 Risk Management Team

2.1 The Risk Management team comprises of Internal Audit, Fraud, Insurance and the Risk Management services. The team is led by the Head of Audit and Risk Management. The following section focuses on the Risk Management service this is delivered by the Head of the team and the Strategic Risk Adviser. It highlights the aims of the team and the services that underpin these objectives.

The Risk Management team aim's and services

2.2 The Risk Management Team has the following targets:

A. ensuring the consistent use of risk management and ownership of risk at all levels;

B. building and maintaining a risk aware culture within the council, including appropriate education and training;

C. developing, implementing and reviewing the risk management framework and risk management processes;

D. developing competence and maturity in risk management;

E. linking with the other functions within and beyond the Risk

Management team that advise on specific aspects of risk management (e.g. insurance, health and safety, business continuity, civil contingencies, occupational health, internal audit) ;

F.   Reporting, escalating and communicating risk issues to key stakeholders.

2.3   In order to meet these aims the team delivers the following services:

- Management and coordination of the corporate risk management process which is part of the council's corporate governance framework.

- Provision of professional risk management support on a range of corporate and directorate projects. This includes, where appropriate, attendance at management meetings, risk interventions such as the production of risk strategies and process guides, risk identification and control workshops, access and training to the council's Risk Management Information System (JCADCORE).

- Preparation and publication of risk information on TH Net.

- Maintenance and development of the Risk Management Information System, known as JCADCORE.

- Provision of risk training including members, and senior managers, new managers and staff as well as regular training opportunities on JCADCORE.

2.4   Section 3 below provides information on the corporate risk process including the council's corporate risks.

Sections 4 to 7 below provide an update on the team's work during the year and aligned to the above services it provides.

3.0   **Corporate Risk Management Process**

3.1   The approach to managing risk is outlined in the Council's Risk Management Strategy which also contains the Risk management Policy Statement.
The Statement encourages innovation and creative approaches to service delivery whilst requiring careful consideration of the risks involved and taking appropriate

measures to manage them. The Corporate Risk Management process is aimed at identifying, assessing, prioritising and mitigating the significant risks that could impact on the delivery of the council's objectives (i.e. corporate risks). This process is also aligned with the council's team planning arrangements. Risks are prioritised for reporting in accordance to the scoring methodology in the risk management scoring matrix.

3.2 Corporate risks (strategic risks) are those concerned with ensuring overall success of Council objectives, and the vitality and viability of the organisation. Materialisation of such risks can have a number of consequences, for example they could significantly affect the reputation of the Council, or present significant financial costs. Risks are identified and assessed by impact and likelihood on an ongoing basis across all Directorates. Guidance has been produced to help Risk Champions (see 3.4 below) and their directorates identify corporate risks from their service level assessments.

3.3 The review of both corporate and directorate risk is undertaken on a monthly basis by the Risk Champions Group. A process is in place to aid all directorates capture key risks and assess their significance. The methodology adopted by the authority (the UK Government's Management of Risk approach) is used to assess and prioritise key risks and to focus attention on those risks that require attention. Significant risks are examined at directorate level and any risk that remains significant after existing controls are taken into account (residual risk) are reported quarterly to the Corporate Leadership Team (CLT) so that they can be considered further.

Risk Champions Group

3.4 The Risk Champions Group is a key part of the council's corporate risk process. The Group is chaired by the Corporate Resources Director and its members comprise senior officers from each of the directorates. The group meets monthly and its primary purpose is to ensure that there is appropriate scrutiny of risks that have been identified by directorates and recommended for elevation to the corporate risk register. It also reviews and scrutinises directorate risks.

3.5 The role of a Risk Champion is set out in the group's terms of reference and includes the following activities:

o   Update and maintain directorate risks on JCADCORE every quarter;

o   Maintain close liaison on risk and risk dynamics with individual Divisional Directors and Directorate Leadership Teams (DLT) collectively

- o   Challenge officers in their directorate in their assessment of risk and seek explanations over the proposed actions to manage the risk;

- o   Build a risk-aware culture within their directorate and disseminate good risk management practices;

- o   Provide advice and assistance as required;

- o   Obtain and update on planned actions from appropriate service heads for reporting to CLT; and

- o   Bring significant risks to the attention of the CLT.

3.6   Once the group have scrutinised, reviewed and updated the corporate risks the risk management team prepare a quarterly risk management update report for CLT and subsequently to Mayor's Advisory Board (MAB).

3.7   Corporate risk owners continue to be invited to discuss their risk(s) with the group to get a better understanding on how well the risk is being managed. It may then make recommendations to the risk owner for suggested improvements to the controls.

Corporate Risk Register

3.8   Risks that feature on the corporate risk register have been identified by the corporate leadership team and also include risks that have met the corporate risk criteria and escalated by each directorate.

3.9   The current corporate risk register (as at 31/08/17) identifies 12 corporate risks. The definition of each of these risk ratings is set out in Appendix 3 (Risk Scoring Matrix).

Directorate	6	8	12	15	16	20	25	Grand Total
HAC	0	0	1	1	1	0	0	3
CSD	0	0	3	0	0	0	1	4
Place	0	0	0	0	0	1	0	1
Governance	0	1	0	0	0	0	0	1
Resources	1	1	0	0	0	1	0	3
Grand Total	**1**	**2**	**4**	**1**	**1**	**2**	**1**	**12**

Table 1. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community Services directorate

CSD – Children's Services directorate

Place – Place directorate

Governance – Governance directorate

Resources – Resources directorate

Compared with the same period in 2016, the number of corporate risks increased to the present 12. At the June CLT review the following table was presented and actions agreed;

Risk	Current Risk Rating	Risk Description	Update
CSD0016 (Children's) Review date 24/06/17.	**25**	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency. There was an Ofsted Inspection Jan Feb 2017 which found CSC services to be overall inadequate. The report stated that children and young people are being left in situations of harm and the DFE have issued directions to the borough. A Department for Education improvement advisor will also be identified to work with the Council to support the necessary improvement.	Update required
REV0007	**20**	Impact on local income from Appeals on the new local rating effective from 1/4/17. On the 1/4/17 all business premises will have a new rateable value to reflect a more up to date economic valuation of their premises.	Updated.

(Resources) Review date 03/01/18.	(red)	All ratepayers have the right to appeal against their valuation and at the beginning of any new valuation list there is always a dramatic increase in the number of appeals by ratepayers and their agents. Traditionally the government sets the new multiplier higher in the first year of a revaluation to take into account the losses of income due to these appeals. If the multiplier is set too low, then LBTH will suffer losses of income as appeals are settled and reductions in RV are achieved.	
DRCPCD002 (Place) Review Date 11/11/17	**20**	Failure to have in place a lease extension for Mulberry Place (or alternative temporary office location) one year prior to the end of the current lease (June 2019).	Updated
CSA0002 (HAC) 26/09/17	**16**	Community Unrest (previously failure to achieve community cohesion)	Updated.
ASD0015 (Adult's) Review date 13/08/17	**15**	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.	Update required.
ASD0017 (HAC) Review date 10/10/17	**12**	Risk that should a major incident take place affecting council services, there may be a failure to implement an effective response. The risk is increased if there was to	Updated.

		be more than one incident at the same time.	
CSDR0011 (Children's)) Review date 06/09/17	12	There is a risk that the Council may be challenged in Court for making a formal decision under the 1967 Act, to retain for educational purposes the newly constructed Christ Church Primary School's nursery building, which is built on a disused burial ground. (The basic premise of the challenge is that the school had no right to erect the building, and that it is unlawful to erect the building on a disused burial ground, and that it should be demolished).	Request made to Children's DMT for risk to be re-assigned to them. Awaiting response. Awaiting response from Children's DMT regarding risk owner.
CSDSC0004 (Children's) Review date 03/10/17	12	Incidents of serious violence where young people known to or in the care (LAC) of the Local Authority are harmed or perpetrate harm in a community setting.	Update required on control measure.
CSDSC0005 (Children's) Review date 11/10/17	12	Loss of resources as a result of a failure to reach target Payment by Results claims, resulting in loss of capacity to deliver the Troubled Families programme. Reputational risk of being the only Local Authority in England to be withdrawn from the programme.	Update required on control measure.
LPGLS0001 (Governance) Review date 26/05/17	8	No-compliance with corporate governance procedures.	Update required.

RSB0019 (Resources) 24/11/17	8	Maintaining and strengthen financial viability/balance across MTFS period to 2020.	To be updated to include transformation risks in mitigating actions.
ICT-CT0010 (Resources) 23/11/17	6	That Agilisys are unable to perform as a strategic supplier with significant and consistent failures to meet SLAs.	Updated.

Table 2 – Corporate Risk register summary

4.0 Risk Management Support and Interventions

4.1 An important role of the Risk Management team is to assist teams/services in using a risk management approach to help them deliver operational or project objectives. During the reporting period risk management has provided support to a number of areas within the council. Support can take various forms including the provision of advice and guidance as well as setting up risk processes and training.

5.0 Preparation and Publication of Risk Management Information

5.1 The Risk Management pages on THnet includes information and tools on managing risks which are updated regularly. Over the period more documents have been added or revised:

- A quick reference guide to Risk Management (a user friendly two page guide)
- Further guidance on how to use the JCADCORE Risk system
- Risk management guidance for managers
- LBTH Risk Management strategy

6.0 Risk Management Training

6.1 Risk Management training is essential if managers and staff are to understand the benefits of this approach and use it to help make effective decisions and achieve directorate/corporate objectives.

The risk management team invited the institute of risk management October 2016 to give a presentation on professionalism in risk management – building a healthy risk culture.

Fundamentals of Enterprise Risk Management: a practical introduction to risk management, a bespoke training provided by the Institute of Risk Management started in May 2017. A major aim of this training is to create a good risk culture in the Council ensuring the following outcomes for the Council;

- Risk leadership – creating a distinct and consistent tone from the top.
- Informed risk decisions allowing sufficient diversity of perspectives, values and beliefs to ensure that the status quo is consistently and rigorously challenged.
- Accountability – appropriate risk taking behaviours rewarded and encouraged and inappropriate behaviours challenged and sanctioned.
- Transparency – transparent and timely risk information flowing up and down.
- Risk skills – risk management skills and knowledge valued, encouraged and developed.
- Alignment with employee engagement and people strategy.

The course contents also include an introduction to risk management, risk assessment, risk treatment and monitoring & communicating risk.

The training is targeted at senior and middle managers to ensure risk management capability is consistently embedded across all areas of the Council. To date forty-five staff have attended and completed the course

E-Learning

6.3   The Council's risk management system JCADCORE contains all recorded risks from across the Council. Information from the risk managements system is used to create reports for management teams and members. An ELearning course has been developed to help train new users of the system as well as provide a refresher for existing users. Pictured below is a screen shot showing part of the E-Learning module.
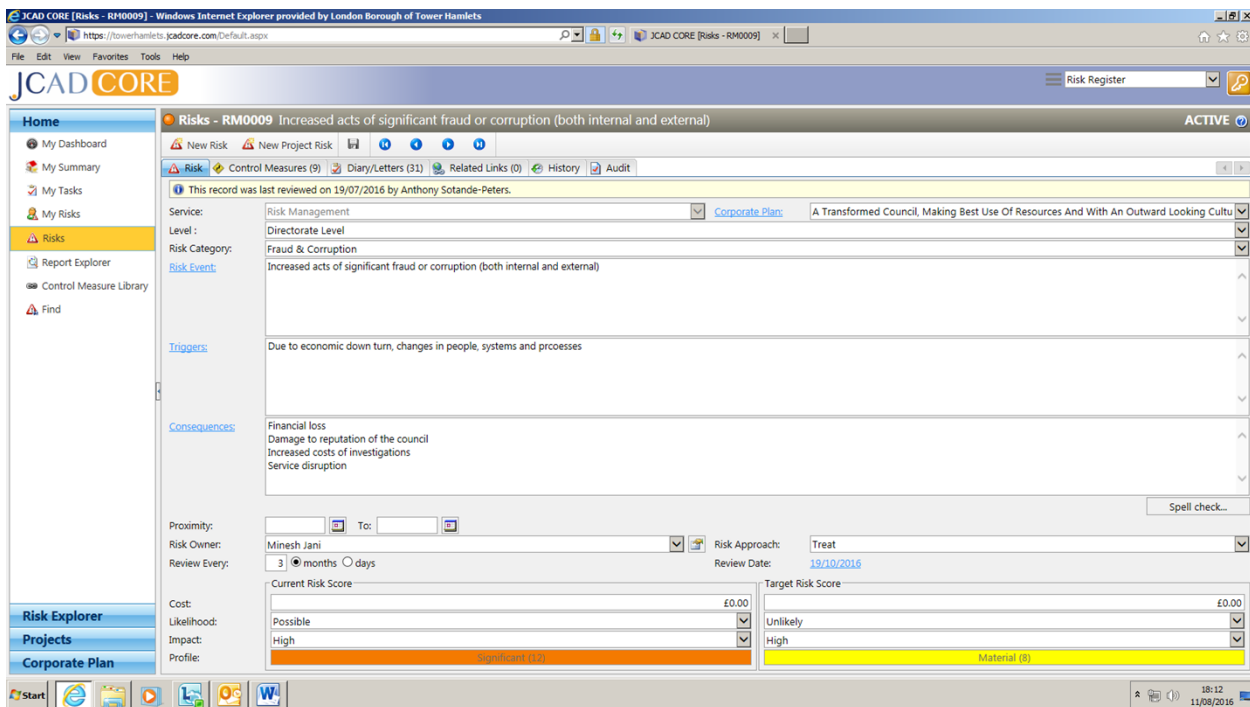
7.0 **Promotion of Risk Management**

7.1   This section highlights the promotional Risk Management activity which has taken place during the reporting period.

Risk Talks

7.2   Risk talks are regular, usually monthly, lunch and learn sessions and were initiated in May 2012. Their purpose being to bring life to Risk Management through the use of case studies, research, sharing best practice and updates all highlighting the importance and benefits of managing risk. The talks are advertised on the THnet as well as targeted invitations being sent to officers. There is usually a mixed audience of senior managers, managers and staff.

7.3   A programme of further risks talks featuring internal and external speakers commenced in January 2017.

8.0 **Risk Management performance**

8.1 This section provides evidence of the overall council performance of its formal
Risk Management arrangements. Two areas are highlighted. The first is the council's
Annual governance statement and also the result of the council's most recent
participation in the Alarm/CIPFA Risk Management benchmarking exercise
in 2016. The evidence suggests that the council has processes in place which
continue to improve.

The council's Annual Governance Statement

8.2 The Council is responsible for ensuring its business is conducted in accordance
with the law and proper standards, and that public money is safeguarded
and properly accounted for, and used economically, efficiently and effectively.
The Council also has a duty under the Local Government Act 1999 to make
arrangements to secure continuous improvement in the way in which its functions
are exercised, having regard to a combination of economy, efficiency and
effectiveness.
In discharging this overall responsibility, the Council is responsible for putting in
place proper arrangements for the governance of its affairs, facilitating the effective
exercise of its functions, this includes arrangements for the management
of risk. Risk management is a principal element of corporate governance, a risk
management strategy is in place to support this and is regularly reviewed.

The **2015/16** Annual Governance Statement Report noted the following comments
regarding the Council's Risk Management arrangements.
"we have a Risk Management Strategy to identify and manage the principal risks
which impact on achieving our objectives. The principles of risk management are
embedded in the Council' decision making processes. The Strategy recognises that
when making decisions the Council may not always adopt the least risky option,
particularly where the potential benefits to the community warrant the acceptance of
a higher level of risk. All committee reports seeking decisions or approval to a
proposed course of action contain an assessment of the risk involved and both
financial and legal comments. Key risks are recorded in corporate and directorate
risk registers, which are subject to periodic review and reporting to the Corporate
Leadership Team. Directorate Risk Champions oversee the continued development
of the Council's approach to risk management"

Benchmarking risk management

8.3 To assess and compare our "risk management health" with other authorities

the Council participates in CIPFA benchmarking exercise. A summary of our performance from our most recent participation is provided below:

Enablers					
Leadership & Management	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Policy & strategy	Awareness	Happening	Working	**Embedded & Integrated**	Driving
People	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Partnerships & Resources	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Processes	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Results					
Risk Handling &	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Assurance Outcomes & Delivery	Awareness	Happening	Working	**Embedded & Integrated**	Driving

Level Guide:

Awareness	<20%
Happening Working	20 – 45%
	45 – 70%
Embedded & Integrated	70 – 85%
Driving	85%

Table 3- LBTH Summary of Risk Management Benchmarking results

8.4   The five key risk management enablers were assessed as "Embedded & Integrated" (4) and "Driving" (1). Our aspiration is to move all ratings to the "driving" category and work continues on these improvement areas.

8.5   **Risk Numbers**

At the end of August there are 391 identified active risks on the Council's risk register. To ensure risk management process remains effective and aligned to organisational objectives, this is reviewed quarterly by the risk team.

9.   **Risk Management Action plan 2017/18**

9.1   The Risk Management team plan includes a number of actions to address some of the points above and made elsewhere in this paper:

- The council's Risk Management policy and manager's guide will be reviewed and revised to incorporate the revised risk appetite from the risk appetite workshops.
- Further work will be undertaken to ensure risks are more closely aligned to service and business objectives.
- Risk Talks will continue with regular features in TH Now.
- Risk Management protocol and risk champions terms of reference will be refreshed to provide guidance and further assurance on the application of Risk Management within directorates, with particular emphasis on identification of key risks and emerging risks.

Risk Appetite

"By defining its risk appetite, an organisation can arrive at an appropriate balance between uncontrolled innovation and excessive caution"

Following a series of workshops held with the Mayor's Advisory Board, Corporate Leadership Team and Directorate Leadership Teams a report on its outcome will be presented to the corporate leadership team on the 27 September 2017. This will provide guidance on risk appetite on various risk categories.