

Annual Risk Management Report 2017/18

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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 effectively mitigated.
- To implement and maintain a fluid process for business as usual 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).
- Facilitating a series of risk workshops to continually refresh and review risk registers which include identification, analysis and evaluation of risks to objectives, discussion on existing and proposed mitigation with an in-depth look at its effectiveness, reliability, relevance and cost. Concluding with a review and confirmation of assigned risk and control responsibilities.
- Preparation and publication of risk information on TH Net.
- Maintenance and development of the Risk Management Information System.
- Provision of risk training including members, and senior managers, new managers and staff as well as regular training opportunities on JCADCORE.

2.4 Role of the Audit Committee in supporting the risk management process.

- The Committee oversees the Council's risk management strategy, anti-fraud and anti-corruption arrangements; and to be satisfied that the Authority's assurance framework properly reflects the risk environment.
- Members have a critical role in establishing the environment that will allow the effective management of risk to flourish.
- To consider all audit or external reports relating to any directorate in the Council and seek assurance that action has been taken where necessary.
- To receive an annual report from the Head of Audit and Risk Management reviewing the effectiveness of the Council's risk management strategy.
- To consider and report back on any risks related to all governance issues.

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 currently chaired by the Head of Audit and Risk Management 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:

- Update and maintain directorate risks on JCADCORE every quarter;
- Maintain close liaison on risk and risk dynamics with individual Divisional Directors and Directorate Leadership Teams (DLT) collectively;
- Challenge officers in their directorate in their assessment of risk and seek explanations over the proposed actions to manage the risk;
- Build a risk-aware culture within their directorate and disseminate good risk management practices;
- Provide advice and assistance as required;
- Obtain and update on planned actions from appropriate service heads for reporting to CLT; and
- 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). A quarterly update is also presented to the Audit Committee.

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 01/06/18) identifies 12 corporate risks. The definition of each of these risk ratings is set out in Appendix 4

(Risk Scoring Matrix).

		Risk		Score			
Directorate	8	12	15	16	20	25	Grand Total
HAC	0	1	1	0	0	0	2
CSD	0	1	0	2	0	2	5
Place	0	0	2	0	0	0	2
Governance	1	0	0	0	0	0	1
Resources	1	0	0	0	1	0	2
Grand Total	2	2	3	2	1	2	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 2017, the numbers of corporate risks have decreased from 13 to 12.

Risk	Current Risk Rating	Risk Description
CSD0016 (Children’s)	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.
CSDSC0014 (Children’s)	25	Ofsted Inspection in Jan-Feb 2017 has raised significant failings in the delivery of services to vulnerable children and families in LBTH following the Single Inspection Framework. The report is due for publication on the 7th of April and provisional grading’s plus a draft report has been received.
REV0007 (Resources)	20	Impact on local income from Appeals on the new local rating effective from 1/4/17, due to all business premises having new rateable values. 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.
CSDSC0004 (Children's)	16	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.
CSDSC0005 (Children's)	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.
ASD0015 (Adult's)	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.
PLC0013 (Place)	15	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.
DRCPCD0022 (Place)	15	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).
ASD0017 (HAC)	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 be more than one incident at the same time.
CSDR0011	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

(Children's)		is unlawful to erect the building on a disused burial ground, and that it should be demolished).
LPGLS0001 (Governance)	8	No-compliance with corporate governance procedures.
RSB0019 (Resources)	8	Maintaining and strengthen financial viability/balance across MTFS period to 2020.

Table 2 – Corporate Risk register summary

Risk Numbers

At the end of June there are 482 identified active risks and 843 active controls 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.

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 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. In 2017/18 twenty two risk workshops were held with various Directorates and Divisions to review, identify and analyse risks to their objectives.

5.0 Preparation and Publication of Risk Management Information

5.1 The Risk Management pages on THnet include 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. Risk Management training has the following goals;

- Creating positive risk management behaviours and culture.
- Communicating risk information.
- Building risk capability.
- Identifying risks to objectives.
- Assessing risks and establishing tolerance.
- Addressing risks
- Reviewing and monitoring risks.
- Reporting risks.

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. Over a hundred staff have attended and completed the course. By the end of the training sessions, participants were able to:

- Understand the Council's approach to risk management;
- Understand how risk management affects decision-making;
- Conduct a risk analysis by drawing up a risk profile and using a risk matrix;
- Identify risks/uncertainties to achieving a set of objectives and expected results;
- Prioritize these uncertainties; and
- Decide how to act on the uncertainties within the framework of project planning.

Risk management methodology and the various concepts discussed during the training session accompany the training module and are designed as a guidebook for future reference. It therefore follows the structure of the training module and covers a fairly extensive review of risk management concepts using examples to help develop a general understanding of the subject. It enables participants set up a risk profile and a risk management

plan for their services.

Risk management training has raised basic awareness of risk management concepts and mechanisms, enabling participants to identify and manage risks in their services and strengthening project management through adequate forward planning of potential risks.

- 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.

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. Topics have ranged from the Cyber risk landscape, managing reputational risks, anti-fraud and corruption strategy, GDPR risk and impact of Brexit on the local Authority.

- 7.3 A new programme of risks talks featuring internal and external speakers will commence in June 2018.

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 2017. 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. 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 **2017/18** Annual Governance Statement Report noted the following comments regarding the Council's Risk Management arrangements.

"All councillors and managers are responsible for ensuring threats and opportunities are considered in the decisions they take. TH has in place a formally approved risk management strategy which is subject to annual review. That strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered."

"In support of the delivery of effective risk management arrangements, a corporate risk management system 'JCAD' is used to capture all relevant corporate / directorate and project related risks. In addition, directorate Risk Champions oversee the continued development and review of the council's approach to risk management, acting as risk specialists to continually review existing risk and to consider emerging risk matters."

Benchmarking risk management

8.3 To assess and compare our “risk management health” with other authorities the Council participates in CIPFA benchmarking exercise. It is designed as a performance improvement tool and helping Council’s to raise standards of risk management. The results are expected to be used as the basis of the evidence to provide the Council with assurance of the standard of risk management that it has reached. A summary of our performance from our most recent participation (2017) 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 & Shared Resources	Awareness	Happening	Working	Embedded & Integrated	Driving
	Processes	Awareness	Happening	Working	Embedded & Integrated	Driving
Results	Risk Handling & Assurance	Awareness	Happening	Working	Embedded & Integrated	Driving
	Outcomes & Delivery	Awareness	Happening	Working	Embedded & Integrated	Driving

Level Guide:

Awareness	<20%
Happening	20 – 45%
Working	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.

9. **Risk Management Action plan 2018/19**

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.
- Updating the risk management strategy.
- Implement a risk appetite methodology to ensure effective reporting on risks within and outside appetite for each category. We have identified six risk appetite categories.