



Annual Risk Management Report 2015/16

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1.0 Introduction

1.1 The purpose of this report is to summarise the work of the Council's risk management team during 2014/15 and highlight its activities to promote the effectiveness of the process deployed to identify, assess, prioritise and mitigate the key risks which could affect the overall achievement of Council objectives.

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 which 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 identified the following aims:

- A. promoting 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 (JCAD).
- Preparation and publication of risk information on TH Net.
- Maintenance and development of the Risk Management Information System, Known as JCAD Risk.
- Provision of risk training including members, and senior managers, new managers and staff as well as regular training opportunities on JCAD Risk.

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 Policy Statement (Appendix 1). 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 which 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.

3.2 Corporate 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. 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 Management Team (CMT) 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:

- Update and maintain directorate risks on JCAD (Council's Risk Management Information System) Risk every quarter;
- Facilitate the embedding of risk management within the directorate;
- Maintain close liaison on risk and risk dynamics with individual service heads and DMT 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 CMT; and
- Bring significant risks to the attention of the CMT.

- 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 CMT 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 During November and December 2014 and January 2015, Zurich undertook a series of meetings with members of the Corporate Management Team (CMT) to review risks and control measures on the Corporate Risk Register. This followed on from a workshop with CMT on 2nd September where the risk register was initially reviewed and updated. These are listed in brief below (para 3.10) and a detailed corporate register is set out as Appendix 2.

The meetings involved senior managers reviewing in more detail the risks assigned to them and also reviewing more generally other risks on the register and identifying any risks to be added or taken off the risk register.

It was agreed that CMT should have a timescale for re-visiting all of the risks to ensure that the Corporate Risk Register continues to be a relevant and robust document which accurately reflects the key risks facing the Council.

During the interviews it was suggested that CMT may also want to have sight of high level directorate risks when reviewing the corporate risks. This provides assurance to CMT that although a decision has been made not to include them on the Corporate Risk Register that they are being managed effectively. It will also ensure that the Corporate Risk Register only contains the key strategic risks which need to be owned by CMT rather than higher level directorate risks.

Following a restructure of Education, Social Care and Wellbeing (ESCW) Directorate into Children's Services Directorate and Adult's Services Directorate, former ESCW risk have been desegregated to two new directorates in the Risk information system (JCAD). Further work is to be undertaken in reviewing

and updating risks in both directorates and resolving risk training issues following the reorganisation.

3.9 The current corporate risk register (as at 31/08/15) identifies 10 corporate risks. The definition of each of these risk ratings is set out in Appendix 3.

Risk Scores						
Directorate	8	10	12	15	20	Grand Total
ASD	0	0	0	1	0	1
CLC	0	1	0	0	0	1
CSD	0	0	0	2	0	2
D&R	0	0	0	1	0	1
LPG	0	0	3	0	0	3
Resources	0	0	1	1	0	2
Grand Total	0	1	4	4	0	10

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

Key: **ASD** – Adults Services directorate
CLC – Communities Localities Culture directorate
CSD – Children’s Services directorate
D&R – Development and Renewal directorate
LPG – Law, Probity and Governance directorate
Resources – Resources directorate

Compared with the same period in 2014, the number of corporate risks decreased to the present 10.

The corporate risks and current risk ratings(August 2015) are shown below in Table 2.

Risk Ref	Current Risk Rating	Risk Event	Directorate
ASD0015	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.	ASD

CSDR0002	15	Council's inability to meet demand for school places.	CSD
CSD0016	15	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.	CSD
LPGCOM0003	12	Failure to effectively manage the reputation of the Council.	LPG
RSB0019	15	Maintaining financial viability/balance in 2016/17 to 2017/18.	Resources
LPGSE0001	12	Failure to achieve community cohesion and radicalisation of young people and gangs.	LPG
LPGLS0001	12	Non-compliance with corporate governance procedures	LPG
PPM0016	12	Failure of the Council's supply chain.	Resources
DRA0016	10	Failure to meet the borough's housing targets.	D&R
CLSCE10008	10	There is a risk that, should a major incident take place affecting council services, there may be a failure to implement an effective response.	CLC

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 TH Net includes information and tools on managing risk 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)
- A new Risk matrix
- Further guidance on how to use the JCAD Risk system
- Generic Service related risk assessments
- Training materials

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. As a result a significant portion of time is allocated to this area.

Business Risk Management training staff

6.2 A new timetable is now in place for training commencing in September 2015. This is starting with targeted training for senior managers/starters in the Adults and Children's Services directorates. This will be followed by training in all directorates.

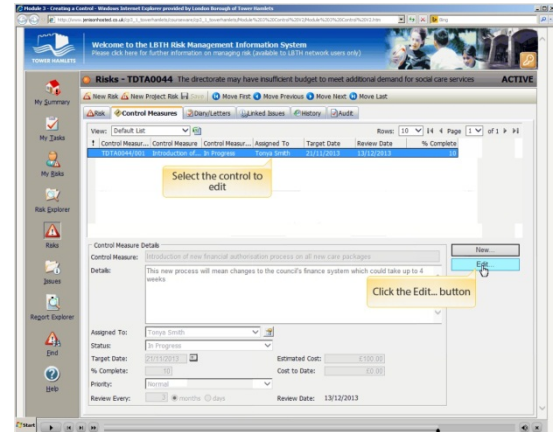
Senior Management Risk Management training

6.3 Following on from the Corporate risk register refresh workshop conducted by Zurich Municipal Risk Consultancy, further workshops and training will be conducted with directorate management teams.

E-Learning

6.7 The council uses a Risk Management Information System, known as JCAD which is

used to record and report on risks. The reports produced by this system are used to provide risk information to DMTs, CMT, MAB and the Audit Committee. An ELearning course has been developed to help train new users of the system as well as provide a refresher for existing users. Pictured right is a screen shot showing part of the E-Learning module.



Member Risk Management awareness

6.8 A Risk Management and Anti fraud awareness session is to be implemented as standard training for members. This is now included in the member development programme.

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 TH Net 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 guests is programmed for the latter part of 2015 and in 2016.

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 2013. The evidence suggests that the council has processes in place which continue to improve.

The Council's internal Audit service conducted an audit examining the systems in place for risk management across all Directorates in late 2014 and early 2015. Areas of good practice were identified during the audit, however they were all given substantial assurance (substantial assurance means while there is basically a sound system there are weaknesses which put some of the control objectives at risk and from testing there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk).

An action plan is in place to address weaknesses found in risk management audit which includes further training on risk identification process within services and on the quality of controls measures and progress/updates.

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, to this end a risk management strategy was adopted in March 2002 and is regularly reviewed and endorsed by the Mayor in Cabinet and the Head of Paid Service and was most recently endorsed in June 2014.

The 2014/15 Annual Governance Statement Report noted the following comments regarding the Risk Management arrangements.

"The Authority has a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The principles of risk management are embedded in the Council's 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 Management Team. Directorate Risk Champions oversee the continued development of the Council's approach to risk management."

Alarm/CIPFA Benchmarking Club

- 8.3 The council is a member of the Alarm/CIPFA Risk Management Benchmarking club which comprises over 50 local authorities and other public bodies. The council last participated in the 2013 (May/June) Risk Management benchmarking exercise.
- 8.4 The Benchmarking Club uses a National Performance Model which is based on the highly respected tool developed by HM Treasury in 2002, 'Risk Management Assessment Framework'.

It breaks down risk management activity into seven strands:

- Leadership and management
- Strategy and policy
- People
- Partnership, shared risks and resources
- Processes and tools
- Risk handling and assurance
- Outcomes and delivery

- 8.5 The Risk Management team completed the self-assessment questionnaire and Returned to CIPFA for analysis against the model. The council at the period of assessment on all the seven strands had either a Working or Embedded and Integrated classification. Comparison to the council's responses with earlier results (2012) reflects an upward trend in the overall direction in performance. This is recognition of the Risk Management work undertaken by the team since 2013.
- 8.6 The council was also compared with 5 other local authorities (London Boroughs). The comparison indicates that on five of the seven strands the council was slightly below The average although particularly strong on the Policy and Strategy and Process areas. The aim is to improve all the council's scores to Embedded and Integrated and where possible to Driving. It is anticipated that with the measures taken in 2013/4 and those identified in the action plan, there should be some movement in this direction. The

next Risk Management benchmarking exercise is due late summer 2016.

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 & 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

9.0 Risk Management Team Plan 2014/15 to 2015/16

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.
- Risks will be more closely aligned to service and business objectives.
- Additional Risk Management training for managers is being offered together with a refresher for senior managers.
- Risk Talks will continue with regular features in TH Now.
- Risk Management protocol 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 what should be included on the risk management information system (JCAD mainly at service levels), and quality of the controls measures and progress/updates.