



Leicester  
City Council

**WARDS AFFECTED**  
All

## **FORWARD TIMETABLE OF CONSULTATION AND MEETING**

**Audit and Risk Committee – Comment**

**2 December 2015**

**Executive - Decision**

**10 December 2015**

**Audit and Risk Committee - Note**

**10 February 2016**

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### **Corporate Risk Management Strategy 2016**

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#### **Report of the Director of Finance**

##### **1. Purpose of Report**

- 1.1. To advise the Committee of the support and agreement of the Corporate Management Team for the updated Risk Management Strategy and Policy Statement as contained in this report.

##### **2. Recommendations (or OPTIONS)**

- 2.1. The Committee is recommended to:-
- Note that Corporate Management Team approved the 2016 Corporate Business Continuity Management Policy Statement and Strategy at Appendix 1;
  - Note that the Executive will be asked to agree the Policy and Strategy in December;
  - Note that this Committee will be advised of the completion of this process in February.

##### **3. Report**

- 3.1. The Council's original Risk Management Strategy and Policy was approved by Cabinet on 30 November 2009, with subsequent updates being approved in 2010, 2011, 2012, 2013 and 2014 (the latter three by the Executive). Throughout each of these years satisfactory progress has been made improving and strengthening risk management arrangements within the Council's many, diverse business units. The strategy has now been reviewed again to reflect any improvements still necessary and to confirm the procedures/processes that are now in place to support risk management across the Council.
- 3.2. Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people. Good risk management looks at, and manages, both positive and negative aspects of risk. It is not about being risk averse, but is the process whereby the Council methodically addresses the risks attaching to its activities with the aim of achieving sustained benefit within each activity and across the portfolio of all activities. The Council's risk management process should allow this 'positive risk taking' to be evidenced.

- 3.3. Positive risk taking' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks involved, and developing plans and controls that reflect the positive potentials and stated priorities of the Council. It then involves using available resources and support to achieve desired outcomes, and to minimise any potential 'harmful' impacts. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances. The Council's policy calls this being 'risk aware' – we know what the risk is; we know what the impact may be; we know how likely it is to happen; we have in place controls to reduce the potential impact or the likelihood of its occurrence; and, there is visibility of these risks being managed (through the risk management process).
- 3.4. The challenge remains to continue to integrate risk management into the Council's culture, its everyday business operations and those of its contractors and partners. After all, risk management is just one (if very significant) part of the overall management duties of all managers.
- 3.5. The Council should now be positioned where every project/programme should have a risk assessment/log; the Project Assurance Team continues to audit project compliance; the Risk Management and Insurance Services team provide regular, risk management training sessions (following the Strategy review here last year, since October 2014 these have become mandatory for every staff member that has to complete a risk assessment); and, every Divisional Director should have risk on their Head of Service 121s and SMT agendas at least once a quarter to review their Divisional risks prior to submitting their Divisional Risk Register to the Corporate Management Team (and then the Audit and Risk Committee) via the Head of Internal Audit and Risk Management each quarter.
- 3.6. Earlier this year an independent review of our Risk Management Strategy and Policy and it's supporting documentation concluded 'It is our opinion that the Risk Management Policy Statement is adequate and provides a concise statement of fact. The overall process adopted by Leicester City Council largely reflects the HSE's approach to risk assessments. The Risk Management Policy statement clearly articulates the purpose of the risk management process established by Leicester City Council and is supported at senior level. The Risk management Strategy and associated toolkits form a comprehensive suite of documents which can be used to manage a wider range of risk situations. It is our informed opinion that all risk assessments can be completed as detailed in the Risk management Strategy, and that the documentation reviewed can be used as standard templates'. This, along with the interest being shown in our process both at home and abroad, is positive assurance we are on the right track.
- 3.7. Notwithstanding this, there is still further progress to be made. Incidents still occur and there are areas of concern when conversations with staff and management make it clear that areas remain of the current risk management processes that need review to ensure the Council is able to demonstrate an acceptable level of compliance (specifically embedding the risk process within Divisions to gain assurance that all risks are being properly identified, controlled and reported). Several of these instances have been brought to Directors attention through the year as part of the Governance process by which the Risk Registers are presented and discussed at Corporate Management Team every quarter.

- 3.8. Thankfully, there are no major incidents to report here this year as there was last year, but through the work done in the business areas by the RMIS team we are aware that some areas of the council are still (in year six of this Policy cycle) not fully compliant with the Council's Risk Management Strategy and Policy. In particular the following weaknesses have been identified during the recent past:
- Risk assessments are still being completed that are not aligned to Policy (wrong form; wrong scoring methodology);
  - Risk assessments are being completed by staff who haven't attended the mandatory risk management training – evidenced by assessments that are poorly written and worded;
  - Third party risk assessments are not always obtained nor considered and, where they are obtained, it is often used as the only risk assessment;
  - The cost of risk is not always clear, leading to inappropriate indemnity limits being sought from third parties.
- 3.9. Last year I reported that 'as a consequence of one of the significant incidents, the Chief Operating Officer, in an e-mail to the Union representatives and the Health & Safety and Risk Management & Insurance Services (RMIS) teams has advised that the 'Identifying and Assessing Operational Risk' training session should now be mandatory for all staff who have to complete a risk assessment as part of their day to day duties. The Council's Health and Safety Policy will now clearly state that any advice on risk management should come from the RMIS team and not any other areas of the Council's assurance/governance functionality'.
- 3.10. The RMIS team, acknowledging that there were many staff, managers and supervisors who are carrying out risk assessments that had not been on the training, more than doubled the planned number of sessions available to staff in 2015. Where numbers were sufficient, bespoke training sessions have been delivered to teams in their own environment. In total, 20 courses have been delivered to around 500 staff in the calendar year to date. A commendable feat when you consider there are no full time Risk Management staff and one that could not have been delivered without the support of the Directors and their teams.

## **4. Summary**

4.1. The key deliverables in this year's Strategy include:-

- Ensuring the Risk Management Framework at LCC continues to reflect the organisational structure, and that risks affecting the delivery of the Council's priorities and its objectives are properly identified, assessed, managed, monitored and reported;
- Continuance of the process whereby Divisional Directors (and now their Heads of Service) have individual risk registers feeding through to the Council's Operational Risk Register, which is reviewed by the Corporate Management Team, led by the Chief Operating Officer, supported by the Head of Internal Audit and Risk Management;
- Improving Divisional engagement with risk management processes to further embed a culture within the Council where risk is anticipated and managed proactively – that is, it becomes part of the daily process. It is not a quarterly 'form filling' exercise, but

should be seen to 'add value'. A risk assessment should be completed and/or updated for each project or contract being let, as a minimum;

- Increasing recognition of the benefits that can be achieved, operationally and strategically, with effective and embedded risk management;
- Continuing to support the operational service areas in the development and improvement of their individual risk registers by identifying and delivering training support and guidance. This may be delivered by the Risk Management and Insurance Services team and/or by external risk consultants from Zurich Municipal (funded through the Insurance Contract);
- Directors and Managers continuing to identify staff requiring risk management training through the appraisal and job specification process. As highlighted above, this is a key deliverable for Directors and their teams in 2015 to better protect the Council. It is, after all, the business areas that 'own' and should manage their risks; and
- Emphasising that Risk Management and Insurance Services (along with Internal Audit) continue to be perceived across the Council as 'Risk Advisors' who will assist managers in scoping and managing their risk exposure to enable the implementation of innovative schemes. These areas do not (and should not) manage the Council's risks.

4.2 The work of the Risk Management and Internal Audit teams should continue to provide an independent assurance about the adequacy of risk management. These teams may also be used by management as 'expert' internal consultants to assist with the development of strategic and operational risk management processes. Both teams have a wide ranging view of the whole of the Council's activities and already have some form of assessment to inform their planning of systems and processes to be reviewed and audited.

4.3 As this is now the fifth year of this process, changes to the Strategy and Policy are limited. However, the following updates have been made:

- There are no changes to the Policy statement in the Strategy;
- The final bullet within 'Section 2 'Aims and Objectives' has been added;
- Paragraph 4 has been amended to carry a definition of risk;
- Paragraph 14 has had the word 'only' added, to assist in avoidance of loss of insurers indemnity (which arose from the incident described at paragraph 3.9 above);
- Paragraph 15 has had several superfluous words removed;
- Paragraph 18 has been amended so that it simplifies the process and matches 'plain English' requirements;
- Paragraph 22, first bullet, has been amended to reflect the work done by RMIS since 2014 to help produce risk registers at Head of Service level;

- Appendix 1A now also includes the scoring 'guidance' used by officers when carrying out their risk assessments.

4.4 Finally, as this is a summary of the past 12 months achievements in risk management, it should be noted that the Head of Internal Audit and Risk Management, as the ALARM Risk Manager of the Year, delivered a presentation on Enterprise Risk Management (the 'official' title for our process) to over 1700 delegates at the PRIMA International Risk Managers Conference in Texas; to 1200 UK ALARM delegates at their Learning and Development Forum in Birmingham, both in June; and to 200 delegates at ALARM Scotland in Edinburgh, during their Forum in October. Such has been the interest nationwide within Local Government circles in what we have done here, that this has been requested by the ALARM South West group for their regional conference in February.

4.5 Following the events in paragraph 4.4, the Head of Internal Audit and Risk Management is working (long distance) with 28 US State Authorities that wish to adopt our process and has contracted (income of c£7,500) to deliver this process with the Risk Manager and Strategic Director, Risk at an English Metropolitan Borough Council. There are also 36 other UK Local Authorities that are in negotiations for the same service. This is not only a reflection of the hard work and enthusiasm of the risk management staff but also of the great support provided by the members of this Board and your staff who put these risk management processes into practice.

## **5. FINANCIAL IMPLICATIONS**

### **5.1. Financial Implications**

5.1.1 The cost of risk falls into two categories:

- The direct cost - paying premiums to insurance companies, meeting insured claims, encouraging low cost risk improvement initiatives, supporting essential risk control measures, and associated administration of the risk management function. For 2014/15 this is estimated to be about £5m.
- The indirect cost – mainly the service disruption associated with incidents. This cost is extremely difficult to quantify on most occasions, but in a 'worst case scenario' may amount to a sum as much as, or in excess of, the direct costs. As an example, the insurance 'cost' for the Catherine School fire (a fairly low level incident that led to partial, not total, loss of asset) was around £5M.

5.1.2 Whilst our insurance arrangements protect the Council from catastrophic loss in any given year without additional charge in that year, any overall deterioration in the Council's loss experience will have an impact on premiums for future years. It is never possible to eliminate the cost of loss, however, low incident rates can be maintained, and by proper attention to risk control and the prevention of incidents, the financial impact can be managed.

5.1.3 With the Council looking to adopt a 'Risk Aware' approach rather than 'Risk Averse' (and integrating risk management into the Council's culture and day-to-day practice), it is in a better position to identify opportunities that may benefit the Council (including financial) where associated risks are managed rather than avoided altogether.

5.1.4 By building risk awareness into the root of all business cases and proposals to the Executive and the Corporate Management Team – ensuring these reports make it clear that risk has been considered and a risk assessment (in line with the Strategy and Policy) is present, driving risk management from both a top down and bottom up approach, and maintaining and periodically reviewing the relevant risk registers (Operational and Strategic) the Council is also putting itself in a better position to highlight unacceptable risk (individually or collectively) and take appropriate action where necessary to minimise the risk of potential losses (including financial).

5.1.5 In terms of risk financing, the Council currently maintains an insurance fund and only externally insures for catastrophe cover. As referred to in Appendix 2 (Risk Management Strategy 2014), this balance between external/internal cover needs to be reviewed (and documented) on an annual basis taking into account the market conditions and claims experience.

***(Alison Greenhill, Director of Finance)***

## 6. Other Implications

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References Within Supporting information</b>
Risk Management	Yes	All of the paper.
Legal	No	
Climate Change	No	
Equal Opportunities	No	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

## 7. Report Authors

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