

Committee(s)	Dated: 24 July 2017
Audit and Risk Management Committee	
Subject: External Risk Management Review: <ul style="list-style-type: none"> • Risk appetite project • Risk management training for senior managers 	Public
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Summary

The purpose of this report is to update the Committee on the arrangements for the implementation of one of the recommendations from the External Risk Management Review (autumn 2016) in relation to the setting of the City Corporation's risk appetite. It also contains a brief update on the implementation of the risk management training sessions for senior managers.

Risk appetite is defined as "*the amount and type of risk (an organisation) is willing to seek out in pursuit of its objectives*". It is a core consideration in any organisation and their approach to the management of risk. Setting a risk appetite for the City Corporation will support its approach to corporate governance as well as having a number of other benefits including:

- Ensuring that the City Corporation is only taking a level of risk, and the types of risks that it is comfortable with.
- Exercise appropriate oversight and governance by defining the nature and level of risks it considers acceptable.
- Empowerment – providing managers with the tools to make judgements about which risks and opportunities that are acceptable and which are not.
- Ensure that the City Corporation's response to risk is proportionate, and to enable informed risk based decisions.

Zurich Municipal Ltd.'s risk engineering team have been commissioned to assist in developing a risk appetite (based upon predetermined risk areas) for the City Corporation. The approach includes a mandatory online survey aimed at senior managers (using a list supplied by the Town Clerk's department). Members of the Audit and Risk Management Committee and Chairman of Grand Committees will be requested to participate in the online survey as well. The results of the survey will be analysed and validated which will include a number of meetings with individual chief officers and members. The intention is for the final report to be produced by early September, presented to the Summit Group later that month and then reported to the Committee in October 2017.

The external risk management review (2016) recommended that there should be a programme of risk management training for senior managers. With the support of the Town Clerk, the training has been made mandatory and is regarded as essential to improve the level of risk management knowledge in the City Corporation as well as develop a more consistent approach in the corporate risk management process. Of the 13 half day sessions organised from 26 May to 7 July 2017 a total of 94 (out of 124), 76% officers have either already attended or due to attend the remaining courses. Feedback from the senior managers who have attended so far has been positive. Discussions are taking place with the risk consultant, who is delivering these courses, together with the Corporate Risk Advisor, to arrange a number of wash up sessions in September 2017.

Recommendations

The Committee is asked to note the report.

Main Report

1.0 Background

- 1.1 The external risk management review, which was reported and welcomed by the Committee in November 2016, contained a number of recommendations including the following:

“The organisation should consider providing a clearly articulated statement on its risk appetite and tolerance to address the current general misconception that the organisation is risk averse and to positively guide and influence the personal predispositions to risk which are maintained by key internal stakeholders.”

What is risk appetite?

- 1.2 Risk appetite is defined by the international standard on Risk Management (ISO 31000:2009) as well as the UK Office of Government Commerce - Management of Risk Guidance 2010 as *“the amount and type of risk (an organisation) is willing to seek out in pursuit of its objectives”*. It is a core consideration in any organisation and their approach to the management of risk.
- 1.3 The Cipfa/SOLACE document Delivering Good Corporate Governance in the Local Government 2016 highlights the need to recognise *that ‘risk management is an integral part of all activities and must be considered in all aspects of decision making’*. Setting the City Corporation’s risk appetite for specific risk areas should therefore assist senior officers in understanding the risks they are taking in making those decisions.

Within the private sector The UK Code of Corporate Governance (2016) states that *“The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives”*. This is risk appetite by any other name.

What are the key benefits of setting a risk appetite for the City Corporation?

1.4 The key benefits for setting a risk appetite are set out below:

- The City Corporation is only taking a level of risk, and the types of risks that it is comfortable with.
- Exercise appropriate oversight and governance by defining the nature and level of risks it considers acceptable.
- Empowerment – providing managers with the tools to make judgements about which risks and opportunities that are acceptable and which are not.
- Ensure that the Corporation's response to risk is proportionate, and to enable informed risk based decisions.

2.0 The Risk Appetite project – Progress

2.1 Following research into how public sector organisations set risk appetite levels it was agreed that the City Corporation would commission Zurich Municipal Ltd.'s risk engineering team to assist in the implementation of the external risk management review recommendation on risk appetite Zurich Municipal have experience of developing risk appetite processes within a number of London Boroughs and for other clients.

2.2 Zurich Municipal have set out a four stage process to complete this work:

Stage 1: An on-line mandatory Risk Appetite Survey for senior managers. (Members of the Audit and Risk Management Committee and Chairman of Grand Committees will be requested to participate in the on line survey as well.)

Stage 2: Analysis of results and collation of findings to be undertaken by Zurich Risk Consultants.

Stage 3: Facilitated feedback session/ a number of individual meetings with Chief Officers/members of the Audit and Risk Management Committee and Chairman of Grand Committees to validate findings.

Stage 4: Summary presentation to Summit Group, to agree a City Corporation wide risk appetite for specific risk areas.

2.3 Work on the development of the mandatory online survey is nearing completion. The survey questions will be tested and any amendments made prior to it being issued to senior managers. The survey seeks the views of senior managers of their perception of the level of risk that the City Corporation is currently exposed to as well as the level of risk it would be willing to accept to achieve its corporate objectives. Members of the Audit and Risk Management Committee and Chairman of Grand Committees will be requested to participate in the on-line survey as well. The survey is expected to be ready in early July and will then be issued. There will be a two week response period.

2.4 Zurich Municipal Ltd.'s risk engineering team will analyse the responses and should have their initial findings ready by the end of July/early august. A process of data validation will be begin and include a number of meetings with

individual chief officers. A final report, with associated charts and tables, will be ready early September. The intention is then to present the report to the Summit Group at its September meeting, followed by a report to the Audit and Risk Management Committee in October 2017.

3.0 Risk Management Training for Senior Managers

- 3.1 The external risk management review (2016) recommended that there should be a programme of risk management training for senior managers. With the support of the Town Clerk the training has been made mandatory and is regarded as essential to improve the level of risk management knowledge in the City Corporation and develop a more consistent approach in the corporate risk management process. A total of 13 half day sessions were organised to take place between 26 May and 7 July 2017. Out of a total of the 124 invitations sent to senior managers, 49 had attended courses up to 19 June whilst another 45 are due to attend on the 4 remaining sessions (a total of 94 out of 124 = 76%). Feedback from senior managers who have attended so far has been positive.
- 3.2 Discussions are taking place with the risk consultant (from Gallagher Bassett International), who is delivering these courses, together with the Corporate Risk Advisor, to arrange a number of wash up sessions in September. These are in the process of being confirmed.

4.0 Conclusion

- 4.1 The project being undertaken by Zurich Municipal to help set risk appetite levels for the City Corporation is in response to the recommendation made in the external risk management review of 2016. The output of the project will be presented to the Summit Group in September 2017, reported to the Audit and Risk Management Committee in October and subject to agreement, will lead to the adoption a risk appetite approach in assessing risks and making effective decisions.
- 4.2 Significant progress has been made in delivering risk management training to senior managers. A number of additional training sessions are to be organised to complete this task in September 2017.

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