

Subject: Risk & Opportunity Management Update
Date of Meeting: 14 December 2010
REPORT OF: Director of Finance
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Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

- 1.1 There is significant change across the public sector and the council's operating structure. It is recognised that increased focus on Risk Management will enable the successful management of challenges.
- 1.2 The council's new operating structure has begun since 1 November 2010, and it will continue to develop for full operation by 1 April 2011. During this transition period, the Audit Committee will not receive a new Corporate Risk Register but the existing Corporate Risks (reported to the Audit Committee in June 2010) still apply, are valued and continue to receive management attention and monitoring. This transitional approach to operating on "old structures" until April 2011 to minimise risk at this time of transition is the same approach as taken for Targeted Budget Management (TBM) and Performance Monitoring.
- 1.3 The existing Corporate Risk Management Action Plans (MAPs) have been updated to ensure currency and will be reported to this same Audit Committee meeting but in Part 2, confidential session.
- 1.4 Details of work in progress to further develop Risk Management and better integrate Performance and Risk Management into the council's new operating model are provided in this report.

2. RECOMMENDATIONS:

The Audit Committee are recommended:

- 2.1 Note that a new Strategic Risk Register to replace the current Corporate Risk Register will be prepared for the Audit Committee's April 2011 meeting. Appendix 1 provides a copy of the current Corporate Risk Register, reported in June 2010 which is based on based on "old structures" but has been updated in November 2010 to reflect key changes.

2.2 Agree that the Chair and Deputy Chair of the Audit Committee, between December 2010 and April 2011 will meet with the Risk Manager and the Head of Audit & Business Risk to be provided with an update on:

- progress towards the new Strategic Risk Register
- measures to enhance the integration of risk management as part of the new council structure

in order that the Committee have an awareness of developments and are assured that risk management and internal control is working effectively during this transitional period.

2.3 Note that the updated Risk Management Action Plans (Risk MAPs) which detail work to address current Corporate Risks have been updated and will be reported under the item name “Corporate Risk Management Action Plans Focus” in part 2, confidential, session of this meeting.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The agreed Risk and Opportunity Management (ROM) Strategy 2008-11 provides that the Corporate Risk Register will be reviewed and reported to the Audit Committee on a six monthly basis, normally in May and November each year.

3.2 It was reported to Committee at their meeting in September 2010 that a number of significant changes during 2010/11 are affecting the council, including:

- Increasingly difficult financial climate
- Government change and policy direction
- Regulation and assessment change – particularly the abolition of the Comprehensive Area Assessment, which included the Use of Resources judgement that specifically judged the council’s performance on risk management and internal control
- Significant organisational change – both within the council and other organisations
- Enhanced need to explore potential for alternative means of public service delivery
- Recognition of increased need to prioritise, use and channel available resources appropriately to provide outcomes for the local community

In order to meet these changes, the council has undertaken a new operating model for its service planning and delivery which started to be implemented on 1 November 2010. Given the extent of change both nationally and within the council, including significant change to budget and organisational structure, it could be considered premature to create a new highest level Risk Register which represents the priority risks affecting achievement within only weeks of implementation of the significant transformation that the council is undertaking.

- 3.3 There is increased focus and emphasis on risk management which is recognised as a key element of enabling the council's new organisational structure to pull together and manage the increasingly challenging operating environment. Current work includes:
1. Development of a new Performance and Risk Management Framework for council service delivery which has risk management at its core and integrates risk and performance at all levels
 2. A Strategic Risk Register to be set in December 2010 by the council's Corporate Management Team (comprising the Strategic Leadership Board, Lead Commissioners, Heads of Delivery Units, Heads of Resource Units, Heads of Finance Units)
 3. Proactively managing risk actions into relevant business plans (including partnership commissioning strategies, performance compacts and business plans)
 4. Developing risk "triggers" for incorporation into Service Level Agreements and Performance Compacts , to allow "management by exception" across all council services
 5. Working on the integration of risk management into Commissioning Decisions
 6. Development of a new Risk Management Standard to succeed the current Risk & Opportunity Management Strategy 2008-11.
- 3.4 Updates on the Risk Management development work (as above) will be reported via meetings with the Chair and Deputy Chair of the Audit Committee in order to inform the Committee's opinion on the effectiveness of risk management and internal control before the Committee's next meeting in April 2011.

4. CONSULTATION

- 4.1 The work to establish Risk Management as a key element of the council's new Performance & Risk Management Framework involves cross-discipline work by officers on the Performance & Intelligence Project Board, chaired by the Strategic Director Resources, and it is envisaged, ultimately will involve consultation with external partners, as part of Commissioning and Partnership Commissioning Strategies.
- 4.2 Consultation will take place on the new Risk Management Standard 2011 onwards will take place from early 2011.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 A number of heightened risks may have potential significant financial implications for the authority either directly or indirectly, these will be reflected in the Strategic Risk Register. The Corporate Management Team will be responsible for effective management of the risks through performance compacts and the new Performance & Risk Management Framework. As a result all potential financial impacts are properly considered and likely financial outcomes are reflected in medium term financial plans and budget strategies, which are continually updated to reflect changing assumptions and likelihood of risk.

The council's Section 151 Officer also has regard to risk assessments in developing the medium term financial strategy and budget strategy. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves and contingencies for which the budget provides. The Chief Finance Officer must be satisfied that the budget estimates contain adequate provision for those items of expenditure which might reasonably be expected to occur in the financial year.

Finance Officer consulted : Anne Silley

Date : 26 November 2010

Legal Implications:

- 5.2 Under the council's new operating structure the role of the Audit Committee is unchanged. It therefore continues to be responsible for monitoring and providing an opinion on the effectiveness of risk management and internal control.

Legal Officer consulted: Oliver Dixon

Date: 29 November 2010

Equalities Implications:

- 5.3 The new operating model for the council puts customers at the heart of our activities and there will be an Equalities Impact Assessment of the new Performance and Risk Management Framework.

Sustainability Implications:

- 5.4 The Risk Management methodology includes identification and management of sustainability.

Crime & Disorder Implications:

- 5.5 There are no direct implications.

Risk and Opportunity Management Implications:

- 5.6 This new approach to Risk Management as part of the Performance & Risk Management Framework will improve integration and embed risk management across the council's operations.

Corporate / Citywide Implications:

- 5.7 There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Update to current Corporate Risk Register 2010

Documents in Members' Rooms

1. None

Background Documents

1. British Standard for Risk Management BS31100
2. International Standards for Risk Management ISO31000

