

AUDIT COMMITTEE

Agenda Item 75

Brighton & Hove City Council

Subject: Risk & Opportunity Management Update and Strategic Risk Register

Date of Meeting: 5th April 2011

REPORT OF: Director of Finance

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Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit Committee has a role to form an opinion on the effectiveness of risk management and internal control and provide an opinion to the Council Leader and Chief Executive. Therefore, the Risk & Opportunity Management (ROM) Update report to the Audit Committee on 10 December 2010, detailed that a Strategic Risk Register would be developed and reported to their next meeting.
- 1.2 This report also gives an update on the risk management input to the council's new Performance & Risk Management Framework.

2. RECOMMENDATIONS:

The Audit Committee are requested to:

- 2.1 Note the Strategic Risk Register 2011/12 at Appendix 1 and its improved format and clarity of text.
- 2.2 Note that Risk Management Action Plans (Risk MAPs) which detail work to address Strategic Risks will be reported to the next Audit Committee meeting in June 2011.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

The Strategic Risk Register 2011/12

- 3.1 The agreed Risk and Opportunity Management (ROM) Strategy 2008-11 provides that the Corporate Risk Register (now replaced by the Strategic Risk Register) will be reviewed and reported to the Audit Committee on a six monthly basis, normally in May and November each year. It has now been completed and is attached at Appendix 1.

- 3.2 This Strategic Risk Register provides evidence of a risk aware and risk managed organisation. Generally, it reflects risk scenarios that will be common to comparable local authorities in this current period of financial challenge and change for the public sector.
- 3.3 Due to organisational re-structuring and the changing operating environment for the council it was reported, in December 2010, that there would be a delay in producing a refreshed Risk Register to report to the Audit Committee.
- 3.4 In the meantime, in order to provide assurance to the Audit Committee on the effectiveness of risk management and internal control on the risk management development work, it was agreed at the December meeting that the Chair and Deputy Chair of the Audit Committee would meet with the Risk & Opportunity Manager and Head of Audit & Business Risk. This meeting took place on 17 February 2011.
- 3.5 The timetable and consultation process for the reporting of the Strategic Risk Register is shown at Appendix 2.
- 3.6 The new improved format and clarity of text in the Strategic Risk Register 2011-12 is designed to provide more understandable information on the strategic risks and the risk management methodology used by the City Council. The improvements are summarised as:

- Clear indication of initial risk score (a combination of impact and likelihood) and the residual risk level which takes into account the mitigating actions and controls that the council already has in place;
- Consistent and more clear presentation of text for each strategic risks to describe the particular background, potential risk (the risk scenario) and its potential consequences; and
- To enable better public understanding and improve information for customers, a new final page has been added to the Strategic Risk Register which sets out the Risk Matrix and an explanation of terms used.

Risk Management input into the new Performance & Risk Management Framework

- 3.7 Other work continues to integrate risk management more closely with the council's new Commissioning model. Current work to date has included:
- 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;
 - Providing guidance to enable proactive management of risk actions through relevant business plans (including partnership commissioning

strategies, performance compacts and business plans);

- Addition of a risk “trigger” in any type of agreement between Lead Commissioners and Heads of Delivery/Resource Units; and
- Performance Compacts for Heads of Delivery/Resource Units to allow “management by exception” across all council services.

3.8 Further planned work includes:

- Working on the integration of risk management into Commissioning Decisions; and
- Development of a new Risk Management Standard to succeed the current Risk & Opportunity Management Strategy 2008-11.

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 Place, 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 during 2011.

4.3 The process to create the Strategic Risk Register involved consultation and work with the council’s Corporate Management Team (CMT) and a small CMT focus group. Further taking on board comments from Cabinet Members on the initial draft of the Strategic Risk Register to improve the format and information for stakeholders.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 The Strategic Risk Register reflects a number of risks which have potential significant financial implications for the authority either directly or indirectly. The risk owners are responsible for overseeing the effective management of the risks through performance compacts and the Performance & Risk Management Framework. The Risk Management Action Plans will detail work required to address the strategic risks. This should ensure that 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 : 22 March 2011

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: 22 March 2011

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 issues. There is a specific Strategic Risk, SR 8, which relates to Sustainability. However, Sustainability will be incorporated as appropriate across all Strategic Risks and Risk MAPs.

Crime & Disorder Implications:

- 5.5 There are no direct implications.

Risk and Opportunity Management Implications:

- 5.6 The Strategic Risk Register is evidence of risk management in operation and relates to the council's new operating framework.

Corporate / Citywide Implications:

- 5.7 There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices

1. Strategic Risk Register 2011-12
2. Timetable for reporting of Strategic Risk Register 2011-12 (SRR)

Documents in Members' Rooms

1. None

Background Documents

1. None

