

London Borough of Brent Corporate Risk Guidance

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This guidance and additional guidance on assessing impact and likelihood of risks are available on the Procurement and Risk Management section of the Brent Intranet.

1. The Risk Management Structure

Scope of this guidance

1. This note sets out the process by which it is intended to monitor and manage corporate and service area risks in 2007/08.
2. Monitoring and management of risk will be linked as far as possible into the service planning and monitoring framework. The service plans require services to identify risks, which should be done by following this guidance, and cross referenced to the Corporate Risk Register.
3. The most important thing for service managers to bear in mind is that risk management is an integral part of good management. It should be done in a proportionate way by ensuring that focus is on those risks which are most relevant to the service area, have most impact and are most likely to happen.

Higher level corporate risks

4. The corporate Risk Management Group has identified the following corporate risks. Parent risks under each of these areas are detailed in the sections that follow.

Risk area
Budget
Performance
Fraud and corruption
Legal/political propriety
Health and safety
Information and communications technology
Property
Procurement
Human resources
Partnership

The Framework

5. The approach in this guidance is to identify a number of corporate risk areas which apply across all service units. These have been identified as parent risks in the Corporate Risk Register. The expectation is that the vast majority of risks in service areas fit within these categories. By identifying the corporate risk areas we intend to achieve consistency in the way in which risk is addressed across the council.
6. Annex 1 and 2 to this chapter illustrate the framework.

Risks at service area level

7. In putting together risks to include on the risk register and in service plans, service areas will need to identify 3 sets of risks, as follows:
 - Corporate risks which need to be managed by all service areas – e.g. failure to comply with health and safety legislation;
 - Corporate risks which need to be managed within specific areas – e.g. demand led budget risks;
 - Service specific risks, which will be up to service areas to identify. These are any risks related to the individual service which have a significant combined likelihood and impact. They will normally be items that could lead to service failure.

Monitoring and managing corporate and service area risks in 2007/08

8. Each service area needs to carry out regular monitoring of risks included in the risk register and service plans. The focus should be on identifying those risks which are most likely to have a damaging impact on the council's finances, services, customers, employees and reputation and reviewing the effectiveness of measures to control those risks. It needs to be a targeted approach, with time spent assessing the risk linked to likelihood and impact.

Risks in the Service Plans

9. The information required in service plans on individual risks is as follows:
 - Service plan objective
 - Risk title
 - Description of risk
 - Likelihood – low/medium/high/very high
 - Severity – medium/high
 - Controls in place
 - Further action required
 - Lead officer
 - Corporate risk register code

Defining Likelihood and Impact

14. For all risks, the general definition of the different categories of likelihood is shown below.

<u>Likelihood</u>	<u>Definition</u>
Low	Chance of happening is less than 25%
Medium	Chance of happening is between 25%-50%
High	Chance of happening is between 50%-75%
Very High	Chance of happening is over 75%

15. Impact should be rated as in the table below. For each corporate risk area, Appendix 2 sets out more specific definitions to be used for that risk area.

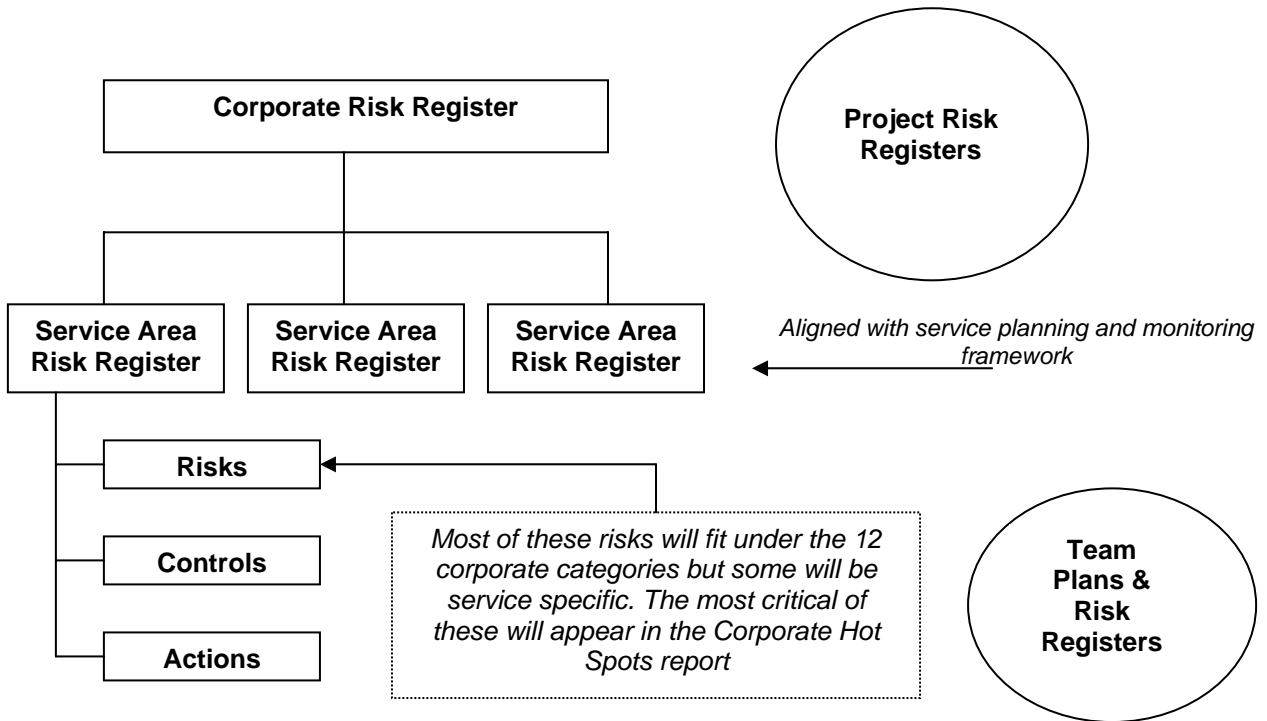
<u>Impact</u>	<u>Definition</u>
Low	Impact would be unlikely to hinder service provision
Medium	Impact could cause difficulties for the service
High	Impact could lead to service failure

16. The guide to which service risks to include in service plans is as follows:

		Impact		
		Low	Medium	High
Likelihood	Very High	<i>Include</i>	<i>Include / Hotspot</i>	<i>Include / Hotspot</i>
	High	<i>Include</i>	<i>Include</i>	<i>Include / Hotspot</i>
	Medium	<i>Do not include</i>	<i>Include</i>	<i>Include</i>
	Low	<i>Do not include</i>	<i>Do not include</i>	<i>Include</i>

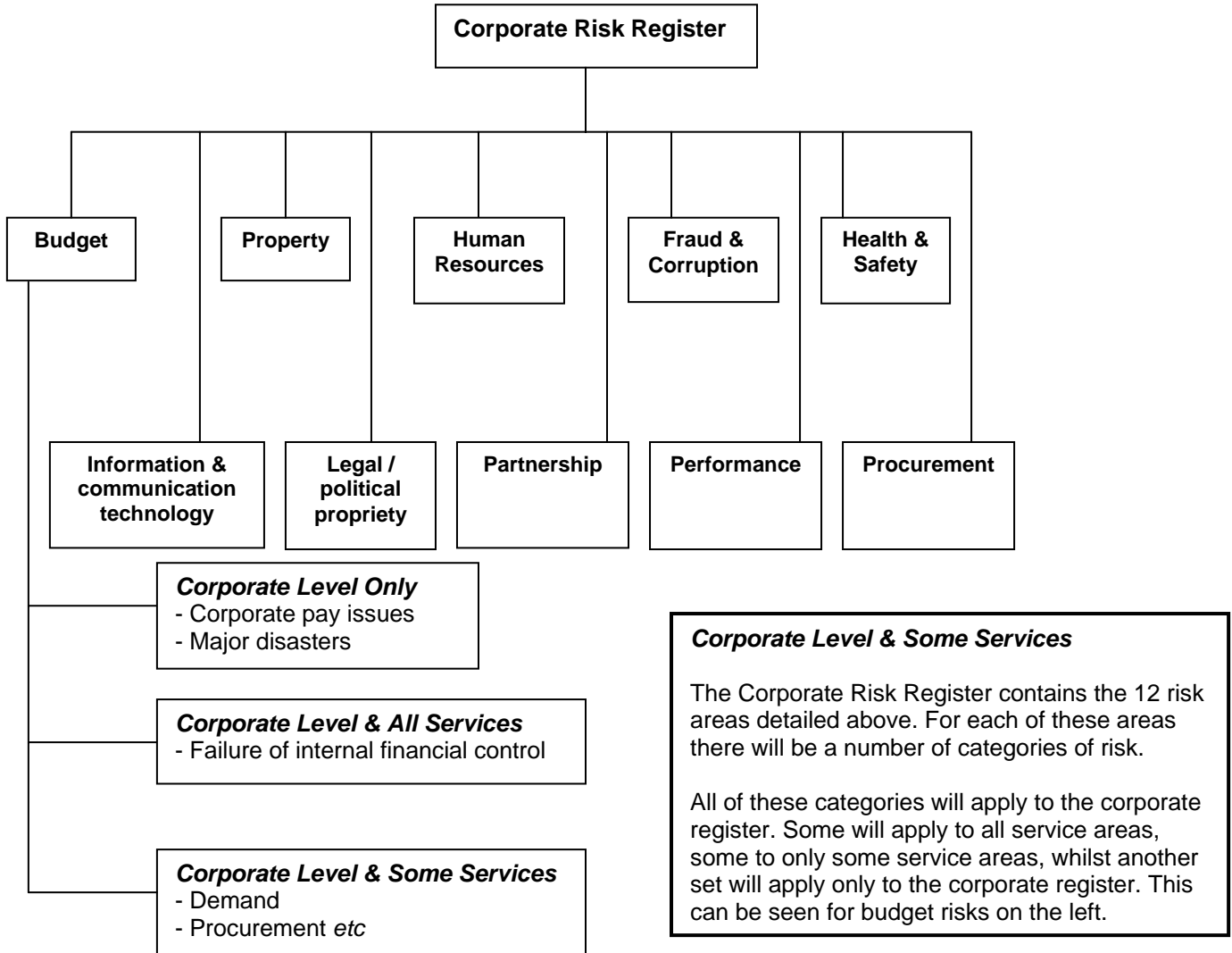
Risk Management at Brent Council

Annex 1



Cascading the Corporate Risk Register

Annex 2



2. Budget Risks

Main categories of corporate budget risk

Corporately Managed Risks – these do not need to be included in individual service plans

- A. pay related, where general pay increases may be more than provided within budget (does not apply to local settlements);
- B. major disasters;

All Services – these risks need to be included in all service plans

- C. failure of internal financial control;

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- D. demand, where level of service provision depends on projections of need;
- E. new legislation, where the council faces uncertainty about the costs of implementing new legislation;
- F. legal challenges, where the council may have to make a settlement or be unable to collect income;
- G. partnership, where there is a risk that a partner may not be able to meet their share of costs or will pass on costs;
- H. interest rate, where fluctuations would have an impact on the estimated costs of borrowing;
- I. procurement, where market conditions could mean that costs could increase where services are being re-tendered;
- J. government grant, where there is uncertainty about the amount that will be allocated;
- K. non-achievement of high risk savings or income targets in the budget;
- L. overspend on major capital schemes;
- M. other budget risks.

Controls and actions in place for budget risks are as follows:

Controls:

- i. Nature and extent of risk identified in risk register;
- ii. Clear accountability and responsibility for budget at service level;
- iii. Intensive monitoring arrangements of spend and activity put in place (more intensive than for other areas);
- iv. Processes put in place for reducing risk of event occurring (eg forecasting demand, demand management etc).

Actions:

- i. Where budget overspend occurs, service area puts in place measures to address it;
- ii. Overspends reported in monthly budget monitoring reports to corporate finance;
- iii. Reasons for budget overspend identified and addressed.

3. Performance Risks

Main categories of corporate performance risk

Corporately Managed Risks – these do not need to be included in individual service plans

None

All Services – these risks need to be included in all service plans

- A. Failure to comply with corporate performance management arrangements

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- B. Failure to achieve corporate performance targets required to achieve targeted CPA category and/or Local Area Agreement stretch target

Controls and actions in place for performance risks are as follows:

Controls:

- i. Nature and extent of risk identified in risk register/service plan
- ii. Clear levels of accountability and responsibility for performance at service level
- iii. Adhere to roles of performance officers across council as set out in Performance Management Group Terms of Reference
- iv. Intensive monitoring and review arrangements put in place
- v. Processes put in place for reducing risk of event occurring (e.g. forecasting performance and adjusting activity)

Actions:

- i. Where poor performance occurs, service area puts in place measures to address it
- ii. Poor performance should be reported monthly to departmental management team
- iii. Poor performance reported in quarterly vital signs reports to CMT, Executive and performance and Finance select committee
- iv. Performance reported through performance plus, subject to agreed monitoring timeframes.

4. Health and Safety

Corporately Managed Risks – these do not need to be included in individual service plans

- A. All health and safety risks arise from delivery of services or ownership of assets. Whilst the legal duty to ensure health and safety falls to the Corporate entity, all health and risks are delegated to service areas to manage. For example property H&S risks are managed corporately in respect of the main offices (Muniport) but each of the other service area has properties which it manages itself. None of the most significant H&S risks are, therefore, able to be excluded from service area plans. The Corporate systems in place to assist services manage these H&S risks are outlined below.

All Services – these risks need to be included in all service plans

- B. All services need to include in their plans a review of their general risk assessment which will identify which health and safety risks need priority action in their service plans. All services will need to include the following risks in their general risk assessment (although some may be able to conclude that risks are very low):
- Aggression and violence to staff and lone working issues
 - Workplace hazards (housekeeping, slips trips and falls, work environment)
 - Manual Handling
 - Stress and working time issues
 - Equipment use, including electrical and gas appliances
 - First Aid arrangements
 - Control of Contractors

Specific Services – these risks will be included in service plans where the general risk assessment identifies that more action is needed to control it

- C. Building related issues – fire, asbestos, legionnaires disease, vehicle and pedestrian safety, building and services maintenance, construction and building operations etc
- D. Activity related issues – safe systems of work, driving, working on building sites, musculo-skeletal disorders, work at heights
- E. Customer related issues – violence from client or member of the public, care issues, educational or recreational visits

Controls and actions in place for health and safety risks are as follows:

The controls and actions are outlined in some detail in the Council's Health and Safety Policy statement which outlines the Corporate H&S Management system and proposes a model service area H&S management system for use by Service Areas.

The Corporate H&S Management system comprises:

- Policy e.g. Council's H&S Policy Statement
- Organisational Arrangements for control and communication of risks as well as arrangements for ensuring competence and promoting co-operation e.g. management competencies, Corporate H&S Committee.
- Planning and Implementation arrangements including risk assessment and workplace precautions e.g. Corporate H&S standards,
- Monitoring and Performance Measurement arrangements e.g. Accident statistics, Annual Performance report
- Audit arrangements e.g. H&S Audits

Service Area H&S Management systems will include the above with the possible exception of policy and Audit which are primarily a Corporate responsibility.

5. Information and Communications Technology

Main categories of corporate information and communications technology risk:

Corporately Managed Risks – these do not need to be included in individual service plans

- A. Failure of ICT infrastructure

All Services – these risks need to be included in all service plans

- B. Failure to comply with ICT corporate standards

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- C. Loss of service specific data

Controls and actions in place for information and communications technology risks are as follows:

Controls:

1. Adherence to ICT corporate standards
2. Consult with ITU.
3. Understand nature and extent of risk identified in risk register;
4. Understand and adhere to ICT corporate standards

Actions:

1. Ensure procedures / policies in operation are reviewed.
2. Regularly review all documentation and working practices
3. ITU to be advised immediately of events

6. Property

Main categories of corporate property risk

Corporately Managed Risks – these do not need to be included in individual service plans

- A. Property ownership records
- B. Accommodation strategy

All Services – these risks need to be included in all service plans

- C. Non compliance with legislation and/or procedures

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- D. Working environment non compliance with legislation and/or procedures
- E. Asset maintenance
- F. Property project failure
- G. Unplanned running costs
- H. Access to property

Controls and actions in place for property risks are as follows:

Controls:

1. Understand and follow property procedures.
2. Comply with health and safety legislation
3. Consult with property and asset management

Actions:

4. Head of property to be advised immediately
5. If Health & Safety issue contact HSL immediately
6. Ensure procedures/ policies in operation are reviewed
7. Regularly review all documentation and working methods

7. Procurement

Main categories of procurement risk

Corporately Managed Risks – these do not need to be included in individual service plans

- A. Commercial risk. This would include under performance by the supplier or collapse of the supplier's business
- B. Partnership risk. Partners not able to successfully perform the contract, Partner actions could result in additional contract costs to the council
- C. Law and Regulatory. New legislation, loss of intellectual property rights
- D. Economic/Financial /Market. Inflation, shortage of working capital, business failure of key market leader
- E. Political risk. Change in policy, adverse media reporting

All Services – these risks need to be included in all service plans

None

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- F. Organisational/Management/Human Factors. Specification poorly drafted, subsequent contract insufficiently managed, supplier performance not adequately monitored

Controls and actions in place for procurement risks are as follows:

Controls:

1. Clear accountability and responsibility for procurement risk and procurement activity at service level
2. Quarterly monitoring of risk and procurement activity by management teams
3. Adherence by managers and staff to contract management guidance and procurement procedures
4. Appropriate training on contract letting and contract management

Actions:

1. Service areas should utilise procurement project methodology on major contract work, assigning project owners and project managers to drive regular gateway reviews of risk and procurement progress
2. Staff involved in procurement work should be signed up to the appropriate level of corporate training in risk and procurement

8. Human Resources

Corporately Managed Risks – these do not need to be included in individual service plans

- A. Single Status
- B. Employee Relations

All Services – these risks need to be included in all service plans

- C. Failure to comply with employment legislation
- D. Failure to comply with HR policies and procedures
- E. Failure to recruit and retain staff

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- F. Inability to recruit to key posts and as such unable to deliver service

Controls and actions in place for human resources risks are as follows:

Controls:

1. Comprehensive HR policies and procedures with clear levels of responsibility and accountability
2. Monitoring of HR data in relation to employee relation issues and workforce data to highlight potential issues
3. Nature and extent of risk identified in risk register
4. Training for staff and managers
5. Consultation framework with unions
6. Environmental scanning

Actions:

1. Application of relevant HR policy and procedure, seeking advice from HR as appropriate.
2. Review circumstances and introduce measures to minimise reoccurrence
3. Consult with unions
4. Implementation of recruitment and retention initiatives using temporary workers to meet immediate need

9. Partnership

Corporately Managed Risks – these do not need to be included in individual service plans

None

All Services – these risks need to be included in all service plans

None

Specific Services – these risks will only be included in service plans where the risk to that service is significant

A. Specific service not being delivered/budget overspends

Controls and actions in place for partnership risks are as follows:

Controls:

1. Nature and extent of risk identified in risk register
2. Clear levels of accountability and responsibility for budget and services by partnerships and at service level.
3. Intensive monitoring arrangements of spend and activity put in place (more intensive than for other areas);
4. Processes put in place for reducing risk of event occurring (e.g. forecasting demand, demand management etc).

Actions:

1. Where budget overspend occurs, partnership where relevant and service area puts in place measures to address it;
2. Where performance fails, partnership where relevant and service area puts in place measures to address it;
3. Overspends reported in monthly budget monitoring reports to corporate finance;
4. Performance reported through performance plus, subject to agreed monitoring timeframes.
5. Reasons for budget overspend and failure of performance identified and addressed.

10. Fraud and Corruption

Corporately Managed Risks – these do not need to be included in individual service plans

- A. Unit wide deception

All Services – these risks need to be included in all service plans

None

Specific Services – these risks will only be included in service plans where the risk to that service is significant

- B. Theft (basic) - removal of council property (can also include intellectual) or cash. Usually third party but can be internal. Includes property held on behalf of others i.e. clients.
- C. Theft (complex) – removal of funds / assets through computer misuse. For example external hack or infiltration into any system controlling funds.
- D. Fraudulent Applications for benefits, grants, financial assistance, services or property. Usually by third party by means of giving false information on some form of application. Obvious examples are Housing Benefits, Renovation Grants, Homelessness Applications. Less obvious but equally expensive are Direct Payment Care Packages, Section 17 payments.
- E. Internal Fraud has a myriad of forms and ranges from simple over claiming of expenses/overtime to manipulation of computer data to generate false payments i.e. creditors, benefit claims, payroll, overtime etc. There will be an element of clear financial gain in all these cases. However, there are also frauds involving false information on job applications, working whilst off sick, falsifying attendance records / time sheets, misuse of council equipment/information technology and conducting private business in council time where there may be no financial gain but a clear pecuniary advantage. Low value fraud risks should not be included in the register.
- F. Corruption can occur in the letting of contracts, payments to third parties or in any role where a permission, benefit, grant, funding agreement or award is given, where the officer has some influence over the decision. Can also include voluntary sector and regeneration initiatives. Can also occur in passing or selling of sensitive information.

Controls and actions in place for fraud and corruption risks are as follows:

Controls:

1. Budgetary and other financial controls
2. Physical security
3. Organisational security

Actions:

1. Supervision and checking of outputs
2. Monitoring (provision and review of management information)
3. Audit trail
4. Deterrent statements
5. Application of contract standing orders