STRATEGIC RISK MANAGEMENT

1. INTRODUCTION

Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of good corporate governance, together with community focus, structures and processes, standards of conduct and service delivery arrangements.

The variety of services, the size of the business, cross sector working with partners, and the need to achieve continuous improvement in the quality of service and quality of life in Brent mean that risk is a key part of all the council's activities. Risk management provides a framework within which the council can be forward looking and innovative and yet minimise potential damage or loss to the council, its staff and/or residents.

2. TYPES OF RISK AND CONTROL MECHANISMS

RISK TYPE

Risks can be classified into various types but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working and adverse staff morale. The examples below are not exhaustive.

Strategic Risk - long-term adverse impacts from poor decision-making or poor implementation which risk damage to the reputation of the council, loss of public confidence, impact on award of discretionary funding, possible government intervention.

Compliance Risk - failure to comply with legislation, or internal procedures or the lack of documentation to prove compliance which risks exposure to prosecution, judicial review, employment tribunals, increased government inspection, inability to enforce contracts.

Financial Risk – budget overspend, fraud and corruption, waste which risks budget crisis, financial loss to the council, qualification of the accounts

Operating Risk - failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property which risks poor service delivery, injury to staff and/or service users, insurance claims.

Partnership Risk – delivering services through partners inevitably offers less direct control than delivering them alone. Typically risks exist around potential failure to align agendas and ineffective communication, overlapping and sometimes conflicting priorities and objectives.

RISK CONTROLS

Strategic risks

- Overall corporate strategy sets out key strategic objectives;
- Regular monitoring of achievement of strategic objectives through:
    - Vital Signs reports to the Executive and Performance and Finance Sub-Committee;
    - Work of Overview and Scrutiny and Scrutiny Panels;
    - The Annual Review
- Corporate hot spots monitoring to Policy Co-ordination Group

Compliance risks

- Legal Services advice on all decisions, involvement in all major contracts, and support in disciplinary cases;
- Procurement and Risk Management Unit involvement in all procurements over £50,000;
- Audit and Investigations audit programme ensuring compliance;
- Policy and Regeneration Unit oversight of best value review and external inspection process.

Financial risks

- Identification of risks as part of the annual budget process
- Monitoring and management of risks through Strategic Finance Group
- Audit and Investigations fraud and compliance work

Operational risks

- Identification of service area risks in service development plans and service unit risks in service operational plans
- Regular monitoring of risks at service area management teams
- Review and up-date of operational risks on the corporate risk register.

Not all these risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may not be an adequate recompense. The emphasis should always be on eliminating or reducing risk, before costly steps to transfer risk to another party are considered.

Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely defensive, responses. Measures to manage adverse risks are likely to help with managing positive ones.

3. RESPONSIBILITY FOR RISK MANAGEMENT IN THE AUTHORITY

Responsibilities for risk management within the authority are as follows:

Officer level

- The Procurement and Risk Management Unit within the Directorate of Finance and Corporate Resources has overall responsibility for developing the strategy, co-ordinating risk management across the authority, and ensuring the risk register is up-to-date;
- The Risk Management Group, which is chaired by the Director of Housing and Community Care and includes representative from each service area, takes an overview of risks across the council, monitors progress in developing risk management in service areas, and shares and develops good practice;
- Individual service area management teams take an overview of risks in their area as part of the service development planning process in accordance with the Guidance on Managing Corporate Risk and ensure relevant risks within their service area are identified, monitored and managed;
- Risks are identified at service unit level; individual managers have responsibility for managing and reviewing risks;
- Individual members of staff receive risk training and are aware of the risks affecting their service areas;
- Audit and Investigations takes a lead in reviewed audit and risk management processes as part of the production of the Statement of Internal Control, identifying and controlling potential risks arising from fraud and corruption, and reviewing high risk areas as part of its annual audit plan;
- Legal services plays a key role in assessing and managing risks arising from legislation or legal risks associated with council policies and decisions, including commenting on legal issues on all reports to members;
- Strategic Finance Group, chaired by the Director of Finance and Corporate Resources takes responsibility for identifying, monitoring and controlling financial risks;
- Lead officer is a member of the appropriate partnership board and ensures adequate partnership arrangements are in place and that the partners' risk management/corporate governance arrangements are adequate.

Member level

- The Lead Member for Corporate Resources has overall responsibility for risk management at Executive level;
- The Executive/Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, on individual projects;
- The Audit Committee terms of reference include responsibility for reviewing and monitoring the effectiveness of risk management in the authority;

- Overview and Scrutiny more generally identify and review risks as part of their overview/scrutiny role;
- The Policy Co-ordination Group review corporate risks through regular Corporate Hot Spots monitoring reports.

4. THE PROCESS FOR MANAGING RISKS

This section of the strategy sets out the process for managing risks in the authority, which is linked into the service planning and monitoring framework. Risk management is an integral part of good service management and needs to 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.

In order to help managers with this process, the council has identified a number of risk areas which apply to most areas to a lesser or greater extent. These are as follows: budget, performance, fraud and corruption, health and safety, information and communications technology, property, procurement, human resources, and partnership.

In putting together risks to include on the risk register and in service plans, service areas are required 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.

Each service area is required to carry out regular monitoring of risks included in the risk register and service plans. The focus is 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 is a targeted approach, with time spent assessing the risk linked to likelihood and impact.

5. EMBEDDING RISK MANAGEMENT

The council has well embedded process for monitoring and managing corporate risks through the corporate hot-spots process and financial risks through the financial hot-spots process. Risks are also managed as part of service and project planning processes.

The council is now in the process of ensuring consistency in its approach to risk management across the council by ensuring that the corporate guidance on management of risk is reflected fully in its risk management system and that risk management in the council is consistent with innovative approaches to service development. The council is also in the process of reviewing the extent to which risk management is fully embedded in everyday business practices.

The intention is that risk management is increasingly seen as an crucial facet of good corporate, service, and partnership management.