

## LONDON BOROUGH OF BRENT

**Performance and Finance Select Committee  
6<sup>th</sup> September 2005  
Executive - 12<sup>th</sup> September 2005**

### Report from the Director of Finance and Corporate Resources

For Information

Wards affected:  
ALL

### Report Title: RISK MANAGEMENT AT BRENT

#### 1.0 SUMMARY

- 1.1 This report outlines the background to public sector risk management, the current situation regarding risk management at Brent, a proposed revised risk management strategy, next steps in embedding risk management across the authority and the implications of the recommended actions.

#### 2.0 RECOMMENDATIONS

- 2.1 The P&FS Committee are asked to consider the proposed risk management strategy at Appendix 1 and submit their comments to the Executive.
- 2.2 The Executive are asked to approve the proposed risk management strategy at Appendix 1, subject to consideration of comments received from the P&FS Committee.

#### 3.0 DETAIL

##### **What is Risk Management?**

- 3.1 Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risks can generally be categorised as either strategic (high level) or operational (lower level). Strategic risks would include: political, economic, social, technological, legislative, environmental, competitive and customer/citizen. Operational risks would include: professional, financial, legal, physical, contractual, technological and environmental.
- 3.2 There are two criteria typically used to determine the scale of risk:
- The likelihood of the risk event occurring

- The severity of the consequences should it occur
- 3.3 Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them.

### **The Public Sector and Risk Management**

- 3.4 Risk management is an issue of increasing concern for local authorities as we encounter change drivers such as advances in technology, blurring of private/public funding and liability and constraints on financial resources. This has begun to highlight the impact of risk on organisations and to emphasise the value of managing that risk actively and aggressively. This is further evidenced by the importance given to risk within the CPA framework (the key lines of enquiry in the CPA process have been used as the basis for setting targets for the action plan attached as Annex 1 to the strategy).

### **Risk Management at Brent**

- 3.5 The council has well established approaches for identifying and monitoring corporate and strategic risks. Policy Co-ordination Group receives quarterly reports on corporate hotspots and actions being taken to ameliorate risks. Corporate financial risks are set out in the annual budget report and financial hotspots are monitored on a monthly basis by the Strategic Finance Group. At a service area level, all service areas identify potential risks and appropriate action to ameliorate the risks as part of the service planning process. Risks are also assessed as part of all major projects.
- 3.6 The council has taken action in the past couple of years to broaden and embed risk management. Progress includes:
- The setting up of a council-wide risk register (Appendix 2 to this report) which allows risks to be sorted by priority, service area, corporate strategy theme, risk level and owner. The hard copy risk register is a snapshot of key information, additional detail can be viewed by accessing the report on-line. Access can be arranged by contacting Alison Matheson.
  - The establishment of a Risk Management Group whose membership reflects both a strategic and operational role.
  - Training for all service area management teams.
  - Benchmarking work with three other authorities rated as “excellent” in the field of risk management.
  - Agreement to an updated risk management strategy by the Corporate Management Team.
  - Selection of provider of a proprietary risk management software.
  - A council-wide approach to evidencing ownership of risk and ensuring that risk is regularly reviewed within service areas.

## **Next Steps**

- 3.7 The work on the 2004/05 Statement of Internal Control identified the need to embed risk management in management culture. There is also a need to develop an over-arching view of risk to ensure that our approach to risk is driven from the top and always links back to our corporate strategy. Purchase of the selected proprietary software will allow us to link high- and lower-level risk into one coherent, consistent and structured approach. The skills and resources needed to manage risk effectively are largely already in place at Brent but must be embedded and coordinated to deliver a cohesive approach across the organisation.
- 3.8 Appendix 1 to this report sets out the up-dated risk management strategy and Annex 1 to the strategy is the action plan showing actions required to consolidate our position and embed risk management across the authority.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The purchase of proprietary risk management software at a cost of £36,000 will be funded from the insurance fund. There are no other direct financial implications arising from this report.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from this report.

## **6.0 DIVERSITY IMPLICATIONS**

- 6.1 There are no apparent direct diversity implications arising from this report, an equality impact assessment will be performed.

## **7.0 STAFFING IMPLICATIONS**

- 7.1 There are no direct staffing implications arising from this report.

## **8.0 BACKGROUND PAPERS**

Brent 2004/05 Statement of Internal Control

CPA Use of Resources Key Lines of Enquiry

Worth the Risk – Audit Commission report on risk management

Any person wishing to inspect these documents should contact Alison Matheson, Head of Procurement and Risk Management, Room 26, Town Hall Annexe, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1363.

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