



## **2. RECOMMENDATIONS:**

- 2.1 That the Audit & Standards Committee notes the Strategic Risk Assessment Report at Appendix 1.
- 2.2 That, having considered Appendix 1 and any clarification comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.
- 2.3 That the Committee note in paragraph 3.4 the information on changes to the council's SRR and/or any other significant changes to the risk management arrangements at the city council.

## **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The SRR details the current prioritised risks which may affect achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly, and influences service activity within Directorates and Directorates' individual Directorate Risk Registers.
- 3.2 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 that the risk will occur, and the potential impact (denoted by 'I') if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g.L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major). A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green. The Strategic Risk Register records Red and Amber risks.
- 3.3 Each strategic risk has a unique identifying number and is prefixed by 'SR' representing that it is a strategic risk. Each is recorded on the Integrated Risk Manager (IRM) software system, part of the Interplan package. Appendix 1 gives details of existing controls and future actions to manage each strategic risk.
- 3.4 As the Committee has moved to consideration of an annual report on the whole SRR each January, this paragraph provides information on any significant changes made to the SRR by ELT since the last Committee. ELT review the SRR quarterly but will consider any new risks outside of the regular reporting schedule as required. The paragraph will also provide details of any new arrangements affecting risk management at the City Council. Below are updates:
  - 3.4.1 ELT reviewed the SRR on 26 July 2017 and the changes to the SRR were:
    - A) Addition of new strategic risk 'SR30 Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer'. The Risk Owner is the Chief Executive.

The Risk Cause is expressed as:

'Fulfilling the expectations of business, government and wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment. Whilst the council has already established effective partnership arrangements to benefit the city such as Brighton & Hove Connected, the City Management Board, Greater Brighton Economic Board and wider city regional based leadership, if it does not 'step up to the mark' and embrace its role for Placed Based Leadership the council may be perceived as less relevant to business and wider community and others due to factors such as:

- \* Brexit's significant implications for the city's internal trade profile
- \* reduced council expenditure and changes to the traditional municipal model
- \* increased volatility for the city, the 3rd largest city in the UK for Services Exports per job, including the impact of changed trading arrangements with Europe which currently provides 75% of current trade'.

The Potential Consequences of this risk are expressed as:

- 'Our civic institutions are unable to provide effective leadership to the city
- City Wealth reduces
- Business cannot grow
- Inequality grows
- Fragmentation of communities
- Fragmentation of framework for public service institutions
- Less funding available for services
- Lost opportunity to position the city as a positive place to attract businesses and employees who will benefit city growth
- Reputation of council suffers as civic leadership role in the city
- Citizens and businesses have less confidence in engaging with the council'.

B) Addition of new risk strategic risk 'SR31 Schools unable to manage their budgets', The Risk Owner is the Executive Director, Childrens, Families and Learning.

The Risk Cause is expressed as:

'Schools' ability to manage the pace and change of school budget reductions and costs of implementing cumulative cost pressures, such as pay rises, higher employer contributions to national insurance, the teachers' pension scheme and the impact of reducing numbers of pupils starting at reception level in Brighton & Hove affecting pupil based funding, will impact on the council's budget for all service delivery. Early indications are that the level of schools' surpluses will fall from £2.895m at 31/03/17 to £1m at 31/03/18. This projection would result in an overall overspend on schools of £1.398m (£2.398m-£1m) at 31/03/18, which would need to be met from reserves'.

The Potential Consequences of this risk are expressed as:

- 'If the level of licensed deficits in 2017/8 is still required by schools which already have Licensed Deficit agreements continuing into

2017/18 then the council will not be able to license any new deficits for other under the current scheme

- Inequality between schools and impact on relationship between the majority of schools and the council
- Increased council support to assist schools to improve procurement options, work collaboratively and manage workforce better
- Stakeholder dissatisfaction due to changes in service location of provision
- Ernst Young (our external auditors) may reduce their rating of the Council's ability to secure Value for Money
- If a school is unable to provide sustainable strategies in order to balance their budgets, Finance will have to apply tougher sanctions e.g. removal of a school's delegated financial powers
- If educational performance requires a school which has is already in deficit to transition to academy status, the DfE policy is that the council will fund the deficit from its core budget and recover the monies from the academy trust and the council will not receive monies until the DfE is satisfied that the amount is a true reflection of what is owed and both parties agree
- Schools may decide not to 'buy-back' services from existing council support services, reducing workforce.'

These two new risks are under further development and more detail will be included in future risk updates to Committee.

- C) Removal of existing risk SR22 Modernising the Council as the process to develop and monitor the results to achieve this are 'business as usual' and reported to the Corporate Modernisation Delivery Board and the savings are integral to the budget management process.
- D) There are now 16 Strategic Risks in total. Apart from a change to increase the impact rating from 4 (major) to 5 (catastrophic) on SR32 Health & Safety Assurance, there were no changes to risk scores of existing Strategic Risks.

3.4.2 The table below sets out Strategic Risks in order of revised risk score and includes Internal Audit's assessment of Controls for Strategic Risks set out by Three Lines of Defence, further context is provided in the [Annual Governance Statement 2016/17](#).

	First line	Second line	Third line
Green	Management controls set out on CRAF	Sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are effective
Yellow	Some management controls set out on CRAF	Some sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are reasonable
Grey	n/a	n/a	Independent assurance in progress or planned
White	Management controls not set out	Sources of corporate assurance not set out	No independent assurance
Red	n/a	n/a	Independent assurance that first and second lines are weak

Strategic Risk (SR) No.	Risk Title (also see next page for continuation)	Revised Risk Score Likelihood (L) x Impact (I)	Corporate Risk Assurance Framework Heat Map rating (from Annual Governance Statement 16/17)		
			First	Second	Third
31	Schools unable to manage their budgets	4 x 4 NEW	To be assessed in due course		
2	Council is not financially sustainable	3 x 4 ▼	green	green	yellow
10	Information governance failures leading to financial losses and reputational damage	3 x 4 ◀▶	green	green	red
13	Not keeping Vulnerable Adults Safe from harm and abuse	3 x 4 ◀▶	green	green	yellow
15	Not keeping Children Safe from harm and abuse	3 x 4 ◀▶	green	green	green
17	Ineffective school place planning	3 x 4 ◀▶	green	green	grey
20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	3 x 4 ◀▶	green	green	grey
21	Unable to manage housing pressures	3 x 4 ◀▶	green	green	yellow
30	Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer	3 x 4 NEW	To be assessed in due course		
24	The impact of Welfare Reform increases need and demand for services	4 x 3 ◀▶	green	green	grey
32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	2 x 5 ▲	To be assessed in due course		
23	Unable to develop an effective Investment Strategy for the Seafront	3 x 3 ◀▶	green	green	grey
25	The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 3 ◀▶	yellow	yellow	grey

Strategic Risk (SR) No.	Risk Title – continued	Revised Risk Score Likelihood (L) x Impact (I)	Corporate Risk Assurance Framework Heat Map rating (from Annual Governance Statement 16/17)		
			First	Second	Third
26	Not strengthening the council's relationship with citizens	3 x 3 ◀▶	green	green	grey
18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	2 x 4 ◀▶	yellow	green	yellow
29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	2 x 4 ◀▶	green	green	grey

3.4.2 There are no changes to be reported relating to the arrangements for risk management at the City Council.

#### 4. FINANCIAL & OTHER IMPLICATIONS:

##### Financial Implications:

4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly. This report highlights 2 new risks that have potentially direct and indirect financial consequences for the council.

The associated financial risks are considered during the Targeted Budget Management process and the development of the Medium Term Financial Strategy.

*Finance Officer Consulted: James Hengeveld*

*Date: 04/09/2017*

##### Legal Implications:

4.2 Members of the Committee are entitled to any information, data and other evidence which enables them to reach an informed view as to whether the council's strategic risks are being adequately managed; and may make recommendations based on their conclusions.

*Lawyer Consulted: Victoria Simpson*

*Date: 26/07/2017*

### **SUPPORTING DOCUMENTATION**

#### **Appendices:**

1. Strategic Risk Assessment Report SR13; SR20; SR10; and SR18.

### **Documents in Members' Rooms**

1. None.

### **Background Documents**

1. Strategic Risk Register Review, July 2017 as published on the Wave (council's intranet) on 7 September 2017.

