Birmingham City Council
Audit Committee

31st January 2024

Subject: Update on Risk Management Rebuild

Report of: Interim Director Finance (Section 151 Officer)

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Does the report contain confidential or exempt information? ☐ Yes ☒ No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1   Executive Summary

1.1   Multiple reports, evaluations, assessments, and opinions have reflected on the need to improve the way threats and opportunities that impact on the achievement of BCC objectives - "*risks*" - are managed within BCC.

1.2   A programme of work has recently begun to address both the observed and reported shortcomings, and also some industry recognised improvements that will improve the risk management maturity and sophistication of BCC.

1.3   The programme of work is thematic to include consideration of Risk Visibility, Articulation, Process, Procedure, Recording and Reporting, and whilst some actions could be considered to be *quick wins* in terms of improvement, there are longer-term continual aspects included to address *attitudes, behaviours* and *culture* pertaining to risk.

1.4   Under the new Audit Committee Terms of Reference, there is a clear remit for this committee to have oversight of both the overarching Risk Management system and systems to manage risks within directorates/service areas, but also those services that look to provide assurance over the mitigation strategies, actions and controls in place to manage those risks, e.g. Internal Audit.

2   Recommendation(s)

2.1   That the Audit Committee supports the risk management rebuild programme outlined within the update and makes comment on any additional assurance that might be required to satisfy Committee Members with regard to the way the City Council considers, responds to, and manages risk.

3   Background

3.1   The [Institute of Risk Management](#) consider enterprise risk management as *"a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure."*

3.3   Against a backdrop of multiple significant events and external recommendations by both external and internal partners such as Milford Research & Consultancy, KPMG, the Centre for Governance & Scrutiny and Members of the Audit Committee amongst others, a refresh and rebuild of the way that risk is managed within the City Council has been identified as critically important as a way of increasing the probability of success and reducing the likelihood of failure in Council business.

3.3   In order to deliver the necessary improvements and provide greater assurance around the way risks are understood, evaluated and acted upon, the Interim Director of Finance / Section 151 Officer launched a rebuilding exercise in November 2023 to implement significant improvements to the way risk is identified, assessed, and managed across the authority, including developing the role of the Audit Committee and supporting their oversight role in risk management.

3.4   The suite of individual changes is intended to deliver significant improvements to the overarching maturity and sophistication of risk management as well as other thematic changes with the aim of achieving specific and measurable improvements by the end of 2025. Whilst some of the proposed changes will deliver more tangible and immediate benefits - addressing the perceived and communicated shortfalls in the current risk management process - the extended timeframe recognises that changing cultural aspects of risk management will be a definite longer-term prospect.

4   Themes and Timeframes

4.1   Proposed improvements fall broadly into 3 themes:

4.1.1 Theme 1 - Visibility & Articulation

This theme will cover some short term (i.e. within 6 months) improvements to the way that risks are elicited, held, and described for the purposes of evaluation, understanding and action, as well as identifying appropriate assurance for Members of the Committee and Senior Officers. This will help to lead resourcing decisions on opportunity and threat risk mitigation, ensuring treatment of risks maps to both appetite and situation. Key milestones and products include:

- In conjunction with KPMG, a refresh of BCC's current Strategic Risks, including revisiting the way they are articulated and categorised with new/improved assessment and evaluation criteria, including - but not limited to – new risk perspectives such as *Proximity, Velocity* and *Tolerance.*
- Development of a new Risk Platform to enable the communication and interrogation of Strategic Risks (and the additional perspectives referred to above), which will include dynamic and real-time reporting capability. An example of this would be the capability to show Risks that have overdue mitigating actions, updates outstanding, or where actions/controls have not had the required mitigating impact and therefore ensuring BCC continues to learn.
- Medium term (6-12 months) actions and improvements will include enhancements to the way that risks are *surfaced*, including the ability to identify risks emerging from our own data (Key Risk/Control Indicators), our people (regular workshops), and the ability to *crowdsource* emerging risks, whilst also capturing and reporting the impact of control weaknesses identified by assurance providers such as Internal Audit.

4.1.2 Theme 2 - Process & Procedure

This theme will cover both short and medium term improvements including both behavioural and process/procedural changes that will begin to deliver some of the critical "ABC's" (i.e. *Attitudinal, Behavioural and Cultural* aspects) of risk aware organisations. Key milestones and products include:

- In conjunction with Milford Research & Consultancy, delivery of an accredited Governance & Assurance training programme for Officers & Elected Members involved in strategic decision-making, which will include a specific module on Risk Management.
- In conjunction with Milford Research & Consultancy, a refresh and relaunch of BCC's *Risk Management Framework*, which will include updated terminology and standardisation of some key aspects of the approach to risk management, and explanations of key areas such as *Risk Appetite*. This exercise will include effective engagement with key stakeholders surrounding the proposed

changes, and recognition and inclusion of local service area risk and appetite systems, ensuring purpose is not lost through process.
- The consideration and selection/development of an appropriate long term improvement/maturity model for structured self-assessment and subsequent independent assurance of the effectiveness of organisational risk management.

4.1.3 Theme 3 - Recording & Reporting

This theme also covers multiple time horizons for improvement delivery, and includes areas that will enhance learning, communication, and accountability for risk management across the authority. Key milestones and products include:
- In conjunction with Milford Research & Consultancy, the inclusion of a formal *Risk Management* section in decision-making reports, and subsequent development of supporting documentation and guidance to assist authors with including threats and opportunities arising from their proposals so that these may be monitored and included in risk data.
- In conjunction with Milford Research & Consultancy, the creation of a Knowledge Repository for all associated risk management data, reports and action plans, to enable cross-referencing and comparison by Committee Members and Officers, delivering improved transparency and accountability.
- In conjunction with Milford Research & Consultancy, specific training in relation to the new systems, consultation and engagement on the approach taken, and future reports required by Committee Members and the type and nature of information required in order to provide assurance over the way risks are managed within the Authority.
- Consultation and engagement on future reports required by the Corporate Leadership Team and the type and nature of information required in order to facilitate decision-making and provide assurance over the way risks are managed.
- In conjunction with Internal Audit colleagues, the inclusion of bi-annual reports to the Committee on the effectiveness of the Risk Management function itself.

5   Legal Implications
5.1   There are no direct legal implications arising out of this update report.

6   Financial Implications
6.1   Whilst a new Risk Management Function operating model is being developed, it is anticipated the costs of populating this can be met from within the existing budget envelope. As such there are currently no direct financial implications arising out of this update report.

7   Public Sector Equality Duty

7.1   There are no equality implications arising out of this update report.

8   Other Implications

8.1   How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

    8.1.1   This is an update report for Committee Members on proposed workstreams/actions that are consistent with other improvement and recovery/stabilisation activities currently underway.

9   Background Papers

9.1   None

10   Appendices

10.1   None