BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Assistant Director – Audit & Risk Management

Date of Meeting: 28 January 2020

Subject: Revised Risk Management Framework

Wards Affected: All

1. Purpose of Report

1.1 To obtain approval of the revised Risk Management Framework.

1.2 The Risk Management Framework, and associated templates, have been updated to support the capture and management of the strategic risks faced by the Council.

2. Recommendations

2.1 To approve the Revised Risk Management Framework.

2.2 To agree the continued reporting of risk management to this committee 3 times per annum.

3. Background

3.1 The risk management framework sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels.

3.2 The format of the risk template has been updated to also capture opportunities.

3.3 The focus of the formal reporting has undergone a major review. The Corporate Risk register principally contained operational risks, particularly financial or contractual issues. The Council Leadership Team (CLT) have identified the major strategic risks facing the Council and these will form the content of the Strategic Risk Register.

3.4 Audit Committee play a key role in ensuring the robustness of the Council's risk management processes.

3.5 The revised Strategic Risk Register will be reported to the March Audit Committee.

4. Embedding Risk Management

4.1 There are directorate risk registers in place supported by individual risk registers for service areas. Monthly updates are facilitated through the Directorate Risk Representatives.

4.2 The current main route to provide risk management awareness is the e-learning package for managers, accessed via the internet. All documents and web pages are currently being refreshed to include the new changes.

4.3 Service managers are asked about their risk management arrangements as part of routine audit work. In addition, the mandatory Public Sector Internal Audit Standards include a requirement with regard to risk management.

5. Legal and Resource Implications

5.1 The work is carried out within approved budgets.

6. Risk Management & Equality Impact Assessment Issues

6.1 Risk management forms an important part of the internal control framework within the Council.

6.2 The Council's risk management strategy has been Equality Impact Assessed and was found to have no adverse impacts.

7. Compliance Issues

7.1 Decisions are consistent with relevant Council Policies, Plans and Strategies.

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Assistant Director – Audit & Risk Management

Contact Officer: **Sarah Dunlavey**

Telephone No: **0121 675 8714**

e-mail address: **sarah.dunlavey@birmingham.gov.uk**

Birmingham City Council

Risk Management Framework


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Birmingham
City Council

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1. Foreword

At Birmingham, improvement never stops. We aim to be a city of growth in every respect – and **make a positive difference, every day, to people's lives**. This underpins everything we do, whether that's setting our priorities, making decisions or delivering services. Risk management is a key component supporting the vision for Birmingham.

This vision is supported by six strategic outcomes and priorities:

- Birmingham is an entrepreneurial city to learn, work and invest in
- Birmingham is an aspirational city to grow up in
- Birmingham is a fulfilling city to age well in
- Birmingham is a great city to live in
- Birmingham residents gain the maximum benefit from hosting the Commonwealth Games
- Birmingham is a city that takes a leading role in tackling climate change

Risk is a part of everything we do; it is inextricably linked to opportunities and innovation. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, this means that we take full advantage of opportunities and work collaboratively and in partnerships to improve services. We need to identify the risks that we face, manage them proactively and secure the best use of our scarce resources.

The management of risk is an essential component of performance management and represents good governance. If the Council is to make sustained risk management must be embedded in the culture of the organisation. The Council needs to be realistic and open about the risks that it faces and ensure that risk registers are updated and used for real-time management purposes. The Cabinet, Scrutiny and Council Leadership Team recognises the importance of risk management and is actively reviewing and monitoring the strategic risks that the Council faces.

This framework provides easy to follow guidance on identifying and managing risks.

Formally incorporating risk management into the culture and day-to-day management increases the focus on what needs to be done (and not done) to meet objectives and improve performance.

Clive Heaphy, Acting Chief Executive

Birmingham City Council

2. Risk Management Policy and Strategy

Risk management is about making the most of opportunities (making the right decisions) and about achieving improved outcomes once those decisions are made. The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) defines the principles that should underpin effective governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management.

The Council's risk management objectives are:

- Leadership to set the risk appetite for the organisation across all of our priorities and services
- Adopt a strategic approach to risk management in accordance with good practice and sound governance practices.
- Develop leadership capacity and skills in identifying, understanding and managing risks
- Integrate risk management into the culture of the Council, setting accountability, responsibility and ownership
- Embed risk management into performance management across the organisation and partners
- Anticipate and respond to changing social, economic, political, environmental, legislative and technological requirements.
- Prevent injury, damage and losses and reduce the cost of risk.

These objectives will be achieved by:

- Clearly articulating the risk appetite for all priorities and outcomes
  Clearly define, communicate and embed accountabilities, roles and responsibilities for managing risks
- Considering risk as an integral part of business planning, service delivery, key decision-making processes, and programme and partnership governance and service delivery.
- Communicating risk information effectively through a clear reporting framework that focusses on strategic risk

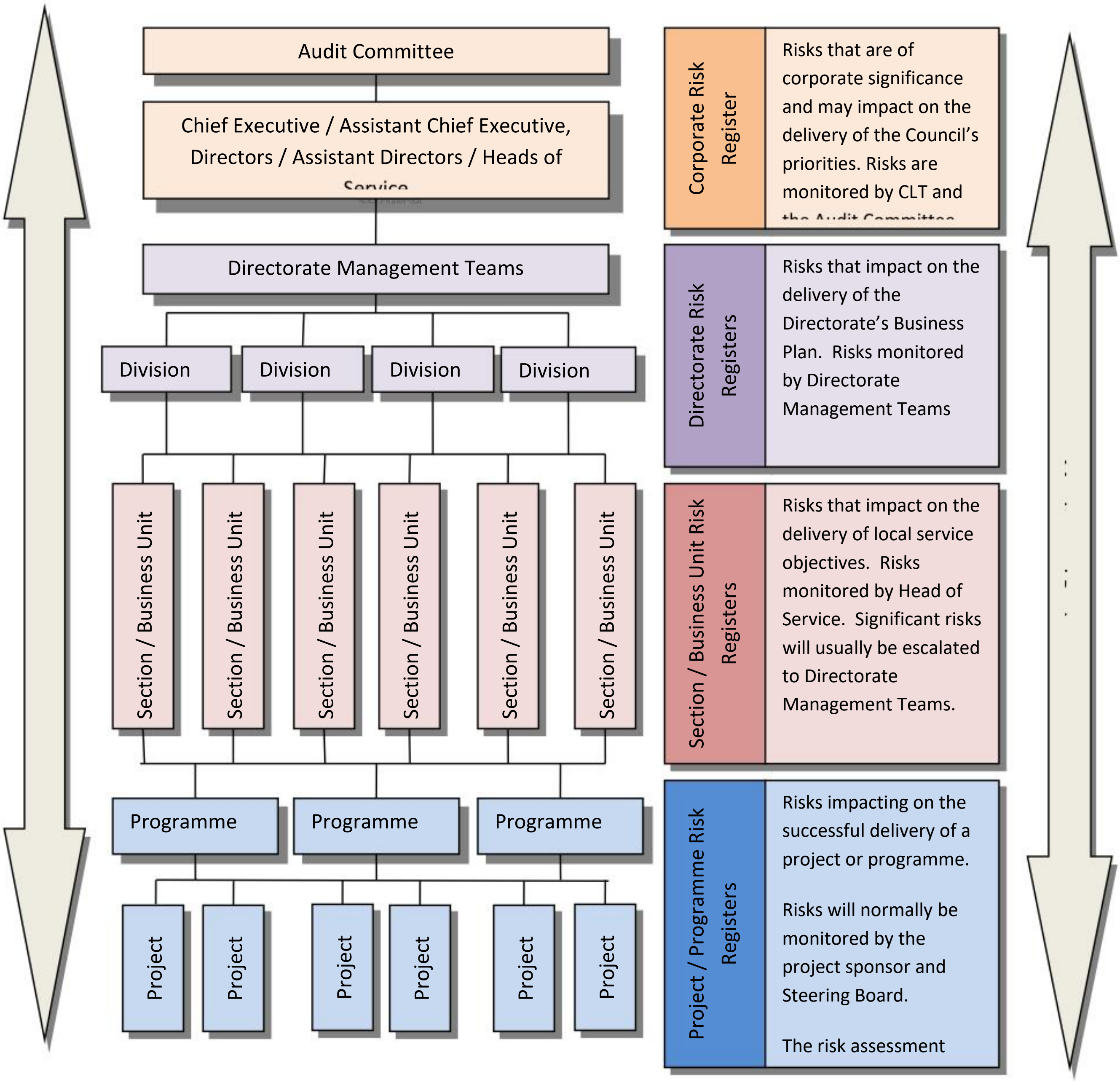
- Providing opportunities for shared learning on risk management across the Council and with Partner organisations.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training.

3. Risk Management Framework

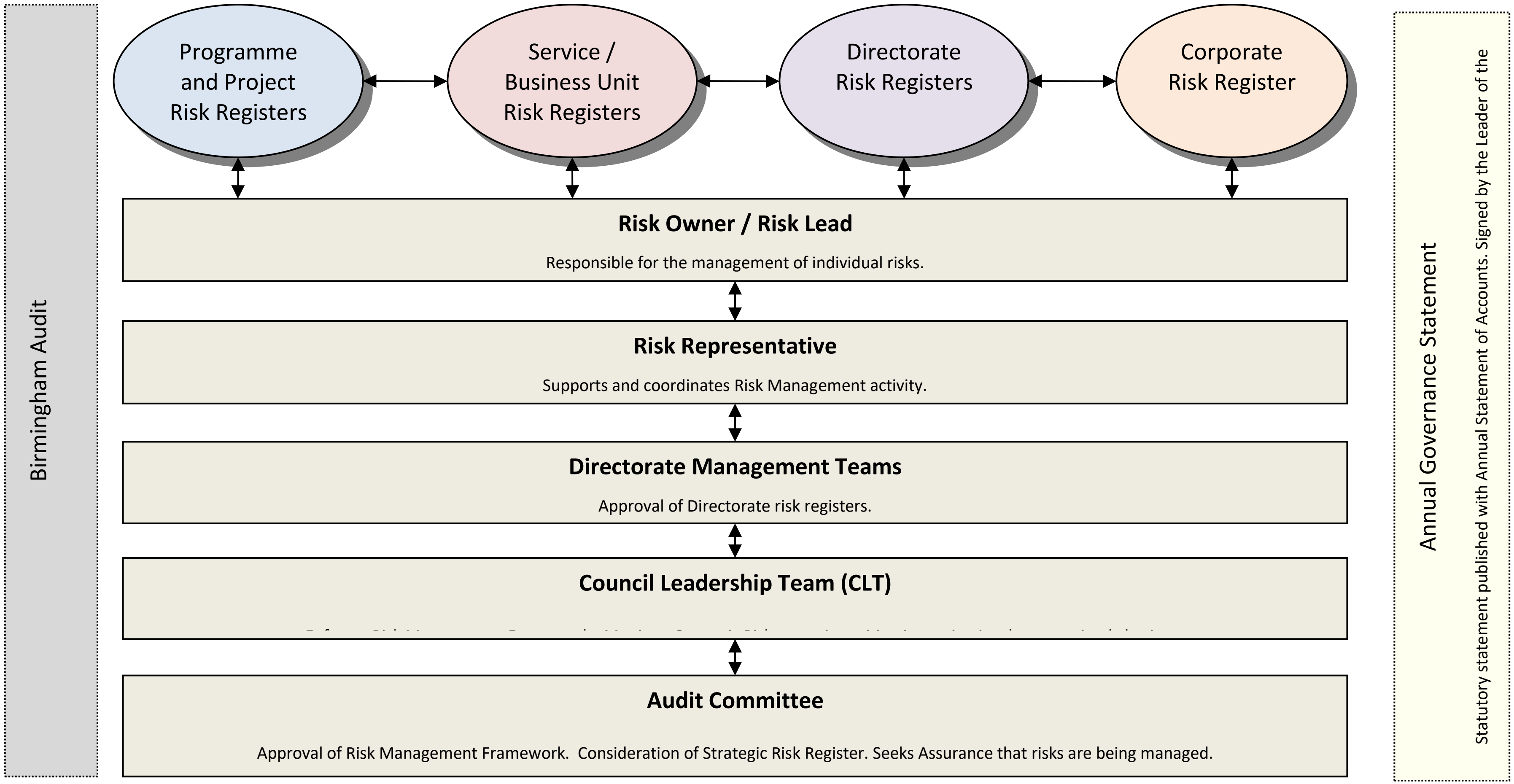
Risk management is not a new process; it is a formalisation of processes that are already in place. Risk management is integral to a well-managed council; it is something that managers use as a tool for delivery every day.

The Council is committed to embedding risk management through the whole organisation.

Risk Management Hierarchy



Risk Management Governance



4. Key Responsibilities

- **Audit Committee** - to proactively support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, strategic risk management and governance.

  - **Council Leadership Team (CLT**) - scans for new risks to the Council and the City of Birmingham. Gives a view of the medium to long term risks to the city, including assumptions in respect of government policy, financing, business transformation and partnership working. The team also ensures that the people, policies and resources of the Council are utilised efficiently and effectively so that the priorities / strategic outcomes of the Council are delivered. CLT has the Corporate (Strategic and Operational) Risk Register updates reported to them on a monthly basis. CLT ensure that the risks are complete and appropriate and proactive mitigating actions are being taken.

  - **Directorate Management Teams** - carry out service risk assessment as part of business planning and internal / external reviews e.g. External Audit inspections and reviews, Equalities and Human Rights Commission inspections, Commission for Social Care Inspection, Ofsted, the results of Equality Analysis, Health & Safety Inspectorate etc, and taking account of corporate key risks. Have responsibility to put in place actions to take advantage of opportunities / reduce risks. Monitor and review the effectiveness of the actions.

  - **Risk Representatives** - nominated by each directorate to assist in embedding risk management. Risk representatives implement a practical and workable approach to risk management within their directorate, produce and maintain an up-to-date directorate risk register and co-ordinate responses to corporate risks. They are also a point of contact to provide risk registers and risk management information from the directorate to Birmingham Audit.

  - **Risk Owner / Lead–** ensures that individual risks are appropriately identified and action is taken to reduce the risks to its target. Provides regular updates to the Directorate risk representative.

  - **Birmingham Audit** - Assistant Director, Audit and Risk Management facilitates and advises on the corporate risk management process. Develops, in conjunction with colleagues, practical approaches for implementing risk management. Birmingham Audit's internal audit teams may review and report on the directorate and corporate risk management processes and the wider corporate governance agenda. Issues guidance and information. Compiles the Corporate Risk Register reports for CLT and the Audit Committee.

5. Risk Management Process

Step 1: Identification

Risk identification is the first step in the management process.

Definitions:

Risk is an "uncertain event that, should it occur, will have an effect on the Council's objectives and/or reputation". It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks".

The starting point for the identification of risks and opportunities would be to identify the outcomes that are to be achieved. This will focus on the strategic outcomes in the council's business plan. The risk to the delivery of these outcomes can then be identified. There are many ways of identifying risk:

- Experience
- Service reviews carried out by internal and external audit and other inspectorate bodies e.g. Ofsted
- Risk assessments
- Equality Analysis
- Directorate / divisional meetings / workshops
- Internal control processes
- Day to day operations

- Local / National or Technical media
- Alterations to legislation
- Performance indicators
- Management information
- Insurance claims / losses information

Risks may be grouped by their type / category:

- Social
- Reputational
- Legislative / Regulatory
- Contractual
- Environmental
- Technological
- Information
- Customer / Citizen
- Partnership / Contractual
- Physical
- Competitive
- Managerial / Professional
- Financial

See Appendix A for a description of each category.

These categories also act as a prompt to help ensure that all risks have been identified.

It is important that risks are correctly described to ensure they are fully understood and appropriate actions identified. A good description will include the potential cause and effect.

Step 2: Risk Analysis

This is the process of reviewing the risks identified and assessing the potential likelihood of them occurring and the impact they would have.

Measures of likelihood:

Description	Example Detail Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.

Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

Measures of impact:

Description	Example Detail Description
High	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long term recovery period.
Significant	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

The first assessment should consider the inherent or gross risk. This is the potential likelihood and impact of a risks crystallising if no controls are in place.

Once the inherent risk has been identified, any controls that are in place to help manage the risk should be identified and any reduction in the likelihood and impact scores identified to give the residual / current risk.

It is essential that any controls that are being relied upon to manage risks are effective. As part of the assessment process the sources of assurance that provide ongoing confirmation that controls exist and continue to remain effective should be identified.

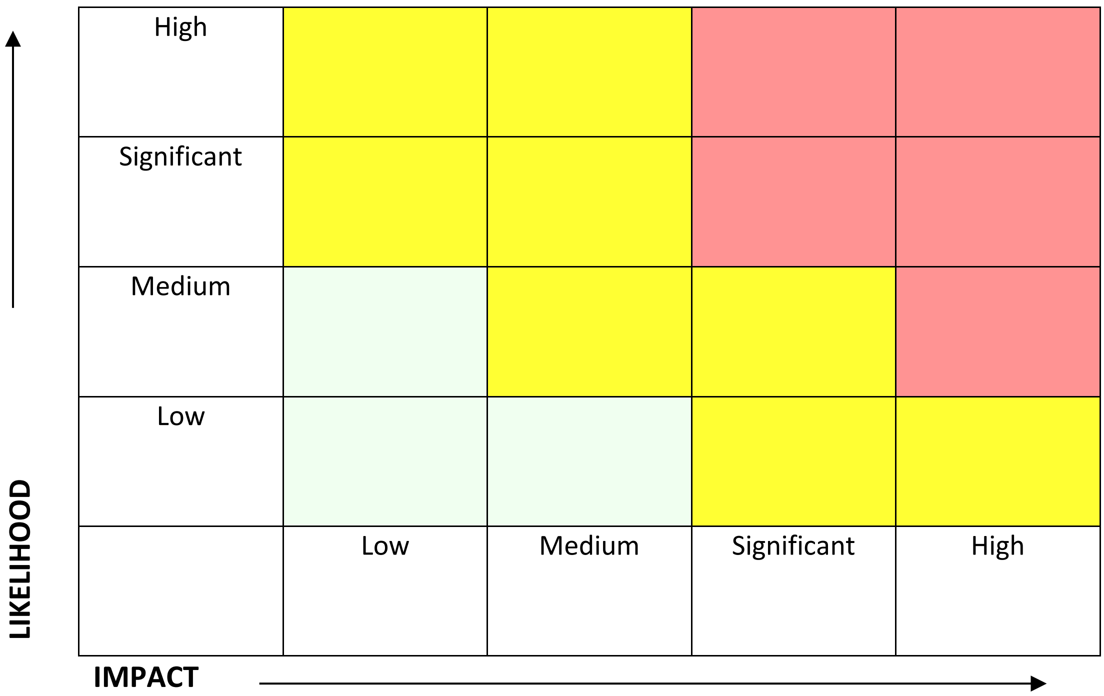
Assurance can come from many sources. A framework for helping to identify and understand the different contributions is the ‘Three Lines of Defence’ model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas, See Appendix B for a description of each line of defence.

The final stage in the process is to consider and set the target risk. This is the level of risk that you are aiming to manage the risk down to. This will help in determining what mitigating actions need to be taken. The prioritisation matrix / risk heat map, below, supports the setting of an appropriate target risk.

Step 3: Risk Prioritisation

Once risks have been assessed they can be mapped onto the prioritisation matrix/ risk heat map. The colours act as a "traffic light" system that denotes the risk appetite of the Council. A comparison of the prioritisation matrix for inherent, residual and target risk will demonstrate how controls have influenced the level of risks and where additional control may be required.

Prioritisation Matrix / Risk Heat Map



Key:

Severe	Immediate control improvement to be made to enable business goals to be met and service delivery maintained / improved
Material	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained
Tolerable	Regular review, low cost control improvements sought if possible

Step 4: Management of Risks

This involves:

- setting the risk appetite, this requires a decision to be made on the degree to which risks are acceptable. This can vary from risk aversion through to risk taking, and will depend upon the nature of the service. The result of this is to set the level at which risks can be tolerated and therefore accepted. The Council's risk appetite is shown on the risk matrix by the identification of which risks are severe (red zone), material (yellow zone) and tolerable (green zone);
- assessing whether to accept (tolerate), control (treat), modify, transfer or eliminate (terminate) the risk, or how to respond to the opportunity, based on the availability of resources;
- documenting the reasons for the decision taken;
- implementing the decision;
- assigning ownership to manage the risks / opportunity to specific officers; and
- identifying clear actions and timescales to reduce the risk to the target level.

Approaches to managing risks:

Accepting / Tolerating risks means that you intend to manage the risk within your existing management routines. Risks should only be accepted where officers believe that the residual risk is tolerable to the service area, i.e. where they fall within the green zone of the matrix.

Controlling / Treating risk means that you identify additional action(s) to be taken that will reduce the likelihood and / or impact if the event occurred. Controls can be:

- preventative, such as physically restricting access to hazardous chemicals, insisting on two signatories, ensuring segregation of duties exist within a system, implementing authorisation limits, or restricting levels of access on IT systems. These controls will help reduce risk levels from the outset. Equality Analysis is also an example of a preventative control as they help to highlight the potential risk of discrimination.

- detective, such as quality checks, alarms, exception reports, accident reports, financial reports such as budget monitoring reports and insurance claims. These will show when something has gone wrong - perhaps a trigger event that can then alert you that the risk event is becoming more likely to occur.

- directive, such as procedure manuals, guidance notes, instructions, training. These advise on how to carry out processes safely but if they are not adhered to they will not prevent risk events occurring.

Modifying risks means that you change the activity or the way in which it is carried out because adding control mechanisms would not help to reduce likelihood and / or impact.

Transferring risk means using an insurer or other third party to cover the cost or losses should a risk materialise. However, care needs to be taken to accurately specify the risks to be covered. Making arrangements with others such as joint working, partnerships or contracting out to provide services could also be used to transfer risks. However, other risks can arise from these arrangements and the responsibility of providing the service could remain with the Council. When transferring risks to other parties, ensure that risk registers spell out where liability and accountability lie between parties.

Eliminating / Terminating risk means ceasing to carry out the activity because modifying it or controlling it would not reduce the risk to an acceptable level.

If the risk identified is outside your immediate control you need to ensure that business continuity plans are place in case the risk does occur.

Step 5: Monitor / Review

This is a key stage of the process and should happen on a continuous basis. It is necessary to monitor the action plans developed and to regularly report on the progress being made in managing risks, or taking advantage of opportunities, so that the achievement of the Council's aims and service objectives is maximised and losses are minimised.

In addition, there needs to be an assessment of the effectiveness of risk management actions put in place to reduce the likelihood / impact of adverse risk events occurring. Alternative action will need to be taken if the initial action has proved ineffective.

Risk registers should be reviewed to ensure they remain up-to-date and relevant:

- Previously identified risks will change over time; some may become less of a hazard, for example once all the affected staff have been trained. Others may become more likely if a key milestone is approaching, such as the end of a funding stream.

- It may become necessary to escalate a risk up a level if the situation has changed or the initial assessment has proven to be inaccurate. Conversely it may be possible to delegate a risk.

- New risks identified or opportunities arising will need to be added.

- Completed actions may have resulted in new controls, helping to mitigate risks to their target.

- It may be appropriate to delete risks. However, when risks are deleted from a register there should be a record of the reasons for this decision, and what has happened to the risk e.g. it has been removed at a Directorate level but has been passed to a Business Unit to manage.

Although the exact process used will differ between management teams, the following is an example of how officers may wish to approach the review:

1. Go through the risks listed in the register to consider whether each risk is:

    a. Still valid.
    b. If the situation has changed in the interim period regarding the mitigating actions / controls you have in place or if it stays the same.
    c. Record descriptions of any further mitigating actions that are being carried out now.
    d. Use the likelihood and impact definitions to determine the amended residual risk if appropriate.
    e. Escalate the risk, if in the light of the review it is more serious than was first thought and requires more senior management action.
    f. Delegate the risk e.g. to service level, if in the light of the review it is relevant to that particular service and can be managed at a local level.
    g. Decide if any risks should be deleted, and if so minute the reason for the decision.

2. Identify if any new risks have arisen, for example:

    a. From an adverse event occurring.
    b. By something new happening, e.g. a new partner organisation to work with, a new project starting, new / different way of delivering services.
    c. As a result of ongoing management review, e.g. unexpected demand for a service, etc.
    d. From changes in legislation.

3. Use the likelihood and impact definitions to determine the inherent and residual risk associated to any new risks, and capture the mitigating actions/controls currently in place.

A Risk Management process flowchart is detailed in Appendix C.

Risk Register & Action Plan Template

All key risks identified should be entered onto a risk register in the standard format. This should include the actions that are required to manage the risk to its target level. The risk register template is attached in Appendix D.

6. Identification of Corporate Risk/ Strategic Risk/ Operational Risk

Corporate risks are the key risks faced by the Council. There are Strategic Risks impacting on the Council's ability to achieve its strategic objectives or Operational significantly impacting on the day-to-day delivery of services which have reputational impact. By definition they will be of a cross cutting nature, have an impact on the delivery of one or more Council priorities and / or have a potentially significant financial impact if they were to crystallise.

7. Cabinet / Committee Reports

Cabinet / Committee reports should give appropriate consideration to the management of risks and included a specific risk section. Reports should include:

- a realistic explanation of the potential risks arising from the course of action, decision, strategy or policy. It is important that risks are as transparent as possible and the challenges faced are not downplayed;
- the mitigating steps that are to be taken to manage or reduce the likelihood and impact of the identified risks; and
- an explanation of how risks are going to be managed on an ongoing basis.

A summary risk register template for inclusion in Cabinet / Committee reports is attached in Appendix E.

8. Business Planning

One of the keys to successfully embedding risk management is ensuring that it explicitly supports business planning. In a robustly embedded process, proactive remedial action should be taken to mitigate risks to within the risk appetite set by Leadership of the organisation.

9. Business Continuity Management

Business continuity management is the process of planning to maintain the services provided by the Council in the event of an interruption to the 'normal operation' of the Council. Business continuity is a bridge between the response to an incident and the full recovery from it.

Within any risk register there will be many risks that could have a major impact on the services' ability to provide the required outcomes. It is, however, not always possible to fully mitigate these risks, therefore it is important that the service examines these risks in detail, in advance, and develops a plan (i.e. a Business Continuity Plan), which can be used to enable service delivery to continue should a problem arise.

The business continuity plan needs to be developed in advance of an incident. This plan will be generic in so far as the basic information that it contains can be used to cover many different risk eventualities. As a service provider, continuity of service is vital for our citizens and partners.

10. Annual Governance Statement

The Annual Governance Statement is a statutory document that is published with the annual account. The Governance Statement is signed off by the Leader of the Council and the Chief Executive.

Within the Annual Governance assurance process Directors will be asked to confirm that risk management arrangements are embedded within their areas of responsibility.

11. Further help and support

- Birmingham Audit
- Intranet – Further information on risk management can be found on the Council's Intranet
- E-learning package – An on-line risk management training module for all those involved with the management of risk. The e-learning will help you to:

    - Be aware of potential key risks.
    - Understand how risk can be effectively managed.
    - Appreciate the role that everyone can play in managing and minimising risk.
    - Understand the Council's procedures for managing risk.
    - Use risk management to be proactive and take advantage of opportunities.

Appendix A - Types/Categories of Risk

Reputational risks - Arising from all risk types / categories which are considered to have an impact on how the Council is viewed by both internal and external stakeholders.

Political risks - Arising from the political situation. Examples of issues to look out for in local government:

- Political make-up (majority party, hung council, key opposition parties)
- Decision-making structure (elected mayor with cabinet, cabinet with leader, council and council manager, traditional committee structure)
- Leadership issues (lack of strong leadership, concentration of power into the hands of a few, imbalance of power)
- Election cycles (power shifts, undue influence on electioneering)
- Central Government initiatives impacting on Local Government

Economic risks - Arising from the national, local and organisation specific economic situation. Examples of issues to look out for in local government:

- Key employment sectors (e.g. over reliance on key industries / employers)
- Changing macroeconomic condition (e.g. changes in economic growth, interest rates, inflation etc)
- Poverty and deprivation indicators
- Property prices (e.g. low prices affect capital receipts, slow-down in building reduces Council Tax income growth)

Social risks - Arising from the national and local demographics and social trends. Examples of issues to look out for in local government:

- Demographic profile changes e.g. the growth in numbers of young children needing schools, 16 &17 year olds in fulltime education and the growing elderly population
- Equality Analysis regarding age, disability, gender, gender reassignment, race, religion or belief, and sexual orientation.
- Leisure and cultural provision
- Crime statistics / trends
- Children at risk

Customer / Citizen risks - Arising from the need to effectively deliver services which meet the needs and expectations of customers and citizens. Examples of issues to look out for in local government:

- Is service delivery effective? Do residents, taxpayers, businesses and partners receive the services they require when they need them? Are expectations being managed?

- Extent and nature of consultation with / involvement of community, e.g. community groups, local businesses, focus groups, citizens' panels, etc.
- Equalities issues should be identified in relation to your service / function

Technological risks - Arising from technological change and the organisational technological situation. Examples of issues to look out for in local government:

- Capacity to deal with technological changes and e-government targets
- Current use of and reliance on technology
- Current or proposed technology partners
- Security and standards, e.g. on back-up and recovery, business continuity plans, response to hacking or other malicious attacks

Information risks – risks associated with holding and process information: Examples include:

- Security of information (manual and electronic)
- Inaccurate information
- Data loss
- Inappropriate use of information

Legal risks - Arising from possible breaches of legislation. Examples of issues to look out for in local government:

- Legal challenges and claims including under The Public Contracts Regulations
- Acting outside delegated powers

Legislative / Regulatory risks - Arising from current and potential changes and the organisation's regulatory environment. Examples of issues to look for in local government:

- Preparedness for new, and compliance with existing, legislation and regulations - including European law / regulations, e.g. Equalities legislation, Human Rights Act, Department of Enterprise, Trade and Investment (DETI) guidelines, H&S regulations
- Exposure to regulators - e.g. auditors / inspectors
- Localism Act and the various rights this gives local people such as Community Asset Transfers
- The Public Services (Social Value) Act 2012
- Welfare Reform Act 2012 and the Local Government Finance Act of 2012, covering the introduction of Universal Credit, the Benefits cap, Social Sector Size Criteria restrictions to Housing Benefit and changes to Council Tax rebate schemes

Environmental risks - Arising from inherent issues concerned with the physical environment. Examples of issues to look out for in local government:

- Nature of environment (urban, rural, mixed)
- Waste disposal and recycling issues
- Pollution issues, e.g. contaminated land, fly tipping, carbon tax
- Traffic problems / congestion
- Extreme weather conditions, e.g. flooding, storms, tornadoes, etc.

Competitive risks - Arising from the organisation's competitive spirit and the competitiveness of services.

Examples of issues to look out for in local government:

- Success in securing funding
- Opportunities for income generation
- Competition for service users, e.g. leisure, car parks
- Position in league tables
- Relationships with neighbours and partners, e.g. competitive or collaborative
- Performance indicators and inspection results

Partnership / Contractual risks - Arising from the nature of the partnerships and contracts. This looks at the particular risks which are faced when delivering services in conjunction with potential partners, e.g. differing local needs or contractual terms and conditions.

As part of the process of planning Birmingham's future the Council is looking at paying for services differently. Linked with this is the need to manage contracts well.

'Delivering services together' is another way the Council is focusing more on 'whole people' and 'whole places'. This is where planning, commissioning and delivering services is done in an integrated and coordinated way. Joining up services such as social care, health, housing, learning and family support makes it easier to plan what is needed and see what works best.

Examples of potential partners include private sector firms, other local authorities, the Police, the Fire Service, NHS Primary Care Trusts and hospitals, universities, central government agencies or other public sector institutions. There are new methods of service delivery being used or that could be used in the future such as Trusts, Wholly Owned Companies such as Acivico, Social Enterprises and Cooperatives to help the Council to deliver its vision and aims.

The types of risks that can arise are around service delivery, investment of time, money and expertise, meeting organisational objectives, fair procurement, risk of fraud and reputational risk. It is necessary to ensure that corporate governance arrangements are robust; particularly in terms of ensuring effective performance management and that liability and accountability frameworks are explicitly agreed in advance.

Examples of issues to look out for in local government:

- Key strategic partners - from public, private and Third Sectors, and District Strategic Partnerships
- Joint ventures
- Outsourced services - particularly if the service outsourced is a statutory one so the risk of non-delivery remains with the Council

Managerial/Professional risks - Arising from the need to be managerially and professionally competent. Examples of issues to look out for in local government:

- Professional / managerial standing of key officers
- Stability of officer structure - particularly at the top
- Key staff changes and personalities
- Turnover, absence, stress levels
- Workforce planning
- Equalities issues, the completion of Equality Analysis and the putting in place of action plans to mitigate where changes are needed
- Managing major changes

Financial risks - Arising from the budgetary, financial planning and control framework. Examples of issues to look out for in local government:

- Financial situation such as areas of significant over or under spending
- Flexibility to allocate budgets to address areas where control weakness is identified
- Level of reserves and budgetary control
- Monitoring and reporting systems
- Fraud / mal-administration and corruption
- The incidence of past insurance claims are analysed and used to inform future mitigations e.g. areas where controls need improving

Physical risks - Arising from physical hazards associated with people, buildings, vehicles, plant and equipment. Examples of issues to look out for in local government:

- Nature and state of asset base e.g. Listed buildings and other property owned, dilapidation of leased property
- Commitment to health, safety and well-being of staff, partners and the community
- Potential physical hazards such as monitoring the condition of trees on public land or highways, and slips and trips on pavements
- Accessibility of public buildings under Equalities Legislation such as the Disability Discrimination Act requirements

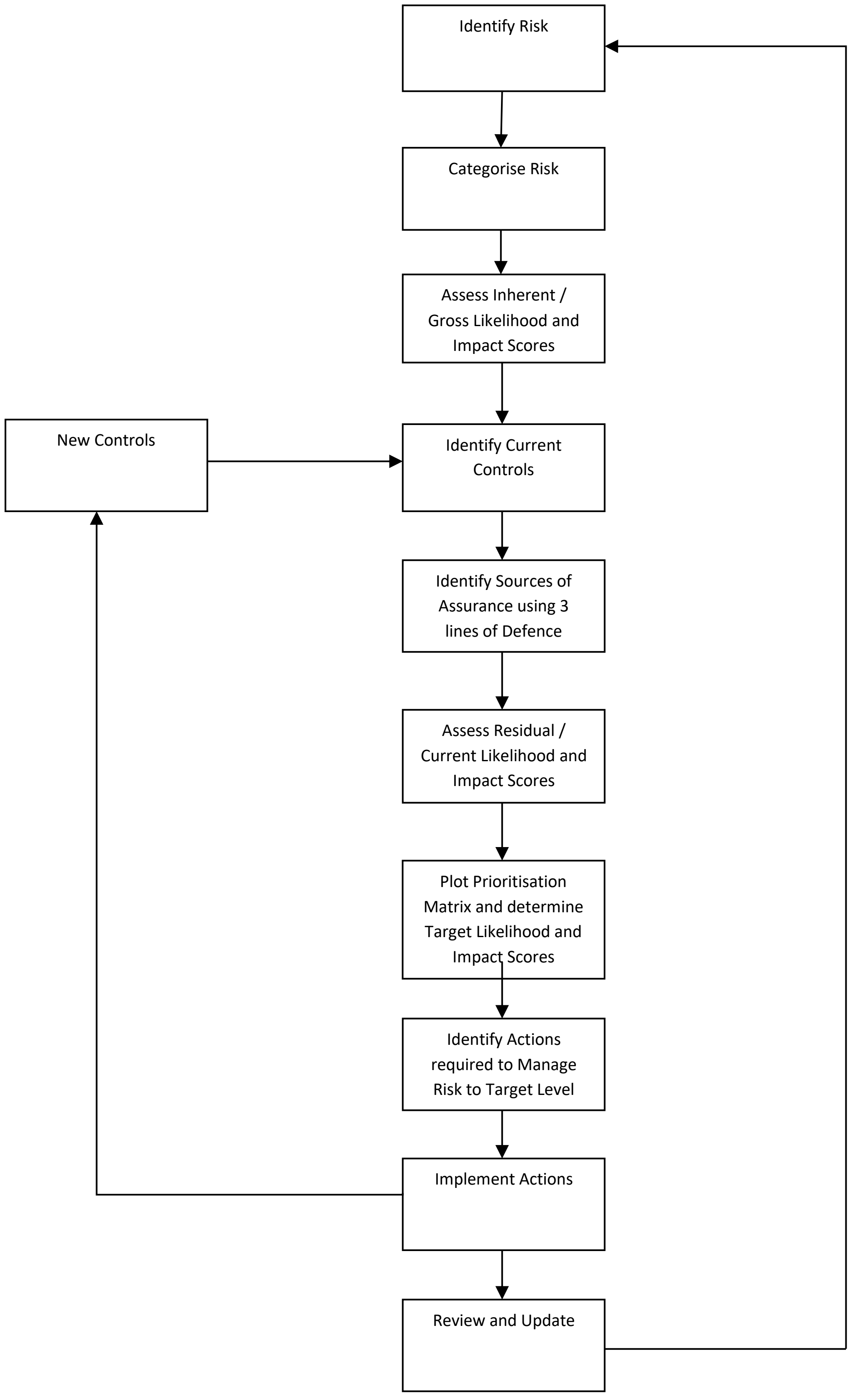
Appendix B – 3 Line of Defence Assurance Model

First line - the ‘front-line’ or business operational areas, there will be many arrangements established that can be used to derive assurance on how effective controls are and how well risks are being managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information.

Second line - is associated with oversight of management activity. It is separate from those responsible for delivery, limited independence of the organisation’s management chain. This could typically include compliance assessments, e.g. Ofsted, or reviews carried out to determine that controls and quality arrangements are being met.

Third line - independent and more objective assurance and focuses on the role of Birmingham Audit, who carry out a programme of work specifically designed to provide those charged with governance with an independent and objective opinion on control effectiveness. Birmingham Audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements.

Appendix C – Risk Management Process Flowchart



Appendix D - Risk Register Template

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<tr><td colspan="9">Risk Description:</td></tr>
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<tr><th colspan="3">Inherent / Gross Risk</th><th colspan="3">Residual / Current Risk</th><th colspan="3">Target Risk</th></tr>
<tr><th>Likelihood</th><th>Impact</th><th>Prioritisation</th><th>Likelihood</th><th>Impact</th><th>Prioritisation</th><th>Likelihood</th><th>Impact</th><th>Prioritisation</th></tr>
<tr><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td><td>Choose an item.</td></tr>
<tr><td colspan="3">Current Controls Mitigating Inherent Risk:</td><td colspan="3">Opportunities:</td><td colspan="3">Sources of Assurance on Effectiveness of Identified Controls:</td></tr>
</table>

No.	**Actions to Reduce Risk to Target**	**Owner**	**Target Date**	**Progress**	**RAG**
1					Choose an item.
2					Choose an item.
3					Choose an item.
4					Choose an item.
5					Choose an item.
Updated By:		**Date:**			

Appendix E – Cabinet / Committee Report Risk Template

Risk No	Risk description	Risk mitigation	Residual / current risk			Additional steps to be taken
			Likelihood	Impact	Prioritisation	
1.						
2.						
3.						
4.						

Measures of likelihood/ Impact:

Description	Likelihood Description	Impact Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long-term recovery period.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Possible, might occur at some time. 20% - 50% chance.	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Unlikely, but could occur at some time. Less than 20% chance.	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

Version Control			
V1	Nov 2018	Amalgamation and rewrite of Policy, Strategy and Toolkit into a single Risk Management Framework	Assistant Director Audit and Risk Management
V2	Nov 2019	Reflect separation of strategic and operational risk registers, updating titles and latest vision	Assistant Director Audit and Risk Management