Birmingham City Council

Report to Cabinet

11th February 2025

Title:	**APPROVAL OF RISK MANAGEMENT POLICY & STRATEGY**
Lead Member:	Councillor Rob Pocock, Cabinet Member for Transformation Governance & HR
Relevant Overview and Scrutiny Committee:	Corporate & Finance O&S
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	No
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Authorised by:	Rishi Shori, Deputy Chief Executive, Deputy Chief Executives Directorate
Is this a Key Decision?	No Forward Plan Reference: 013665/2025
Reason(s) why not included on the Forward Plan and confirm who has authorised it to be considered:	Not applicable
Is this a Late Report?	No
Reason(s) why Late and confirm who has authorised it to be considered:	Not applicable
Is this decision eligible for 'call in?'	Yes
If 'call-in' has been dis-applied, please provide reason(s) and confirm who has authorised:	Not applicable

Wards: All wards

Does this report contain exempt or confidential information?	No
Has this decision been included on the Notification of Intention to consider Matters in Private?	Not applicable
Reasons why not included on the Notification and confirm who has authorised it to be considered:	Not applicable

1 EXECUTIVE SUMMARY

1.1 Birmingham City Council (BCC) is rebuilding its risk management approach to enhance success and reduce failure. This involves a shift to an Enterprise Risk Management (ERM) approach, which offers a holistic view and integrates risk management into decision-making and strategy. The new Risk Management Policy & Strategy, developed through extensive research and consultation, aims to embed ERM principles across the Council. It emphasises accountability, training, and continuous improvement. The document was approved by the Corporate Leadership Team in December 2024 and is now being presented for Cabinet approval and adoption.

2 COMMISSIONERS' REVIEW

2.1 The adoption and implementation of the policy and strategy is an important step on the road to recovery. What is more important is that the approach is used and seen to be used in all parts of the Council. It may be appropriate to commission a post implementation review, to be reported in 12 months' time, at both corporate and directorate level to assess both penetration and compliance.

2.2 Many risks have both a strategic and tactical dimension and failure often occurs when the risk owner only considers one dimension and does not operate in real time. It is worth recognising that some risks cannot be mitigated and risk owners including Members need to actively contemplate potential outcomes if a non-mitigated risk materialises, in advance of a decision, including the impact on other services. This is particularly relevant when a Council is considering being the funder of last resort.

2.3 Commissioners will consider with the Managing Director how the Improvement and Recovery Board will maintain oversight of this process through the intervention period.

3 RECOMMENDATIONS

That Cabinet:

3.1 Notes the contents of the report.

3.2 Approves and adopts the Risk Management Policy & Strategy.

4 KEY INFORMATION

Context

4.1 Against a backdrop of multiple significant events, external reviews and reports leading to the setting of critical improvement and recovery activities across the Council, a *refresh and rebuild* of the way that risk is managed – both strategically and operationally - within the City Council was identified as an important component in increasing the probability of success and reducing the likelihood of failure in Council business, as well as obtaining and providing assurance for key stakeholders around the management of risk within BCC, as part of the Councils system of internal control.

4.2 In undertaking the *refresh* elements of improvement and recovery, early internal engagement and consultation indicated a disconnect between 3 key elements:

4.2.1 The Risk Management Framework document that the Council intended for use as both policy and strategy, as well as guidance.

4.2.2 The level of assurance that could be drawn from existing/traditional risk management (TRM) practices, and the way these had been implemented in BCC.

4.2.3 The way risk is managed in day-to-day operational activities and setting and selecting organisational strategy.

4.3 To address both these critical underlying disconnects and the major failings identified in external reviews, and to start on a path to continuously growing risk management maturity within BCC, significantly more focus has been given to *rebuilding* the way risk is managed, versus *refreshing* existing documentation and practice. This had to be conducted whilst ensuring that existing areas of operational risk management excellence were not damaged or diluted, and sweeping changes to existing risk management activity would not cause any unintended increase in threat or reduction in opportunity.

Proposal and Reasons for Recommendations

4.4 Underpinning principles for the Risk Management Policy & Strategy

4.4.1 The risk rebuild and ongoing improvement journey is being conducted in line with the Institute of Risk Management's approach to *Enterprise Risk Management* (ERM), and many of the concepts and philosophies contained within the new Risk Management Policy & Strategy document are rooted in this approach. A critical aspect of any ERM implementation is that it is bespoke to the organisation it is being implemented within - organisations cannot "buy risk management" – as, ultimately it is people who manage risk, and ERM recognises that broader transformation to an organisations unique culture and values, as well as good systems and processes, is required for it to be impactful.

4.4.2 An ERM approach can foster improvement over and above traditional risk management (TRM). Some key differences include:

4.4.2.1. Scope: TRM tends to focus on specific directorates/departments or activities, while ERM provides a more holistic view aligned with an organisation's objectives and mandatory obligations underpinned by data, analysis and insight. This was a particular weakness highlighted by external review.

4.4.2.2. Assurance: TRM tends to deal with risks independently and in relative isolation, while ERM aims to form a consistent understanding of an organisation's objectives and risks and provides assurance over the organisation's ability to achieve objectives and meet/comply with obligations. How this contributes to understanding overarching constraints and resource prioritisation was a further weakness highlighted by external reviewers.

4.4.2.3. Decision-making: TRM can often focus on post-decision/deliverability risks, whereas ERM supports decision-making by understanding and helping shape our overall risk position and appetite at an earlier stage. This addresses further external review findings surrounding increased activity being BCC's first and only response to post-decision/delivery challenges and obstacles.

4.4.2.4. Focus: TRM emphasises threat avoidance, while ERM considers both threats and opportunities as risks and this is reflected throughout the rebuild, which contributes and broadens our understanding of the aspects considered in the preceding paragraphs; scope, assurance and support for decision-making in terms of opportunities presented, and options for the way threats can be managed.

4.4.3 Following significant engagement and consultation activities with both Member and Officer groups, and a review of BCC's risk management fundamentals, a decision was made to completely replace the existing *Risk Management Framework*, with several shorter, simpler and more prescriptive products designed to reinforce the underlying ERM principles, the first and most fundamental of these is the *Risk Management Policy & Strategy* (Appendix A).

4.5 Engagement with Senior Leadership & co-production

4.5.1 This document, approval of and adherence to the policy wording, and adoption of the strategies contained within it by all levels of BCC Leadership represents a crucial part of setting the organisation's *Tone from the Top* with regards to risk management. As such, approval and adoption by all aspects of the Council's executive is an essential first step. The final draft of this document was presented to the Council's Corporate Leadership Team for discussion on 17th December 2024 where it was approved and agreed to be escalated to Cabinet for approval and adoption at the next available opportunity.

4.5.2 A key component in ensuring the adherence of transformation activity is a solid grounding in good principles, and the new Policy and Strategy document represents many of the fundamental tenets of effective risk management. The document itself, and the architecture it represents is the product of several months of research into existing risk management practice in local government and wider public/private sector organisations, a detailed understanding of our current approaches, strengths, weaknesses, specific operating context, and engagement with both internal and external partners to ensure that the product remains reflective of underlying ERM principles.

4.5.3 The Risk Management Policy & Strategy is designed to enable and encourage accountability and responsibility for risk management across the entire authority. This includes ownership by both officers responsible for ensuring that opportunities are maximised, and threats minimised in all Council business, and elected members where they have accountability for Portfolio objective achievement, or because of committee membership, who must - or would benefit from - being apprised of current or historic risk data. Where there is a specific role for each in risk management, this is identified in the Strategy section of the document.

4.6 Embedding and training

4.6.1 The Risk Management Policy & Strategy is at risk of becoming obsolete or forgotten without action to truly embed the necessary change. In addition to a significant combined engagement effort between the Risk Management Team, CLT and Directorates in operationalising this strategy, a package of training is being developed currently, the first aspect of which was successfully piloted in November 2024.

4.6.2 This package of training will begin with a *Fundamentals of Risk Management* training course tailored and delivered by the Institute of Risk Management for Member groups identified within the Policy & Strategy document, and Officer colleagues within the Corporate & Extended Corporate Leadership Teams. Following this, an online training module will be developed and delivered, accessible by all Members and Officers, that will walk through a simplified version of the fundamentals.

Other Options Considered

4.7 List of other options considered:

4.7.1 Do nothing – this was not possible based on the context and situation presenting described in Section 4.1 above but led to the consideration of further options below.

4.7.2 Refresh existing documentation – this option risked not addressing one of the fundamental triggers for improvement and recovery activity, in that the disconnect between existing frameworks and practice detailed in Section 4.2 above could have remained in place.

4.7.3 Adopt another organisations framework/policy/strategy – this option was considered in depth, and ultimately rejected as it risked being incompatible with existing areas of BCC good practice, would fail to recognise our unique internal and external operating context, and was also incongruent with ERM principles as discussed in Paragraph 4.4.1 above. This is not to say that other organisations policies and strategies were not studied carefully, and examples of best practice adopted where appropriate.

5 RISK MANAGEMENT

5.1 In producing both the policy and strategy elements of the document, multiple risks were identified and are being managed as follows:

5.1.1 The threat of cognitive biases impacting on the "current state" research, and engagement with Officers and Members was *reduced* via the co-delivery of workshop sessions and provision of objective feedback throughout the process by KPMG.

5.1.2 The threat of "groupthink" and recent events resulting in risk avoidance/aversion within the policy and strategy, and the separate opportunity to ensure alignment with ERM principles was *reduced* via engagement and editorial oversight by an external partner and the Institute of Risk Management's core text author (KB Risk Consulting).

5.1.3 The threat of the Policy & Strategy not being adhered to following launch was considered and will be monitored in-part via the use of BCC's new Risk Management Platform "Resolver" and *reduced* via reports and action required on compliance to CLT as part of a regular update. The impact of this threat is currently rated as *Moderate.*

5.1.4 The opportunity to maintain innovation and inclusion of increasingly mature/sophisticated risk management practice throughout BCC will be *increased* via an annual review of the Policy & Strategy by the Risk Management Team, and is impact rated as *Minor.*

5.2 Risk improvement activity features in the Council's Improvement & Recovery Plan (IRP) and the specific activities arising out of the plan have completed and regularly reviewed risk assessments as part of that process.

5.3 The Risk Management Team also regularly assess the risks facing the broader implementation of ERM, including but not limited to:

5.3.1 The threat of a lack of engagement with the implementation - which is being *reduced* via regular communication, directorate engagement, and multi-layered training as mentioned in Paragraph 4.6.2 above, and is impact rated as *Moderate*.

5.3.2 The threat of temporary funding for risk management via the IRP programme reducing or being removed based on other priorities – which is being *reduced* via engagement with the Interim Director of Finance/s151 officer and Deputy Chief Executive, currently impact rated as *Minor*.

5.3.3 The opportunity for the new Risk Management Platform to be expanded to other functions and further leverage existing linkable data which is being *increased* via engagement with applicable service areas, and the development of business cases, currently impact rated as *Minor*.

5.4 Please note all current impact ratings have been assessed against the Council's ability to meet its objectives and mandatory obligations.

6 CONSULTATION

6.1 Relevant Cabinet Members and the Corporate Leadership Team have been consulted on the contents of this report and the policy and strategy document contained within the appendix.

7 MEMBER ENGAGEMENT

Ward Councillor(s)

7.1 Not applicable

Overview and Scrutiny

7.2 Not applicable in terms of this report, however Overview & Scrutiny Chairs have engaged with the risk management rebuild via KPMG workshop and influenced the creation of the policy and strategy document via a Task & Finish group.

Other

7.3 Not applicable

8 IMPACT AND IMPLICATIONS

Finance and Best Value

8.1 There are financial implications arising out of the training programme referred to in the report, and an application for funding from the IRP programme has been submitted. This is not however directly linked to the recommendations in this report, and there are no further implications arising from them.

Legal

8.2 There are no direct legal implications arising out of the recommendations in this report.

Equalities

8.3 There are no direct equality impacts or implications arising out of the recommendations in this report.

Procurement

8.4 There are no procurement implications arising out of the recommendations in this report.

People Services

8.5 There are no direct people implications arising out of the recommendations in this report.

Climate Change, Nature and Net Zero

8.6 There are no direct climate change, nature or net zero implications arising out of the recommendations in this report.

Corporate Parenting

8.7 There are no corporate parenting implications arising out of the recommendations in this report.

Other

8.8 There are no other implications arising directly out of the recommendations in this report.

9 APPENDICES

9.1 Appendix A – BCC Risk Management Policy & Strategy v1.0

10 BACKGROUND PAPERS

10.1 Risk Management Framework (please note that this link may not function correctly in the days/weeks following this meeting, as the document will be replaced with the new document to avoid confusion – a copy will be retained and can be requested directly from the report author).

Appendix A (Separate Document to be attached)