BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**Audit Committee**
Report of:	**Assistant Director, Audit & Risk Management**
Date of Meeting:	**18th October 2023**
Subject:	**Risk Management Update**
Wards Affected:	**All**

1. Purpose of Report 1.1 To update Members on the management of strategic risks and implementation of the Risk Management Framework.
2. Recommendation Audit Committee Members: 2.1 Note the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT). 2.2 Review the strategic risks and assess whether further explanation / information is required from risk owners in order to satisfy itself that the Risk Management Framework has been consistently applied.
3. Risk Management Framework 3.1 The Risk Management Framework sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all organisational levels. 3.2 The framework is implemented through a network of Directorate Risk Representatives. Risk representatives assist directorate management teams in producing and maintaining up-to-date risk registers and supporting action plans. 3.3 Strategic risks are reviewed and challenged through the Corporate Leadership Team.

4.   Strategic Risk Register

4.1   The Strategic Risk Register is reviewed monthly. CLT have proposed:

- Removing risk 7.6 – Supply Chain Disruption.

- Reinstating risk 7.3 around Workforce with more emphasis on the retention and recruitment of talent This had been raised in a number of annual assurance certificates as a key issue.

4.2   The register will be reviewed in the context of recent events e.g. Section 114 impact.

4.3   The revised strategic risks have been plotted on a heat map within Appendix A and are summarised within Appendix B. The profile of the strategic risks, against each 'PESTLE' category is given below:

Residual Risk Exposure	Severe	Material	Tolerable	Total
SR1 - Political				
SR2 - Economical	2			2
SR3 - Social		4	1	5
SR4 - Technological	1	2		3
SR5 – Legal	5		1	6
SR6 - Environmental	3	1		4
SR7 - Cross Cutting	1	3	1	5
totals	**12**	**10**	**3**	**25**

4.4   Seven risks remain with a High / High residual likelihood and impact score including the Oracle Implementation and Equal pay risks added earlier this year.

4.5   Assurance on the management of these risks has been provided, or is scheduled on the Committee's work programme, via the Cabinet Member Assurance Sessions.

4.6   Risks are assigned weightings according to the definitions set out in the Strategic Risk Management Framework as follows:

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.

5. Directorate Risks

5.1 Each Directorate maintains their own risk registers. These Directorate risk registers contain the operational risks facing the Council and are managed at a local level.

5.2 The top operational risks are being captured as part of the ongoing corporate business planning process and will be subject to a similar level of scrutiny as Strategic Risks. This will include reporting all significant operational risks to the Audit Committee.

5.3 One operational risk has been escalated relating to the need to strengthen financial controls and appoint a Financial Controller.

6. Role of the Audit Committee

6.1 Members have a key role within the risk management and internal control processes.

6.2 The Audit Committee terms of reference, sets out its responsibilities and in relation to risk management these are:

- providing independent assurance to the Council on the effectiveness of the risk management framework and the associated control environment;

- whether there is an appropriate culture of risk management and related control throughout the Council;

- to review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management; and

- to give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.

7.	**Legal and Resource Implications**
7.1	The work carried out is within approved budgets.
8.	**Equality Impact Assessment Issues**
8.1	Risk management forms an important part of the internal control framework within the Council.
8.2	The Council's risk management framework has been Equality Impact Assessed and was found to have no adverse impacts.
9.	**Compliance Issues**
9.1	Decisions are consistent with relevant Council Policies, Plans and Strategies.

Sarah Dunlavey
Assistant Director, Audit & Risk Management
Telephone No: 0121 675 8714
e-mail address: sarah.dunlavey@birmingham.gov.uk

Risk Heat Map

Strategic Risk Map – October 2023

Likelihood	Impact →	Low	Medium	Significant	High
High					SR5.1 Health & Safety; SR6.1 BCC to be net zero carbon; SR6.2 aspiration for City to be net zero carbon; SR6.3 Climate resilience; SR2.6 Future Financial Resilience; SR5.7 Equal Pay & Job Evaluation; SR4.4 Failure to address Oracle Implementation issues
Significant			SR3.3 Equality representation across the workforce; SR7.6 Supply Chain Disruption	SR7.2 Rising pressure of demand in adults and children's	SR2.2 Homelessness & housing shortage; SR5.6 Safeguarding Children
Medium			SR4.1 Loss of personal/sensitive data	SR3.4a Business Continuity - Failure to maintain critical services; SR3.4b Business Continuity - Failure to respond to emergency / terrorism; SR4.3 Cyber attacks; SR6.4 Ability to address air pollution; SR7.5 CWG Legacy Realisation	SR5.4 Meeting social care requirements; SR5.5 View of BCC by regulators; SR7.1 Service Improvement
Low			SR3.7 Public Health interventions; SR5.2 Approach to equalities - legislative; SR7.3 Workforce	SR3.6 Preventing crime agenda	

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.

OFFICIAL

Strategic Risk Register Summaries

Strategic Risk 2.2

Risk Title: Increase in housing demand due to homelessness and reduction in affordable housing delivery

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	⬌	0	6	1	0	7

Risk Description: The Right to Buy, the demolition of low-quality homes, and limits on replacing them with new, affordable homes at the same rate have all contributed to the reduction of council housing stock over time, resulting in an overall net year-on-year decrease. The demand for affordable housing is continually rising due to an increase in homeless presentations, affordability, and limited alternative housing options. The Council's statutory requirement to keep a housing register currently has around 20,700 households in need of housing. Rising private sector rents and housing costs make affordability a pressing issue, placing pressure on the limited supply of affordable housing. The gap between affordable housing availability and demand is increasing the need for Temporary Accommodation, which will house people until permanent homes can be found, at a significant cost to the Council.

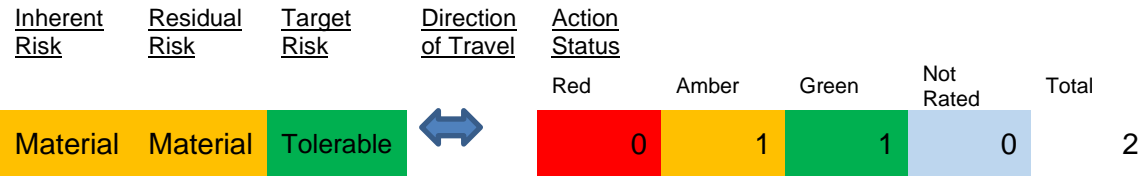Strategic Risk 2.3

Risk Title: Future Financial Resilience

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total

Severe	Severe	Tolerable	⬆	0	2	1	0	3

Risk Description: Economic factors affect the ability of the Council to deliver its objectives, including economic drag post-pandemic, supply chain issues, demand for gas and oil and the war in the Ukraine, with the resulting cost of living crisis causing an increase in those requiring our support and services. Brexit scenarios, property market, treasury management risks, contractor collapse etc. The nature of Government funding results in uncertainty of future income streams e.g. fair funding review and business rates retention; school funding including special education needs, medium term funding for the Public Sector is being squeezed as central Government attempts to bring down the cost of borrowing.
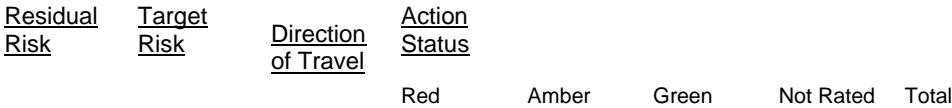
Strategic Risk 3.3

Risk Title: Council services are detrimentally impacted by a representation gap across the workforce

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Material	Material	Tolerable	↔	0	1	1	0	2

Risk Description: The staffing within the council does not reflect the demographic make up of the city which can impact on services received by citizens.

Strategic Risk 3.4a

Risk Title: Risk of significant disruption to Communities and failure to effectively manage and respond to emergencies, including acts of terrorism.

Residual Risk	Target Risk	Direction of Travel	Action Status				
			Red	Amber	Green	Not Rated	Total

header appendix

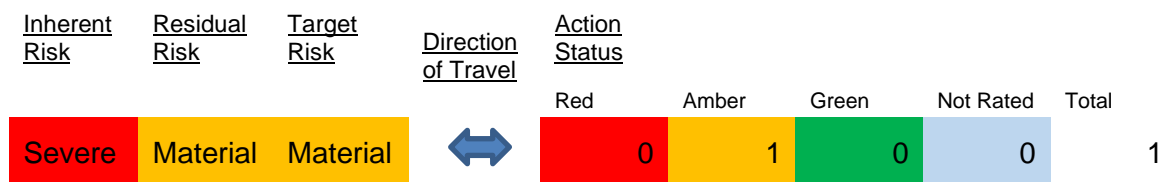|				Red	Amber	Green	Not Rated	Total
Severe	Material	Material	↔	0	0	2	0	2

Risk Description: Risk of significant disruption and impact on our communities from an Emergency and the Councils inability to respond proactively and effectively to an incident and emergency, including acts of terrorism.

BCC is a Statutory responder and provides a range of statutory services many of which directly impact the life and wellbeing of people in Birmingham.

As an equal responder, with significant duties and resources, it is critical that BCC is able to deliver a response to all types of incidents.
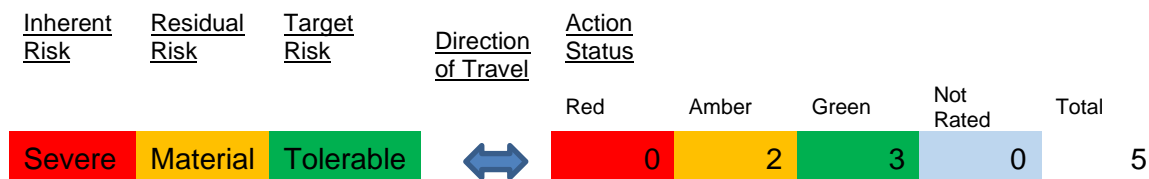
Strategic Risk 3.4b

Risk Title: Risk of significant disruption to Council services (Business continuity) and failure to effectively manage and respond to emergency incidents, including acts of terrorism.

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Material	Material	↔	0	1	0	0	1

Risk Description: Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism. BCC is a Statutory responder and provides a range of statutory services many of which directly impact the life and wellbeing of people in Birmingham. Identifying and continuing to deliver our priority activities is both essential and a legal requirement.

Strategic Risk 3.6

Risk Title: Inability to effectively influence the preventing crime agenda

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Material	Tolerable	↔	0	2	3	0	5

Risk Description: The Crime and Disorder Act 1998 gave local authorises and Police services duties to work together to develop crime and disorder audits and implement reduction strategies and work in partnership with other agencies, to set up a Community Safety Partnership (CSP) – to tackle the identified problems.

Risk - Failure to comply with statutory obligations in relation to as set out in section 5 -7 of the Crime and Disorder Act 1998. These being:

- Work together to form and implement strategies to prevent and reduce crime and anti-social behaviour, and the harm caused by drug and alcohol misuse. This will include producing an annual plan.
- Produce plans to reduce reoffending by adults and young people
- Manage the Community Trigger process
- Commission Domestic Homicide Reviews
- Engage and consult with the community and identify their priorities.
- Serious Violence – this is a new duty which will sit with Community Safety Partnership

Strategic Risk 3.7

Risk Title: Public Health approach to early interventions ineffective

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Material	Tolerable	⬌	0	1	4	0	5

Risk Description: There is strong evidence that public health interventions do have sustained and long term impacts in reducing the burden of ill health and demands on both health and social care services, however the recurrent national cuts to the ring-fenced public health grant, tensions around the use of the grant resources, reduction in specialist public health capacity within the Council and the instability in the public health leadership within the Council presents a risk that these impacts will not be achieved and ultimately the inequalities in the city will continue to expand and compound leading to higher costs and unsustainable public services.

Strategic Risk 4.1

Risk Title: Loss of personal and sensitive data

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Material	Material	Tolerable	↔	0	0	4	0	4

Risk Description: There is a risk that the loss of significant personal or other sensitive data may put the City Council in breach of its statutory responsibilities and incur a fine up to £20million or 4% of our global turnover (£120 million) (whichever is higher) from the Information Commissioner Office (ICO).

Strategic Risk 4.2

Risk Title: Risk of Cyber Attacks

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Material	Material	Material	↔	0	0	3	0	3

Risk Description: There is a risk that our services to customers are disrupted by malicious attacks (Ransomware, Malware, Phishing, DDoS, Advance Persistent Threat (APT), Hacking, lack of resources to protect BCC) on our computer systems and/or web services.

Strategic Risk 4.2

Risk Title: Failure to resolve issues associated with Oracle implementation is damaging the Council's reputation and relationships

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status

				Red	Amber	Green	Not Rated	Total	
Severe	Severe	Tolerable	**NEW**	0	4	1	0	5	

Risk Description: The implementation of a new ERP system has resulted in numerous key processes not working as expected. This is impacting on schools and external audit as well as internal teams and resulting in distrust across officers, partners and Members. The Council's annual accounts are impacted and schools are unable to finalise their accounts. Manual workarounds are resulting in increased operational costs.

Strategic Risk 5.1

Risk Title: The significant Health and Safety Factors associated to the property & asset portfolio and in relation to the activities that we undertake whilst delivering the services BCC provide

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	⟷	3	6	3	0	12

Risk Description: BCC Employees and those others for which we owe a duty of care (members of the public, contractors, tenants etc.) could suffer serious injury, illness or fatality arising from a lack of compliance with health and safety regulations and / or poor risk management. The consequence of such could also lead to litigation and enforcement action for the organisation, individual directors, managers or other officers and could also lead to considerable reputational damage. This section of the register therefore considers how we respond to changes in legislation, our continued ability to manage an ageing property and asset portfolio, how local expectations are communicated, duties are discharged, and the necessary competencies necessary to reduce risk to tolerable levels.

Strategic Risk 5.2

Risk Title: Ineffective approach to Equalities and Cohesion work

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Tolerable	Tolerable	⟷	0	2	1	0	3

Risk Description: Failure to comply with all the requirements of the Equality Act 2010 and the Public Sector Equality Duty. Consequences leading to Equal Pay claims.

Strategic Risk 5.4

Risk Title: Inability to fully meet social care requirements

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Tolerable	⬄	0	2	0	0	2

`

Risk Description: To include Safeguarding Adults

Strategic Risk 5.5

Risk Title: View of BCC by Regulators

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Tolerable	⬄	0	5	2	0	7

Risk Description: The Care Quality Commission (CQC) regulated Adult Social Care services, run by BCC, are the three care centres and the home care enablement services. DfE and Ofsted assessment of children services. There is a further risk that following the BCC Ofsted CQC SEND re-visit, BCC is found to be ineffective in the delivery of SEND services, which could result in another directive from the DfE for the services being removed from the control of the local authority**.** SEND Commissioner report now published, expressing conditional confidence in BCC delivering the SEND Services without the move to a trust. The programme is progressing well, in December the 12 months evaluation of the programme will be conducted by DfE and NHS.

Strategic Risk 5.6

Risk Title: Safeguarding Children

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Tolerable	⟷	0	1	0	0	1

Risk Description: Not responding fully and effectively to the improvement agenda for Children. Failure to improve children's safeguarding and children's social care.

Strategic Risk 5.7

Risk Title: Equal Pay and Job Evaluation

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status			
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Tolerable	NEW				

Risk Description

There is a risk that Equal Pay liabilities materialise at an estimated £650m - £760m and that the Council is unable to mitigate this level. Job Evaluation needs to be completed by April 2025 to prevent further liability accruing.

Strategic Risk 6.1

Risk Title: Birmingham City Council to be net zero carbon by 2030

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	⟷	0	0	0	4	4

Risk Description: The Council fails to lead by example and does not achieve net zero carbon by 2030.

Strategic Risk 6.2

Risk Title: Council aspiration for the City to be net zero carbon by 2030

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	⟷	0	4	0	0	4

Risk Description: The Council fails to support city wide decarbonisation.

Strategic Risk 6.3

Risk Title: A climate resilient and adapted Council and city

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	⟷	0	4	3	0	7

Risk Description: Failure to assess and prepare the Council for risks posed by climate change and City wide resilience and adaptation measures.

Strategic Risk 6.4

Risk Title: Non-compliance with statutory obligations relating to the enforcement of legal limits for air pollutants.

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Material	Material	Material	⬌	0	3	1	0	4

Risk Description: A risk of legal action for failing to comply with two ministerial directions (Dec 2017 and March 2019) which compel the Council to address the levels of roadside nitrogen dioxide (NO2) which have persistently been above the legal limit at a significant number of locations across the city. The ministerial directions require the Council to implement plans that achieve compliance in the shortest possible time. The impact of any successful legal action taken against the Council for failing to comply with the directions could be material.

Strategic Risk 7.1

Risk Title: Service Improvement

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Material	Tolerable	⬌	0	3	1	0	4

Risk Description: Continuous improvements to council services are required in order to deliver the best outcomes for our residents and communities while delivering against the commitments set out in our Corporate Plan and Medium-Term Financial Plan. Failure to deliver these improvements could result in unacceptable outcomes for residents, financial implications for the Council and the return of adverse inspection findings and /or potential interventions in the Birmingham system from central government.

Strategic Risk 7.2

Risk Title: Rising pressure of demand

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Severe	Tolerable	⟷	0	8	5	0	13

Risk Description: Rising demand for services negatively impacts on the Council's priority outcomes.

Strategic Risk 7.3

Risk Title: Workforce

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status				
				Red	Amber	Green	Not Rated	Total
Severe	Tolerable	Tolerable	⟷	0	0	0	2	2

Risk Description: There is a risk that BCC fails to attract, recruit, retain and develop a suitably skilled, experienced and talented workforce to deliver our services to communities and continue to develop and improve the organisation.

Strategic Risk 7.5

Risk Title: Birmingham 2022 Commonwealth Games Legacy Realisation

Inherent Risk	Residual Risk	Target Risk		Direction of Travel	Action Status				
					Red	Amber	Green	Not Rated	Total
Material	Material	Tolerable		⬌	1	2	2	0	5

Risk Description: Failure to meet BCC's Legacy Strategy objective to ensure a long lasting and sustainable, positive benefit for the City, its citizens and communities as a result of hosting the Birmingham 2022 Commonwealth Games, caused by:

- Misalignment of the Legacy strategy with BCC's longer-term vision for the City.
- A poor strategic narrative.
- Failure to identify and capitalise on legacy opportunities arising from the CWG.
- Failure to stimulate economic growth through investment in social and economic infrastructure.
- Low uptake of community participation.
- Lack of influence over Games Partner legacy programmes and development of the Integrated Legacy Plan.
- Inadequate evaluation criteria and delivery frameworks for legacy benefits capture and realisation.
- Lack of ownership of legacy outcomes and sustained performance in the years after the Commonwealth Games.

This may lead to BCC incurring a low economic and social return on investments, as well reputational damage.

Strategic Risk 7.5

Risk Title: Supply Chain Disruption – Nominated for deletion

Inherent Risk	Residual Risk	Target Risk		Direction of Travel	Action Status				
					Red	Amber	Green	Not Rated	Total
Severe	Material	Tolerable		⬌	0	4	1	0	5

Risk Description: Global supply chain disruption impacting on delivery, performance and increased costs.

Escalated Operational Risks

Risk Title: Financial Controls   High

Risk Description: Historically (pre Oracle) financial control has not been strong, and there was no dedicated financial controller in the finance operating model. In the legacy SAP system financial control weaknesses were mitigated by customisations. In Oracle these risks were not mitigated by the new systems and have been compounded by the failing customisations in Oracle.   The risks include lack of monthly assurance of key controls, poor quality of data production, backlogs, and potential fraud controls