Birmingham City Council

Report to Audit Committee

10th December 2024

Title:	**RISK MANAGEMENT UPDATE**
Lead Member:	Councillor Rob Pocock, Cabinet Member for Transformation, Governance & HR
Relevant Overview and Scrutiny Committee:	Not Applicable
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	Not Applicable
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Authorised by:	Rishi Shori, Deputy Managing Director Deputy MD Directorate
Is this a Key Decision?	No Forward Plan Reference: Not Applicable
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?'	Not Applicable
If 'call-in' has been dis-applied, please provide reason(s) and confirm who has authorised:	Not Applicable

Wards: Not Applicable

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 This report provides an update on the Risk Management Rebuild that began in November 2023.

1.2 It highlights the transition from Traditional Risk Management (TRM) to Enterprise Risk Management (ERM), emphasising the holistic approach of ERM.

1.3 Significant progress includes the creation of a new Risk Management Policy & Strategy, the permanent establishment of a Risk Management Team, and the procurement of a new Risk Management Platform.

1.4 A heavy focus of activity has been on building risk management capability, gathering and re-articulating existing risk data consistently, and improving ownership and accountability for managing the Council's risks.

1.5 Future focus will be on formal training for Officers and Members, identifying new and potentially hidden risks, supporting effective decision-making, and providing meaningful and insightful risk intelligence.

2 COMMISSIONERS' REVIEW

2.1 Commissioners have no observations on this report.

3 RECOMMENDATIONS

That the Committee:

3.1 Notes the update and continues to support risk management improvement;

3.2 Assists in shaping the required performance and progress information that the Committee requires (referred to in 4.11 below);

3.3 Attends the Fundamentals of Risk Management training course (referred to in 4.21 below).

4 KEY INFORMATION

Background & Context

4.1 This report provides Audit Committee Members with an update into progress on the Risk Management Rebuild which commenced in November 2023.

4.2 Following considerable early work in identifying the pre-existing level of organisational risk management maturity and sophistication, and reflecting on some of the critical issues facing the Council identified in reports presented by external partners such as the Centre for Governance & Scrutiny (CfGS), efforts to rebuild following an *Enterprise Risk Management* (ERM) approach versus a more traditional risk management (TRM) model began.

4.3 ERM differs from TRM in many ways, some key differences include:

4.3.1 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.

4.3.2 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.

4.3.3 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.

4.3.4 Focus: TRM emphasises threat avoidance, while ERM considers both threats and opportunities as risks.

4.4 The Institute of Risk Management consider that the successful implementation of an embedded ERM programme in large organisations can take between 2 and 10 years.

Progress Update

4.5 The Risk Management Team became a separate function from the Internal Audit Team formally in June 2024. Significant progress was made prior to this point, in the form of an early-stage risk rebuild and improvement plan which achieved several of the CfGS Stabilisation Plan goals and gathered a considerable amount of intelligence and data, both in terms of the risks facing the Council and the way they were being managed. The team has grown from having 1 Full Time Equivalent (FTE) member of staff initially, to 2 FTE members of staff from May 2024, with a 3rd FTE member of staff joining in November 2024. As such, the team now consists of:

4.5.1 1 x Grade 7 Head of Risk Management;

4.5.2 1 x Grade 5 Risk Analyst;

4.5.3 1 x Grade 4 Risk Facilitator.

4.6 Whilst the Gr4 & Gr5 posts are Improvement & Recovery Programme funded, a permanent budget for the function has been requested. There are no current plans to expand the size of the team any further.

4.7 ERM implementation necessarily differs depending on the organisation and context it is being implemented within, and is centred around a set of overarching principles which have driven the design of the team and the improvement activity. With these overarching principles always in mind, 4 key measurable objectives represent the core work of the Risk Management Team:-

4.7.1 Building risk management capability and culture;

4.7.2 Providing risk-based analysis and insight;

4.7.3 Creating and managing the risk management framework;

4.7.4 Understanding the operating context.

4.8 The following sections of this progress update will be focussed on the achievement of these operational objectives.

4.9 Significant progress has been made on creating the risk management framework, and the Council's implementation of ERM necessitated the development of a completely revised *Risk Management Policy & Strategy*. The new approach outlines key aspects of the Council's risk architecture in the form of roles & responsibilities, and many important changes to the way risks are managed as part of the revised strategy. At the time of writing, the *Risk Management Policy & Strategy* is awaiting approval by CLT which is due to complete before the end of November 2024, and is scheduled to be considered for approval by Cabinet in January 2025, however this timeline is subject to any required amendments by CLT.

4.10 To contribute to the achievement of several objectives, more than 15 workshop sessions co-delivered by KPMG (at zero cost) and the Risk Management Team were conducted across the Council, spanning officers and members from the Corporate Leadership Team (CLT), Directorate Management Teams, Cabinet and Overview & Scrutiny Committees. These sessions culminated in a playback of key findings to CLT in August 2024 which included a refreshed strategic (now referred to as *Principal*) *Risk Register*, which was accepted by CLT as being an accurate and representative snapshot of the prioritised/most critical risks facing the Council at that moment.

4.11 As the *Principal Risks* were written based on the product of workshops and research, a subsequent exercise to engage CLT level risk owners in expanding and accepting the way their risks are written, and the composition and formulation of controls relating to their management began in September 2024. The purpose of these sessions was to improve ownership and accountability for managing the biggest risks facing the Council. It is entirely correct that monitoring and review of these risks is ongoing, unless and until any specific risk is managed to a point it no longer represents a threat or opportunity, however; considering current progress against the initial expansion and acceptance effort; at the time of writing this is more than 90% complete. Once this initial stage is complete, *Principal Risk* management will form the basis of regular progress and performance reports to the Audit Committee, and other appropriate stakeholder groups.

4.12 Progress on building risk management capability in service areas has been a significant focus of the Risk Management Team as this also represents an early and direct opportunity to influence culture. Directorate engagement has been positive in the form of a risk identification workshop in Commercial & Procurement, and risk analysis and evaluation sessions with Finance, Adult Social Care and Children & Education.

4.13 City Operations have engaged fully with the new approach to risk management requesting and receiving training sessions for all extended leadership teams, and providing all their risk data for re-articulation and migration to the *Interim Corporate Risk Register*.

4.14 Lessons learned from feedback in the early co-delivered workshops reflected that the *Strategic Risk Register* process previously in place required significant change. The original process was decommissioned in March 2024, and replaced by a live online system using pre-existing in-house technology, configured for the purposes of tracking and managing all risks. This centralised database has an expanded information schema designed to capture considerably more intelligence about both specific risks and the Council's overarching risk exposure. Engagement with the interim system has been positive in some areas of the Council such as the Place Prosperity & Sustainability Directorate, however several areas have elected to pause and wait for a permanent risk management IT platform to be deployed (see 4.15 below) before engaging completely.

4.15 In order to manage and leverage the significant amount of information on risks and controls held inconsistently and in isolation across the Council, and underpin ERM with the use and analysis of data, procurement of a risk management platform began with the approval of the s151 Spend Control Board in May 2024. Contracts have been signed with the selected system provider and - at the time of writing - implementation is set to commence prior to the end of November 2024.

4.16 The platform procured has been jointly selected by Risk Management and Internal Audit and offers reciprocity of data and functionality between the two service areas, facilitating risk-based auditing informed by the risk register(s), and the tracking and management of corrective actions arising out of internal audit reports where they form Directorate or Corporate risks. The functional design of the platform procured also has the capability to reflect the Council's growing risk management maturity and sophistication, and the potential to expand to other risk adjacent areas such as Insurance and Claims Management in the future.

4.17 Building capability & culture will manifest an increase in the Council's risk management maturity provided it is properly embedded and is a critical success factor for the organisation, specifically for the Risk Management Team. Ongoing assessment of maturity levels against an objective framework has been an integral part of the Risk Management Team's work, underpinned by the use of - and alignment of improvement activity with - the *Alarm National Performance Model for Public Sector risk management.*

4.18 A comparative analysis with the *Alarm performance model* conducted in Autumn 2024 is driving the prioritisation of activity for the Risk Management Team. The performance model assesses organisations based on evidenced procedural and/or behavioural hallmarks which demonstrate achievement of pre-determined maturity characteristics, these are:

4.18.1 Risk management is *Engaging* with the organisation (Level 1);

4.18.2 Risk management is Happening within the organisation (Level 2);

4.18.3 Risk management is Working for the organisation (Level 3);

4.18.4 Risk management is embedded and integrated within the organisation (Level 4);

4.18.5 Risk management is *Driving* the organisation (Level 5).

4.19 There is growing confidence that the Council will be able to fully demonstrate the hallmarks and benefits of *Engaging* (Level 1) with risk management by the end of 2024, and that risk management will be *Happening* (Level 2) by the end of 2025.

Next Steps

4.20 A critical element of building capability is training with time and support to embed newly acquired knowledge and incorporate it into regular activity. Training sessions will continue to be provided in-house for as many colleagues as possible, but more in-depth training for Senior Leadership colleagues and appropriate Members is required if the Council is to continue to progress and develop it's risk management maturity.

4.21 An accredited Fundamentals of Risk Management training programme for Members and Officers - successfully piloted in November 2024 - will launch in early 2025, which is underwritten and delivered by the IRM. Funding for this training was agreed by s114 Spend Control Board in May 2024, with the specific objective of training those participating in the decision-making process of the Council. The course brings affiliate membership to the IRM for successful delegates for 12 months, allowing them to expand their understanding and access materials in their own time as well as directed learning of the fundamentals of ERM in a virtual classroom, with a consolidating knowledge test afterwards. If funding allows; an online module for new starters to the Council will also be developed. Training recipients will be supported by the Risk Management Team to embed the theories learned into operational practice over the longer term.

4.22 Conducting Risk Identification workshops across the Council prior to populating the new Risk Management Platform is critical to understanding, articulating and linking the real risks within and approaching the organisation. Developing an understanding of the causal nature of threats, and the potential to enhance the deliverability of opportunities will be more achievable with the use of the new technology. This work continues through December 2024, into January 2025 and will be ongoing, with a view to it becoming an annual process.

4.23 Developing risk information and input into Key Decision Reports to support effective optioneering with quantifiable data to support decision-making and allocation of resources can begin in January 2025, driven in part by the new Risk Management Policy & Strategy following its launch, subject to approval.

5 RISK MANAGEMENT

5.1 Risk improvement activity features in the Council's Improvement & Recovery Plan (IRP) and the specific activities arising out of the plan have a completed and regularly reviewed risk register.

5.2 The Risk Management Team also have a register of risks facing the broader implementation of ERM, including but not limited to:

5.2.1 The threat of a lack of engagement with the implementation - which is being *managed* via regular communication, involvement and training, and is impact rated as *Moderate*;

5.2.2 The threat of temporary funding via the IRP programme reducing or being removed based on other priorities – which is being *shared* with the Director of Finance/s151 officer and Deputy Managing Director, currently impact rated as *Minor*;

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

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

6 MEMBER ENGAGEMENT

Ward Councillor(s)

6.1 Not applicable

Overview and Scrutiny

6.2 Not applicable in terms of this report, however Overview & Scrutiny have engaged with the risk management improvement journey via a Task & Finish group focussed on Information Flows.

Other

6.3 Engagement with the Cabinet Portfolio Holder for risk management (Cabinet Member for Transformation, Governance & HR), and the Deputy Leader is ongoing.

7 IMPACT AND IMPLICATIONS

Finance and Best Value

7.1 The financial implications arising out of the recommendation that Audit Committee Members attend Risk Management Training has been approved by the Director Finance/s151 Officer as part of the Corporate Spend Control board

process. There are no further financial recommendations arising out of the recommendations in the report.

Legal

7.2 There are no legal implications arising out of the recommendations in the report.

Equalities

7.3 There are no equalities implications arising out of the recommendations in the report.

Procurement

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

People Services

7.5 There are no People/Human Resources implications arising out of the recommendations in the report.

Climate Change, Nature and Net Zero

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

Corporate Parenting

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

Other

7.8 There are no other implications arising out of the recommendations in the report.

8 APPENDICES

8.1 There are no appendices.

9 BACKGROUND PAPERS

9.1 Centre for Governance & Scrutiny Report

9.2 Improvement & Recovery Programme

9.3 ALARM National Performance Model (£paywall/membership fee required)