

# Birmingham City Council

## Risk Management Strategy 2010

Revised May 2010

This document forms part of a set of policies and procedures for all levels of staff to use to manage risk. The others are:

- A short Risk Management Policy Statement
- The Risk Management Methodology which describes the practical steps to be taken in managing risk
- A detailed Risk Management Toolkit, which provides further guidance along with background information, reference material and links to other useful information.

These documents are all available on InLine at [Risk Management documents](#) and, with the exception of the Toolkit, are also posted on the Birmingham.gov website.

## 1. Introduction

Risk management is an integral part of corporate governance, and the Council formally adopted a framework for corporate governance at Cabinet on 22<sup>nd</sup> July 2002. This is based on the CIPFA/SOLACE document, "Corporate Governance in Local Government – A Keystone for Community Governance", which comprises a framework and guidance notes.

In 2004 "The Good Governance Standard for Public Services" was issued and a further update on corporate governance is contained within the "Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities", published in the summer of 2007 by CIPFA. This expands on the six core principles in the "The Good Governance Standard for Public Services and states that:

"Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but also be seen to be sound."

Section 5 of the council's Financial Regulations places responsibility with all Directors for risk management (this includes identifying, evaluating, recording and managing the risks existing within their service area) and maintaining sound systems of internal control within their area of service delivery. Section 8 of Financial Regulations requires the Directors to make an annual assurance statement on risk management and internal control. These assurance statements from the Directors will form the basis of the statement on internal control, included within the Annual Good Governance Statement to be made by the Leader of the Council, the Chief Executive, the Corporate Director of Resources and the Chief Legal Officer / Monitoring Officer.

### 1.1 The Council's risk management strategy's objectives are to:

- Integrate risk management into the culture of the Council;
- Manage risk in accordance with good practice;
- Anticipate and respond to changing social, political, environmental, legislative and technological requirements;
- Prevent injury, damage and losses and reduce the cost of risk;
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

## 1.2 These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management – making clear that everyone should take ownership for risk management;
- Incorporating risk management considerations into all levels of service planning;
- Providing opportunities for shared learning on risk management across the Council and with Partner organisations;
- Offering a framework for allocating resources to identified priority risk areas;
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
- Monitoring of arrangements, at all levels, on an on-going basis by management.

## 1.3 The need for a risk management strategy

Mandatory codes of governance exist in the private sector and other parts of the public sector. The CIPFA/SOLACE document, “Corporate Governance in Local Government – A Keystone for Community Governance”, which comprises a framework and guidance notes, was adopted as good practice by the Cabinet in July 2002. At the same time the Strategic Director of Resources (now the Corporate Director of Resources) was designated as Corporate Governance Officer Champion with the Deputy Leader being Member Champion. The framework comprised of five themes, with risk management being one of them.

The management of risk is now considered good practice in both the Public and Private Sector. The concepts within the CIPFA / SOLACE document were further updated in 2004 with the publication of “The Good Governance Standard for Public Services,” which describes six core principles, one of which is “taking informed transparent decisions which are subject to scrutiny and managing risk”.

The “Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities”, published in the summer of 2007 by CIPFA builds on this core principle with Section 8 of the guidance note relating specifically to risk management. This states that:

“Good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job.”

Using Control Risk Self Assessment, to provide direct management assurance that managers and staff at all levels are actively evaluating and improving the control framework, to support risk management processes is a way for managers to demonstrate their awareness of risk and that they are embedding controls and actions to manage risk and to take advantage of opportunities within their day to day role. A guide with regard to Control Risk Self Assessment (CRSA) is posted on InLine.

Effective risk management is a vital component within the Directorate and Divisional Assurance Statements that are completed each year.

The council is moving towards a three to five year service planning framework and so forward looking risk management, particularly with regard to looking at the risks arising in the medium and long term to the delivery of the council's strategic outcomes is necessary. Risk management needs to be embedded in our partnership arrangements as we are placing increasing reliance on them to help us to meet the strategic outcomes and deliver the long term vision in Birmingham 2026. Place bases solutions necessitate greater partnership working and sharing of roles and responsibilities. Clear risk management arrangements will need to be part of this.

Our approach to risk management, which underpins the strategy and provides a vision of what we are aiming for, is summarised below:

**Risk management is not simply a compliance issue, but rather a way of viewing our operations with a significant impact on long-term viability. It is critical to success and is a focal point for senior management and Members. It helps us to demonstrate openness, integrity and accountability in all of our dealings.**

The emphasis is on sound decision making - being risk aware rather than risk averse; and on taking advantage of opportunities.

#### **1.4 The benefits of having a risk management strategy**

- Risk Management will alert the Audit Committee and the Executive Management Team to the main service and financial issues. This will allow early and proportionate management handling.
- It contributes to better decision making, and the process of achieving objectives. When embedded within existing planning, decision taking and option appraisal processes, risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.
- It provides assurance to Members and management on the adequacy of arrangements for the conduct of business and the use of resources. It demonstrates openness and accountability to various inspectorate bodies and stakeholders more widely. This links into the completion of assurance statements whereby Directors must annually certify as to the effectiveness of the governance arrangements within their service area. Risk management can inform this process as it can be used to demonstrate that senior officers are actively identifying key risks, reviewing the appropriateness and effectiveness of key controls against these risks, and are able to highlight areas of significant control weakness.
- It leads to greater risk awareness and better management of risk, which should mean fewer incidents and other control failures. In some cases this

can result in lower insurance premiums.

These are not all intangible benefits. By identifying risks earlier, by making sure processes are not over engineered and are fit for purpose, and achieving a behavioural shift, risk management will produce a cultural change that will pay for itself many times over.

It is vital that we develop the use of risk management in our dealings with third parties such as through partnerships, contracts, major procurements and Third Sector organisations. While these areas contain significant risks for the Council, they also have the potential to provide significant benefits if well managed. The use of risk management to mitigate risks while also exploring opportunities is key to ensuring that these working arrangements contribute positively to service delivery.

The long term aim is for risk management to be carried out at all levels of the organisation with each level feeding up to the next level to ensure that operational risks that could pose greater risks than strategic issues are not missed.

Diagrams showing our approach to risk management are attached at Appendices 1 and 2.

## 2. The strategy

The strategy sets out:

- a definition of risk and what is meant by risk management
- roles and responsibilities of Members, Officers and reporting lines
- action that needs to be taken

The strategy will be subject to annual review to ensure that it remains up-to-date and continues to reflect the Council's approach to risk management.

### 2.1 Definitions

Risk can be defined as:

An event/series of events happening or action(s) taken that will prevent the Council from achieving its planned objectives, in part or in full. A risk can also be the failure to take advantage of opportunities to optimise the Council achieving its planned objectives.

A simple view of what risk management is trying to do is:

Risk management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks and living with risks. Risk management is not just about insurance – not least because over 80% of risks faced by organisations are not insurable. Certainly risk transfer is part of risk management, but so is risk retention and control.

*Source: Solace/Zurich Municipal*

### 2.2. Roles and responsibilities and reporting lines

The roles and responsibilities of individuals and groups to implement the strategy are as follows:

- **Cabinet Members** – Work with Directors, Assistant Directors and Heads of Service to provide information regarding the management of corporate risks / opportunities. Cabinet Members are also involved with risk management within service provision in the directorates as per their portfolio.
- **Members** – involved via Regulatory Committees, the Overview and Scrutiny process and through Constituency Committees. Also involved in other roles such as their membership of project boards and / or accountable bodies.

- **Audit Committee** - to provide independent assurance to the Council with regard to the following areas of responsibility:
  - (i) the effectiveness of the risk management framework and the associated control environment;
  - (ii) the effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (i) above; and
  - (iii) advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview & Scrutiny and Regulatory Committees.
- **Executive Management Team** – 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.
- **Effectively Managed Corporate Business (EMCB) Corporate Management Team** – ensures that the people, policies and resources of the Council are utilised efficiently and effectively so that the priorities and strategic outcomes of the Council are delivered. The group has the delegated authority to take decisions within its areas of responsibility, which include Corporate Governance and Risk Management.
- **Chief Executive** – leads on the wider corporate governance agenda of which risk management is a part. Receives assurance statements on internal control from Directors and signs off the Annual Good Governance Statement (AGGS) along with the Leader of the Council, the Corporate Director of Resources and the Chief Legal Officer / Monitoring Officer.
- **All Directors, Assistant Directors and Heads of Service** – integral to the risk management process, providing leadership for the process. Responsible for feeding key risks into the corporate risk register via their Directorate register or EMCB CMT. The risks to be identified by Directors, Assistant directors and Heads of Service include those arising from corporate initiatives, business transformation, major projects, cross cutting issues, the external environment – including legislative changes, partnership working and from assessing the wider implications of their directorate's service provision. There is a particular duty for Directors, Assistant Directors and Heads of Service to reduce the impact of high risks that are likely to occur. They also need to make arrangements for embedding risk management throughout their directorate, which will assist in providing assurance to the Chief Executive each year. Reporting to EMCB CMT regarding progress with corporate risks and Directorate risks on a rolling basis.
- **Directorate and Service Management Teams** – carry out service risk assessment as part of service planning and internal / external reviews e.g. External Audit inspections and reviews, Equalities & Human Rights Commission inspections, Ofsted, results of Equality Impact Needs Assessments etc and taking account of corporate key risks. Have

responsibility to put in place actions to take advantage of opportunities and to reduce risks. Monitor and review the effectiveness of these actions.

- **Risk Representatives** - nominated by each directorate to assist in embedding risk management. The objectives of risk representatives include implementing a practical and workable approach to risk management within their directorate, embedding risk management into the day to day running of their directorate, the production and maintenance of an up-to-date directorate risk register (including the risks identified from business transformation programmes) and co-ordinating 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 and receive information from Birmingham Audit with regard to risk management within their directorate. (The Terms of Reference for Risk Representatives are included in the Risk Management Toolkit).
- **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 will review and report on the directorate and corporate risk management processes and wider corporate governance agenda. Issue guidance and information.
- **All staff** – have a responsibility for identifying opportunities as well as hazards / risks in performing their day to day duties and taking appropriate action to take advantage of opportunities or limit the likelihood and impact of risks. This includes making their manager aware of opportunities or hazards / risks identified.

For this Strategy to be effective there must be commitment to implement it throughout the Council. The Members, Directors, Assistant Directors and Heads of Service will be able to demonstrate their commitment to risk management by identifying, profiling and prioritising corporate and cross-cutting risks.

This involvement from the top will set the tone for a cascade down the organisation. This top-down cascade will then meet the day to day operational control of risk by all involved in service delivery from the bottom-up. See the diagrams in Appendices 1 and 2 which demonstrate how risks are identified and managed within the Council.

### 2.3. Action that needs to be taken

- **Members** to be aware of the key risks within their portfolio services, and within any projects and or partnership working they represent the Councils interests on. Requesting sight of risk registers as appropriate, and challenging the robustness of risk assessments in Committee Reports.

- **Effectively Managed Corporate Business CMT** to receive the updated corporate risk register, and review the effectiveness of actions put in place by Directors, Assistant Directors and Heads of Service to manage corporate risks, on a quarterly basis. Nominate new risks, amendments and deletions to the corporate risk register as appropriate.
- **Strategic Directors / Assistant Directors / Heads of Service** to:
  - Embed risk management throughout their directorate. This includes the process of reporting or nominating risks and opportunities arising from business transformation activities and those identified by divisions and services, up to the directorate risk register.
  - Ensure that risk management has been explicitly considered in framing Service Plans.
  - Review and up-date their directorate risk registers at least quarterly. Directorate registers are to include the corporate risks.
  - Feed new key risks identified and opportunities, such as from projects, partnership working and business transformation to the Effectively Managed Corporate Business CMT and to update their risks within the corporate risk register at least quarterly.
  - Delete risks which are now longer relevant or are adequately controlled.
  - Report to Executive Management Team regarding progress on their management of corporate risks.
  - Provide an annual assurance statement on risk management and internal control within their service area by 31<sup>st</sup> March each year by obtaining management assurance and utilising control risk self assessment information from their evaluation of the effectiveness of controls in place and the degree to which they have been consistently applied.
- **Senior Managers** to monitor the effectiveness of risk management actions in place. Providing assurance that systems and controls are consistently applied and are operating effectively to mitigate risk and assist in the achievement of service outcomes using control risk self assessment. Report on progress to Director, Assistant Director, Head of Service or Directorate Management Team, as relevant, at least quarterly.

### 3. Embedding risk management

Risk management is an important part of the service planning process. This will enable strategic, operational and cross cutting risks / opportunities, as well as the accumulation of risks / opportunities from a number of areas to be properly considered. The council continues to embed the process and raise awareness of the importance of good risk management

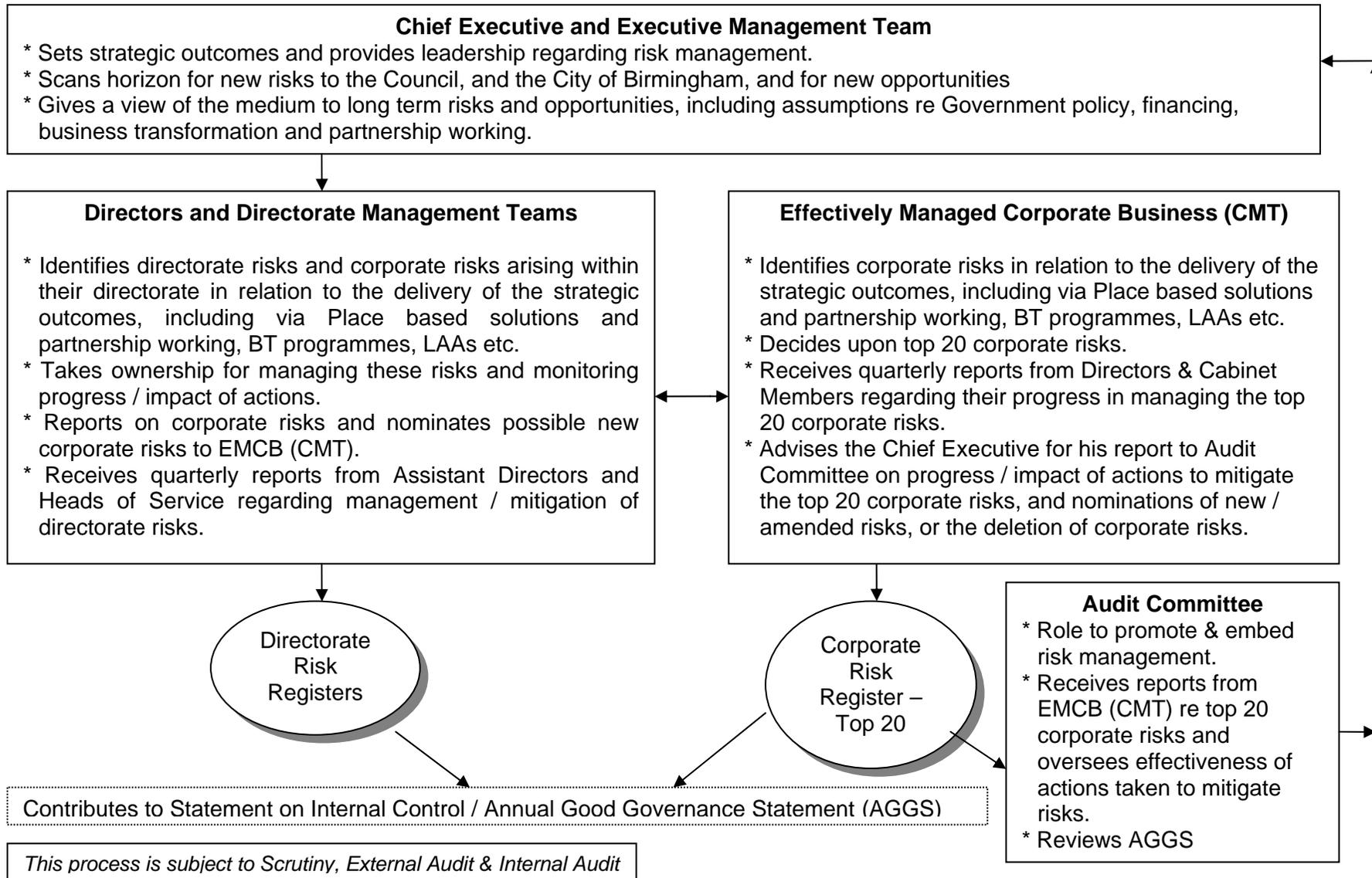
This strategy and the information contained within the appendices along with the Risk Management Policy Statement and the Risk Management Methodology provide a framework to be used by all levels of staff and Members in the implementation of risk management as an integral part of good management. The Risk Management Toolkit which provides additional information is also available to assist managers.

The milestones to be met in embedding risk management are:

| Milestone   | Annual target date(s)                                   |
|---|---|
| Directorate key risks reviewed and new significant risks or opportunities fed into the corporate risk register on a quarterly basis. Directorate key risks to be informed by Divisional, Service, Business Transformation Programmes and project risk registers.  | April 30th<br>July 31st<br>October 31st<br>January 31st |
| Directorates, Divisions, Services, Business Transformation Programmes and Projects to: <ul style="list-style-type: none"> <li>▪ clearly identify existing controls regarding the risks identified, and the degree to which they are consistently applied. Evidence of the application of controls to be maintained and cross referenced onto the Action Plans.</li> <li>▪ evaluate existing controls for the degree of mitigation the controls provide and if further control is desirable.</li> <li>▪ calculate the cost of improving controls to provide greater mitigation to establish if further control would be cost effective.</li> </ul> | April 30th<br>July 31st<br>October 31st<br>January 31st |
| Updates of Corporate Risk Register reported to Audit Committee at alternate meetings i.e. 3 times p.a. as the Audit Committee meets every 2 months.   | July<br>November<br>March                               |
| Directors give assurance to Chief Executive regarding internal control, including the management of key risks, within their area of service delivery.   | March 31st  |
| Directors to ensure that risk / opportunity identification is intrinsically linked to service plan objectives.  | During annual service planning period                   |

| <b>Milestone</b>  | <b>Annual target date(s)</b> |
|---|------------------------------|
| Directors to include performance on managing risks within performance monitoring of Service Plans and in senior officer's performance contracts/plans and Personal Development Reviews.                               | Each year                    |
| Include risk management in staff induction/refresher training where this has not yet been incorporated.   | Each year                    |
| Learn from insurance claims where appropriate.  | Each year                    |
| Use the knowledge and expertise of the Safety Unit where appropriate.   | Each year                    |
| Incorporate elements of the Emergency Plan where appropriate, e.g. service continuity arrangements.   | Each year                    |
| Build a network of divisional risk representatives and develop divisional risk profiles, where these do not already exist.  | Continuing each year         |
| Develop service / business unit risk registers where these do not already exist.  | Continuing each year         |
| Develop project risk registers, as appropriate, where these do not already exist.   | Continuing each year         |
| The Annual Good Governance Statement signed by the Leader of the Council, the Chief Executive, the Corporate Director of Resources and the Chief Legal Officer, approved by Members and published in Annual Accounts. | Signed annually every June   |

**Hierarchy of risk identification and risk management**



### Managing risk in Birmingham City Council

