

Risk Management Strategy
November 2022



Introduction

Risk Management assists an organisation to understand, evaluate and take action on its identified risks with a view to increasing the successful achievement of the organisational objectives and priorities and making efficient use of limited resources. An effective risk management framework across the council will give assurance to all stakeholders that the council's business is conducted based upon informed decision making, is being effectively managed and will help confirm compliance with the council's [Code of Corporate Governance](#).

Sandwell Vision 2030



The Sandwell Vision is at the heart of everything the council does.

The Council has developed its [Corporate Plan 2021-2025](#) that sets out what the Council will do to deliver Vision 2030 and the 10 Ambitions. It is based upon six strategic outcomes. The driving theme behind the Plan is One Team: One Council, to reflect a culture of the organisation through strong leadership in an honest, open and transparent environment.

OUR STRATEGIC OUTCOMES



Sandwell Council's Improvement Plan

In March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an intervention package and a set of Directions to ensure the council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. These Directions were in-part influenced by a number of external reviews of the council that had been undertaken at that time

In June 2022 Council approved an Improvement Plan which provides the organisation with a clear direction for its improvement journey that will enable the continued delivery of the strategic priorities in the Corporate Plan 2021-2025.

This Risk Management Strategy as set out below, will contribute to the strategic outcomes that make up the Vision and to assist in the delivery of the Improvement Plan, by ensuring that an effective risk management framework is in place and embedded into the decisions the council makes and the policies, procedures, processes and systems it implements, in delivering both the Improvement Plan actions and Vision 2030.

Good Risk Management

Sandwell Council is committed to adopting good risk management to ensure its Ambitions are attained, and this strategy describe how the council intends to achieve this. In developing the Strategy, the council has considered best practice, in particular the guidance contained within the CIPFA/ALARM publication “Risk Management in Public Services”.

Compliance with this Strategy will demonstrate that the council has an enterprise wide risk management framework that is embedded across all corporate processes including:

- Strategic planning
- Financial planning
- Service delivery
- Project and performance management
- Policy and decision making
- Safeguarding
- Health and safety
- Partnership Management
- Sustainability and climate change
- Annual governance statement
- Equality and diversity
- Procurement

Purpose and objectives

The Strategy sets out how the council plans to systematically manage risk and make it an essential part of its daily business by explaining what members and officers are expected to do. It seeks to assist the development of innovative and different ideas to deliver council services in a considered and measured way.

Monitoring, Review and Changes

The council’s commitment to effective risk management includes the application, review and maintenance of this Strategy. This is undertaken by the council’s Risk Management Team who will report its findings and any updates to the Leadership Team and the Audit and Risk Assurance Committee. The role of the Committee is to understand the process undertaken to review the Strategy and to ensure this aligns with its understanding of the council’s governance framework.

This document will be reviewed annually and any significant changes that are required to this Strategy, will be submitted to the Committee for approval.

Risk appetite - the risks we take:

The amount of risk we take as a council to achieve our objectives is known as our risk appetite. Although individual circumstances determine it, defining it gives us overall guidance when we make decisions.

As a council, we seek to continually improve our services to people while we maintain high standards in the way we work and run our affairs. These standards include processes to consider the risks of specific decisions. The council recognises the complexity of demands on its services and aims to provide holistic and balanced solutions that evolve constantly and deliver the required outcomes.

The council's attitude to risk is that risks should be identified and managed rather than avoided.

We challenge ourselves to compare the potential risks and benefits of specific proposals and only go ahead with them after doing this. This means we look at our risk appetite for each proposal on a case by case basis. In some areas, we may take more risk in order to support new and innovative ways of working. Where the council is more open to risk, officers are still expected to ensure that adequate governance, risk management and internal control is in place, but it is expected the residual risk may remain higher even with these measures in place. In other cases, we may have a much lower appetite and take less risk (to make sure we comply with the law or maintain public confidence and safeguarding). We will therefore consider our appetite for specific risks with the approval of the appropriate members and/or officers.

In all circumstances though:

- we would never do anything to financially threaten our ability to continue as a going concern; and
- we would always act within the law.

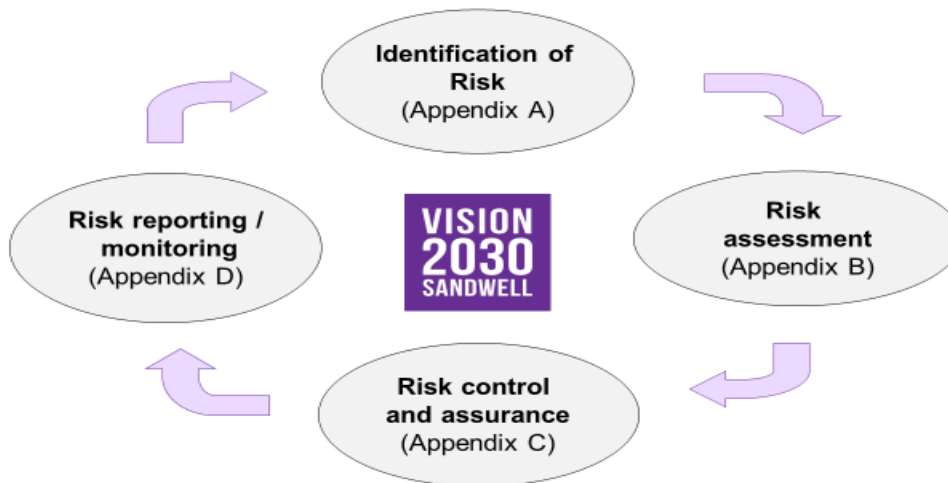
Our risk appetite will be monitored by senior management and risk officers.

The table below provides a definition of what is generally considered to be the different levels of risk appetite within an organisation.

Averse	Avoidance of risk and uncertainty, defensive approach.
Cautious	Preference for safe options that have a low degree of risk and may only have limited potential benefits
Open	Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money
Eager / Seeking	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk. Ready to take difficult decisions where benefits outweigh risks.

As noted above, the council's risk appetite will vary dependent upon the nature and circumstances of the decision being made. As a public service, the council considers that its risk appetite generally sits between cautious and open. However, in order to deliver our priorities and invest in the future of the borough the council has to be ambitious and innovative and where necessary take an eager attitude towards risk.

Risk management process and risk registers



Risk registers are a vital tool to help us manage risk. Developing a risk register is not in itself evidence that risks are being managed, but a well developed risk register will:

- help identify risks and evidence how we're dealing with them to reduce the likelihood of loss and its impact if things go wrong;
- show clear links between our priorities/ Vision 2030 and the risks affecting them;
- enable us to take immediate action to minimise the impact of a risk if it materialises (because the register will include a list of things to do which have already been agreed);
- give us confidence because we know that procedures to deal with any identified risks that may arise are in place; and
- enable us to share and communicate information on risks so that informed decisions can be made.

The council has a suite of risk registers in place as shown below.



Risks and risk registers should be continually reviewed by management to ensure that:

- actions and mitigations are being taken on a timely basis to ensure risks are within the agreed risk appetite;
- identify any new risks;
- close or transfer risks to other risk registers. It is management's responsibility to escalate or transfer risks as appropriate
- an audit trail of changes to risks is maintained (via version control)

The risk register template can be found at:

https://intranet.sandwell.gov.uk/downloads/download/2901/risk_register_template

Roles and responsibilities

Whilst we all have a responsibility to manage risk, various, members and officers within the council have specific roles and responsibilities to make sure risk management is embedded and we manage risk effectively, including:

Role	Responsibility
Cabinet members	<ul style="list-style-type: none"> • Hold the Leadership Team accountable for the effective management of risk • lead the assessment and management of risk and take a strategic view of risks in the council; • ensure that there are clear accountabilities for managing risks and that officers are equipped with the relevant skills and guidance to perform their roles effectively and efficiently; • ensure that roles and responsibilities for risk management are clear to support effective governance and decision-making at each level with appropriate escalation and delegation; • determine and continuously assess the nature and extent of the principal risks that the council is willing to take to achieve its priorities and maintain its risk appetite. • consider the risks involved in all key decisions
Cabinet Member for Finance and Resources	<ul style="list-style-type: none"> • the champion for risk among members; • receives reports on the strategic risks and presents them to Cabinet.
Audit and Risk Assurance Committee	<p>Supports the Cabinet by:</p> <ul style="list-style-type: none"> • understanding the framework for risk assessment, management and assurance and the assignment of responsibilities; • critically challenges and reviews the risk management and assurance framework to provide assurance (on strategic, directorate, project and partnerships) that the council is managing risk in line with this strategy; • critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks within the council's governance, operations, compliance and information systems and • ensures the Annual Governance Statement reflects the risk profile
Leadership Team (incl. commissioners, directors and managers)	<ul style="list-style-type: none"> • identify, manage and monitor strategic and directorate risks; • challenge (and hold accountable) officers responsible for taking action to manage risks; • ensure decision making reports to members include information on managing risks to enable informed decisions to be made.
Programme, project and partnership boards (incl. Corporate Transformation Board)	<ul style="list-style-type: none"> • identify and manage the key risks to the programme/ project or shared partnership objectives; • obtain assurances that these risks are being managed.
Risk Management	<ul style="list-style-type: none"> • leads, co-ordinates and supports everything we do as a council to

Role	Responsibility
Team	manage risks; <ul style="list-style-type: none"> • reports on risk to senior officers and members; • assists in the identification and assessment of risk; and • provides risk management training to officers and members.
Internal Audit	<ul style="list-style-type: none"> • provide independent assurance on the adequacy and effectiveness of the council's system for managing risk.
Insurance Services	<ul style="list-style-type: none"> • considers and advises on insurable operational risks (for example, highways, slips and trips, building security); • arranges insurance for the council in line with its risk appetite.
Resilience Team	<ul style="list-style-type: none"> • coordinates council plans to keep it operating in response to major and minor unplanned incidents.
Health and Safety Team	<ul style="list-style-type: none"> • makes sure we comply with our system for managing the health and safety risks of council staff and other assets.
Counter-Fraud Unit	<ul style="list-style-type: none"> • identifies fraud related risk areas; • co-ordinates and reports on our anti-fraud activities including investigation of suspected fraud and corruption.
Information Management	<ul style="list-style-type: none"> • identifies areas of information risk • Co-ordinates all information management activity
All Employees	<ul style="list-style-type: none"> • identify and manage risk in their job and report risks to their manager.

The “three lines model” provides a systematic approach that may be used to help clarify the expectations of different roles within the organisation that are necessary for the effective management of risks (see Appendix C).

Identification of Risk

Risk Identification is the first major component of the risk management process. The purpose of risk identification is to generate a comprehensive inventory of risks based on those events which might create, prevent, accelerate or delay the achievement of the council's priorities. i.e. **'what could go wrong?'**

There are several methods which can be used to identify risks such as brainstorming workshops, interviews, questionnaires and SWOT analysis. It may help to consider risks in categories, for example legal, political, technological, economic etc. A range of risk categories is provided below.

Category	
Political	Changes in government policy; Unforeseen policy changes; political decision making and leadership
Environmental incl. climate change	Environmental consequences of strategic objectives and decision making; physical security
Regulatory and Legislative	Ability to manage current or potential changes in laws and regulations; breaches of statutory legislation; inadequate response to legislative changes and regulatory framework
Financial incl fraud	Ability to meet financial commitments; misuse of resources or fraud; failure to prioritise and allocate appropriate budgets; financial planning, external funding opportunities
Social	Effects of changes in demographic, residential or socioeconomic trends; failing to meet the needs of disadvantaged communities; crime and disorder; stakeholder engagement and management
Technological	Failure to keep pace with technological change; increased downtime; IT or project failure; system capability; security of data, system resilience
Management systems	Management arrangements and protocols, leadership, business continuity, capacity, capability and training
Customers and citizens	Ability to meet changing customer needs and expectations; stakeholder management
Partnerships	Partnership governance; contract monitoring; supply chain resilience; procurement risks; market capacity

A Risk Owner should be allocated to each identified risk. Such accountability helps to ensure "ownership" of the risk is recognised and appropriate resources are allocated. The title and/or name of the Risk Owner should be recorded in the risk register.

Risk Assessment

‘How likely is it to happen and what would the impact be if it did?’

Score	Impact			Likelihood
	Financial	Reputation	Service Delivery/ Injury	
	Indicative guidelines			
4 (High)	Critical impact on budgets and resources	National media attention, long term/ impact on reputation	Serious service or project disruption requiring high level intervention Fatality	Highly likely to happen > 50%
3 (Medium)	Significant impact on budgets and resources	Local media Medium term impact on reputation	Significant service or project disruption requiring high level intervention Significant injury	Likely to happen 25% to 50%
2 (Low)	Some impact on budgets and resources	Local media, reputation affected temporarily in short term	Noticeable disruption to outputs requiring intervention by service/ project manager Minor injury	Possible to happen 10% to 24%
1 (Very Low)	Minimal loss can be remedied within budget or project contingencies	Internal reputation affected temporarily	Minimal service disruption requiring minimal intervention by service/ project manager	Unlikely to happen < 10%

Risk Matrix

Likelihood	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
	Impact				

Risk Control

‘What if anything, should be done to reduce the risk and how effective is this?’

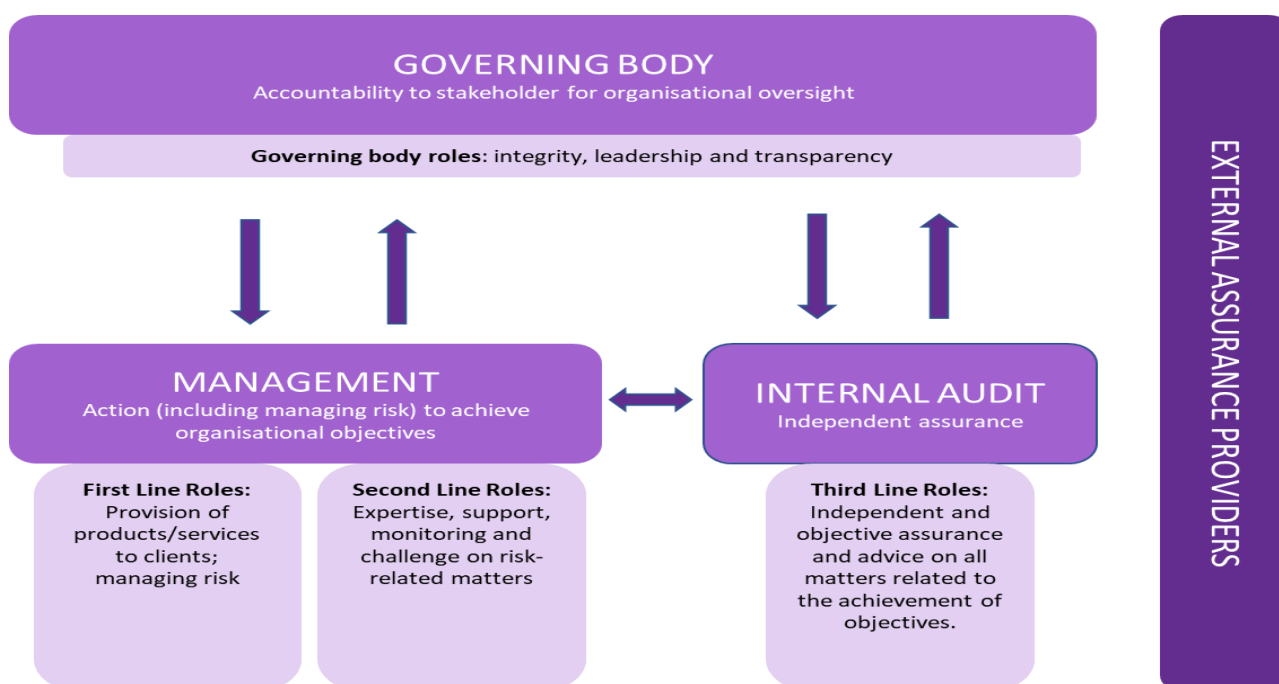
Control measures are concerned with the actions taken to reduce the likelihood or impact of risks. It is not necessarily about eliminating or transferring the risk in its entirety, as this may not be cost beneficial.

Approach	Description
Terminate	A decision is made not to undertake the activity that is likely to trigger the risk. Where the risks outweigh the possible benefits, terminate the risk by doing things differently and thereby removing the risk.
Treat	This is the most common approach and introduces preventative actions to reduce the likelihood and/ or impact if the risk occurs.
Transfer	Share the risk exposure, either totally or in part, with a partner or contractor, or through insurance. Any partnership will need to be carefully monitored as it may not be possible to transfer all risks and certain aspects may remain with the council.
Tolerate	The ability of an effective action against some risks may be limited or the cost of taking such action may be disproportionate to the potential benefits gained.

Risk Management and Assurance

The three lines model (shown below) enhances the understanding of risk management and control by setting out, assigning and clarifying roles and responsibilities in this respect.

The IIA’s Three Line Model (2020)



Success requires effective alignment, communication, coordination and collaboration with all roles operating concurrently.

Risk Reporting and Monitoring

'Who needs to be informed and has anything changed?'

Few risks remain static. New issues and risks are likely to emerge and existing risks may change. Having identified the risks, assessed them and put control measures in place, it is essential that they are routinely monitored and reported.

Monitoring progress and regular reviews provides:

- Assurance that progress is being made towards controlling risks
- Assurance that controls are effective
- Knowledge of any changes to the risk brought about changing circumstances or business priorities.

When undertaking the monitor and review process, the sorts of questions that should be taken into account include:

- Are the risks still relevant?
- Has anything occurred that could impact on them?
- Are the controls in place effective and being implemented on a timely basis to achieve the target risk score?
- Have risk scores changed, and if so, are they decreasing or increasing?
- If risk profiles are increasing, what further controls might be needed? Does the risk need to be escalated to senior management and escalated to a higher risk register?
- If risk profiles are decreasing, can the risk be closed or transferred to an operational level?

The monitoring and review process should be integrated into existing business processes (for example as part of management team meetings when monitoring the corporate/ business / project plan or even used as the agenda itself) so that it adds value and supports the successful achievement of objectives and is not just seen as a 'bolt on'. Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

Management, senior management, project/ partnership boards and elected members all have a responsibility to monitor risks. As such, risks should be regularly reported by risk owners and discussed as appropriate, at management teams, or project/ partnership board meetings and where required, with Cabinet Members.

Risk in Decision Making Reports

It is vital that an options appraisal is carried out at the outset of any project; expenditure or opportunity, identifying and assessing both the benefits and the risks associated with each option and the resources required to control any risks to an acceptable level.

No decision is risk free. As such, the decision making report requesting approval, should clearly set out the risks associated with the preferred option/ recommendations being sought, and not just the risks if the report/ request is not approved. Only then can a fully risk based informed decision be made.

The report should include details of any significant risks if the decision is approved, how these will be controlled and where and by whom they will be reported and monitored.