

Risk Management Policy and Procedure

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1. Introduction

Solihull Council is a complex organisation, providing a wide range of services to a diverse population. It engages with many organisations (public, private and voluntary) in order to provide community leadership, deliver services and achieve its Vision for Solihull where everyone has an equal chance to be healthier, happier, safer and prosperous through growth that creates opportunities for all.

The Council recognises that there are risks in everything it does and has a duty to manage these risks in a balanced, structured and cost effective way. Approval and publication of this Risk Management Policy and Procedure demonstrates this intention. The document:

- a) is fully supported by Members, the Chief Executive and the Corporate Leadership Team who are accountable for effective risk management within the Council;
- b) explains the Council's underlying approach to risk management, documenting the roles and responsibilities of Members, officers and other key parties for the ongoing management of risk, as well as explaining key aspects of the Council's risk management process; and
- c) forms part of the Council's overall internal control and governance arrangements.

2. Solihull's Definition of Risk and Risk Management

Risk is the uncertainty that surrounds future events and outcomes. This uncertainty can be a positive opportunity or a negative threat. Risk is therefore defined as "the chance of something happening that will have an impact (positive or negative) on the achievement of the Council's outcomes". It is measured in terms of the likelihood of an incident/event occurring and the impact if it does.

Risk management is a systematic way of identifying how to manage uncertain events and outcomes. It is a consistent, robust approach (including the culture, resources and processes) established to identify significant risks and reduce them to the lowest acceptable level. Used effectively, risk management supports the Council to exploit potential opportunities and promote innovation, as well as safeguarding it against potential threats.

Risk management is not about creating a totally risk free environment, scaremongering by exaggerating trivial risks or stopping activities where the risks are managed, but it aims to maximise potential opportunities and minimise the adverse effects of risk.

"Sensible" Risk Management is about focusing attention on the real risks, those that happen more often and those with serious consequences, and taking practical steps to protect the Council from risks – it is using common sense.

The Council's overall Risk Management objectives are to:

- Embed "sensible" risk management into the culture and decision making of the Council
- Integrate risk management with key business processes so that the whole range of business risks facing the Council are managed effectively
- Manage risk in accordance with best practice, whilst developing an approach tailored to meet the Council's local needs
- Continually identify new and future risks that may impact on the Council
- Work with partners, providers and contractors to develop awareness and a common understanding of the Council's expectations on risk management.

3. Why is risk management important?

Risk Management is important because:	
It's a requirement	The Council has a statutory responsibility to have arrangements for managing risk. The Local Government (Accounts and Audit) Regulations state that a local government body must ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes effective arrangements for the management of risk.
It's good practice	The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" seeks to ensure that risk management is embedded into the culture of the Council, with Members and officers recognising that risk management is part of their jobs.
It makes good business sense	<p>Effective risk management:</p> <ul style="list-style-type: none"> - identifies opportunities where taking risks might benefit the Council - improves accountability, decision making, transparency and visibility - supports innovation and creative thinking - results in more effective partnership arrangements - enables more effective management of change - protects revenue and enhances value for money - secures trust from stakeholders through transparent and open management - enhances the Council's reputation and credibility <p>It also helps to reduce the number and cost of claims and adverse incidents and improves the Council's ability to defend them; thus controlling insurance costs.</p>
Risks need to be managed rather than avoided	Making the most of opportunities to improve public services, involves some amount of risk taking. Successful organisations take risks in an informed way; an unsuccessful organisation takes risks without understanding them.

4. Solihull's Risk Management Approach

The Council's risk management approach is designed to ensure that:

- new and emerging risks continue to be identified promptly and assessed realistically;
- significant risks are escalated appropriately;
- the focus is on risks that, because of their likelihood and impact, make them management priorities;
- effective mitigating action is taken to manage identified risks;
- all reasonable steps are taken to reduce risks to the lowest acceptable level.

It should be noted that whilst the Council has developed an approach that best meets its own needs, the arrangements take account of best practice and are subject to periodic external and internal review.

The following section details the agreed arrangements that operate to ensure the effective management of risk across the Council.

4.1 The Risk Management Cycle – Step by Step

The Council's approach to risk management involves a number of key steps, as outlined below.

Diagram 1- Solihull's Risk Management Approach



The following section describes each step in the risk management process in more detail:

Step 1 – Define the Outcome

The starting point of any risk management exercise is to define the outcome to be achieved. Depending on the area, relevant outcomes will usually be articulated in one (or more) of the following documents:

- The Council Plan and policy deployment documents (for corporate outcomes)
- Local Service Delivery Plans (for service area outcomes)
- A Project Plan (for project outcomes)
- Partnership Agreement (for partnership outcomes)
- Contract or other legal agreement (for contract outcomes)

Step 2 – Identify Risks

The Council faces a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, information management and damage to the Council's reputation.

To ensure that all key risks are identified the process requires wide involvement, a structured framework and systematic process that is consistently applied. As such, the Council has developed a process for risk identification that:

- a) provides corporate specialist risk management support and facilitation
- b) ensures that where budget implications exceed £1m (for contracts, this relates to the annual value), it is a requirement that there is an early meeting of key stakeholders to assess risks, including engagement with the relevant Member(s) and financial and legal representatives
- c) strongly encourages the involvement of internal and external colleagues and partners
- d) uses an easy to remember framework of risk categories built around the acronym "PERFORMANCE" as follows:

Political	Opportunities / Outcomes	New Initiatives
Electronic	Reputation	Customers / Clients / Citizens
Regulatory	Management	/ Children/ Clinical
Financial / Fraud	Assets	Environment including Climate Change

For further details, including examples of risks from each category see **Appendix A**. Describing the risk is equally important and should detail the event, which should it occur, will have a direct impact on the achievement of the objective(s). Although this may sound negative, risks will usually best be described by using one of the following statements:

- Failure of or damage to.....
- Loss of or lack of.....
- Inappropriate or inefficient.....
- Poor or insufficient.....

Confidential Risks

It is recognised that sometimes risks need to be recorded that should be kept confidential due to the nature of the risk. It is equally important however to give due consideration to ensuring Council business is conducted in an open, accountable manner at all times. Based on existing legislation the following reasons can justify a risk being confidential:

- Information relating to an individual/ information which is likely to breach data protection legislation, reveal the identity of an individual, including organizations and service providers such that their credibility and reputation may be affected (e.g. a particular provider at risk of failure)
- Matters involving issues of commercial or financial sensitivity (including major projects not yet approved but are being scoped)
- Matters relating to deliberations or policy or the internal business of the Council prior to final approval by the Council
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings (i.e. relating to legal advice or impending litigation)
- Where disclosure of the information would inhibit the free and frank exploration of options and impact the effective conduct of public affairs

Just because a risk may cause alarm or damage the Council's reputation does not necessarily mean it should be confidential. In order to ensure confidential risks are justified the following actions will occur (and be the responsibility of the risk owner where appropriate):

- Confidential Risks should be reviewed quarterly regardless of the score with the primary consideration being whether they should remain confidential.
- Reports on Confidential Risks will be presented to CLT on a quarterly basis alongside the Corporate Risk Register. The Audit Committee and Cabinet receive reports on Confidential Risks
- The justification for Confidential Risks should be documented in the risk management system (JCAD) in consultation with the Risk management support team.
- If possible, officers should redact sensitive information and make the risk publishable.

Step 3 – Assess Risks

Risk management is not about identifying or eliminating all risks and it is impossible to manage every risk all of the time. To ensure resources are focused on the most significant risks, the Council's approach to risk management requires identified risks to be assessed in terms of both the potential likelihood and impact so that action can be prioritised. The methodology adopted for assessing risks is simple and easy to use. It looks at each risk and assesses:

- a) how likely it is that the risk will occur, using a rating of either high, medium or low; and
- b) what the potential impact of the risk is, using a rating of either high, medium or low.

Appendix B describes the agreed criteria for assessing likelihood and impact.

Please Note: The risk management process requires each risk to be rated twice. The first rating (the "gross" risk level) is assessed on the basis that there is no action being taken to manage or reduce the identified risk or any existing measures are not operating effectively. In other words, the worst-case scenario if the risk were to occur.

The Council considers the gross risk to ensure that:

- all risks are identified, even those believed to be well managed;
- the seriousness of the risk is not hidden by the fact that it is thought to be well controlled, as this may not always be the case.

The second rating (the “net” risk level) is assessed in light of any actions being taken to manage or reduce the identified risk. In other words, the current risk level.

The Council considers the net risk to ensure that:

- there is a reality check to take account of any measures already in place to minimise the likelihood or impact of the identified risks;
- the seriousness of the risk is not exaggerated as this may lead to a risk averse culture.

Step 4 – Prioritise Risks

To focus attention on the risks that pose the most threat, both the gross and net risk levels of each risk (as assessed in Step 3 above) are plotted and prioritised using a simple 3 x 3 matrix. The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

Diagram 2: Likelihood and Impact Matrix

Impact	High	Amber 7	Amber 8	Red 9
	Medium	Green 4	Amber 5	Amber 6
	Low	Green 1	Green 2	Green 3
		Low	Medium	High
	Likelihood			

The risk level is determined by where the Likelihood and Impact cross. For example, a risk assessed as high likelihood and high impact is a red 9 risk. A risk assessed as medium likelihood and low impact is a green 2 risk.

The thick black line between the amber and red risks define the Council’s risk tolerance (i.e. the level of risk the Council is prepared to tolerate). The red area is outside the Council’s risk threshold and any risk assessed as a net red risk is not tolerated and must be a priority for immediate management action. The ultimate intention is to reduce risk to the lowest acceptable level i.e. wherever possible, the aim is to reduce net risks to low green.

It is however, accepted that there will be certain risks where, because of the seriousness of the outcome if they occur, the Council will be unable to reduce the risk level below medium amber.

Step 5 – Record Risks

Having assessed and prioritised the risks, those with a net risk level of red or amber must be recorded in a risk register; net green risks only need to be recorded if the gross risk level is assessed as red 9.

However, managers can decide how they record the lowest risk levels and risks do not need to be formally recorded in a risk register if:

- a) the risk is considered highly unlikely to occur in the next 3 years; or
- b) the only consequences if the risk were to occur are limited to any of the following:
 - possible first aid or medical treatment required
 - financial cost is less than £50k
 - non-compliance with local procedures and/or a supervision issue

- minor service disruption but manageable locally
 - minor delays impacting on the service area's performance
- c) the risk has a net risk level of green (if the gross risk level is red 9, the net green risk must be recorded).

Effective management of these risks is considered to be within the expected day-to-day role and responsibilities of all managers and to ensure the Council focuses attention on the most significant risks, such risks will generally not be recorded within a formal risk register. In order to give risk management the appropriate profile, the identification and review of risks should be a standing item on the agenda for team meetings.

All risk registers are created and maintained on the Council's risk management system (JCAD Core). This allows the Council to:

- record and manage risks in a consistent way, including what might cause them;
- generate risk registers;
- prioritise risks;
- record responses to risks by logging mitigating action and allocating responsibility for them;
- monitor and review risks, including tracking the changes to risks; and
- produce pre-defined and ad-hoc management reports.

A Risk Owner must 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 must be recorded in the risk register.

Each risk will have mitigating actions in place to minimise the likelihood of the risk occurring and/or the impact if it does occur. An action owner should be allocated to each identified action and recorded in the Risk Register. Again, such accountability helps to ensure "ownership" of the action is recognised and appropriate resources are allocated.

Where there are risks that crosscut over more than one directorate this needs to be reflected on the risk management software. Risks should predominantly be recorded where they are managed (and in the register that relates to the objectives that we are trying to achieve e.g. project risk register), however they will also need to be crosscut/escalated to the other directorate so that it is also included in their risk management review/reporting process.

For access to the Council's risk management system, user training and detailed user guides contact Audit Services on telephone number 0121 704 8629 or email riskmanagement@solihull.gov.uk.

Step 6 – Manage Risks

Not all risks can be managed all of the time, so it is important to focus attention on the most significant risks and to choose cost effective approaches to manage them. Having assessed and prioritised identified risks, it will be clear which risks pose the most threat and where management action needs to be taken.

It is anticipated that all risks will be managed in one, or a combination of the following ways:

Manage by:	Description
Treating and thereby reducing the risk	The Council encourages a sensible approach to risk reduction. Whilst management must consider taking all reasonable steps to reduce risk, additional action(s) should be proportionate with the potential likelihood, impact and financial consequences of the risk.
Terminating and thereby avoiding the risk	Risk avoidance involves the Council opting not to take a current or proposed activity because it believes it is too risky.

Transferring the risk	Risk transfer involves transferring either the legal or financial liability for the consequences of a risk or responsibility for service delivery to another body.
Tolerating and thereby accepting the risk	<p>This response will be appropriate where management judges that the mitigating actions already in place are sufficient to reduce the likelihood and impact of a risk to an acceptable level and there is no added value in doing more.</p> <p><i>It must be understood that management's acceptance of a risk represents an informed decision to accept the impact and likelihood of that risk. Accepting the risk means management intends to manage the risk within existing management routines. The important point is that these risks have been identified and are clearly understood.</i></p>
Take the opportunity	Whilst taking action to mitigate risks, an informed decision is made to exploit an opportunity.

Appendix C describes in more detail the management action required for each level of risk.

Step 7 – Monitor Risks

Significant risks need to be monitored and reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact. Solihull's approach is one where monitoring is:

- part of existing performance monitoring arrangements and discussed regularly at team/project meetings;
- proportionate to the level of risk i.e. focused on those risks that because of their likelihood and impact, make them priorities;
- about making sure risks are being effectively managed and not bureaucratic back covering.

Although the exact process used may differ, Risk Owners will consider the following key issues when risks are monitored:

- a) is the risk still valid and if not should it be closed?
- b) has anything changed since the last review?
- c) have proposed or planned actions progressed?
- d) are existing actions operating effectively?
- e) has the likelihood or impact of the risk increased or decreased?
- f) have any events related to this risk materialised elsewhere that we need to learn from?
- g) taking account of the seriousness of the risk, should it be escalated?
- h) have any new risks arisen?

Regular monitoring reports of the progress to manage identified risks, enable senior managers and Members to be more aware of the extent of the risks and the changes occurring to them.

Appendix C details the agreed reviewing and reporting arrangements aimed at providing different levels of the Council with the most appropriate information.

Communicate and Consult

Rather than being a distinct stage within the risk management process, communicate and consult is an activity that is carried out throughout the entire process. Effective risk management requires the involvement of a range of stakeholders and therefore effective communication and consultation is essential. Audit Services can help facilitate a range of activities including risk identification workshops, risk review meetings and training.

Risk management is recognised as part of the corporate training programme and should form part of the discussion each year with staff about any appropriate development needs. Training is available throughout the year to meet demand, e.g. new managers who are expected to take responsibility for risk management, training sessions for specific Divisions or teams at management request.

Risk management information is available on the Audit Services Intranet site, as well as through regular updates, guidance and awareness sessions. The level and nature of this will vary to meet individual needs. The Risk Management Policy and Procedure will be subject to regular review (with a formal review every three years) to ensure it continues to meet the changing needs of the Council.

Issue Management

An issue is an unplanned event/incident that has occurred and needs timely and appropriate management action. Issues may have arisen from risks that have materialised (changing from possible to actual events) and issues that have been raised may be a cause of new risks. Although issue resolution is not directly part of the risk management approach, an issue register can be used to link the two processes. An issue register is available on the JCAD Core Risk Management System, if anyone would like access to this please contact Risk Management on telephone number 0121 704 8629 or email riskmanagement@solihull.gov.uk.

4.2 Risk Appetite:

Solihull MBC's Risk Appetite refers to the amount and type of risk that it is prepared to pursue, retain or take in pursuit of its objectives before action is deemed necessary to reduce the risk.

Risk appetite is not a single, fixed concept; there will be a range of appetites for different risks which need to be aligned and regularly reviewed as this will change/vary over time. We have therefore developed a Risk Appetite Scale (Appendix D) which senior management will plot policies, strategic and operational programme and projects against, in order to set clear guidance on the limits of risk that can be taken and to determine which risks would be outside of our risk tolerance threshold and need appropriate escalation and approval. This will then be communicated to staff involved in those activities and included in relevant documentation. The council's risk appetite statement for the current year is attached as Appendix E.

Overall, the Council has low appetite for legal, regulatory & safeguarding, and reputational risks and will put in sufficient controls through its policies and procedures to manage the risk to their lowest reasonable levels of impact and likelihood. However, the Council is open to risks in its delivery of customer outcomes through programmes and policy delivery and will take a trust-based and partnership working approach towards the same. The Council seeks to find and support opportunities and innovative solutions to optimise the delivery of the Council Plan.

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. Where appetite for risk falls outside of this statement this should be approved by the appropriate Director and escalated as needed.

For more information on the Council's Risk Appetite please write to riskmanagement@solihull.gov.uk.

4.3 Embedding Risk Management

A systematic approach to identifying and analysing risk needs to be an integral part of key management processes and day-to-day working. As such, risk management is embedded in the Council's significant business processes including:

- **Annual Governance Statement** - The annual assurance process has direct links with the identification and management of significant risks throughout the year.
- **Climate Change** - Climate Change is a serious threat both now and in the future, this is included within the risk identification checklist.
- **Corporate Focus** - To maintain the corporate focus on risk management, the Director of Resources & Deputy Chief Executive leads on risk management throughout the Council.
- **Equality and Diversity** - Officers are required to undertake a Fair Treatment Assessment where appropriate and complete the "Statutory Equality Duty" section within Member decision reports.
- **External Funding** - Officers are required to submit a Bid Assessment Form (BAF) when applying for external funding and a finance risk assessment will be carried out in accordance with risk management guidelines.
- **Financial Management** - The Council's Financial Regulations include guidance on risk management.
- **Health and Safety** - The corporate business risk management approach has been adopted for all health and safety risk assessments.
- **Insurance Services** - The Council's Insurance Manager manages insurable risks and self-insurance arrangements.
- **Internal Audit** – The annual work plan reflects emerging and current significant areas of high risk and information taken from risk registers inform individual audit reviews. Audit recommendations with a score of high or medium are monitored and reported to senior management, as required.
- **Partnership Working** - The Council's Financial Regulations require any partnership arrangements to have risk management processes in place.
- **Performance and Development Framework** - The Council's performance management scheme includes risk management as a key managerial responsibility.
- **Policy and Corporate Decision making** - Significant risks, which are associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- **Procurement** - The Council's compliant procurement process requires managers to produce a risk register following the corporate approach.
- **Project Management** - All significant projects should be managed using an accepted project management methodology and this includes the formal consideration of risks before and throughout the project.
- **Safeguarding** - Safeguarding procedures and supervision guidance will support staff in developing effective risk assessment skills in order to keep children, young people and adults at risk safe.
- **Service Delivery Planning** - Service delivery planning should trigger a re-evaluation of any existing risk registers as well as consideration of any new or emerging risks.

5. Roles and Responsibilities

To ensure effective risk management across the Council, roles and responsibilities have been designed to achieve the following:

1. Risk management is embedded within the culture of the Council, it is most effective when it is part of the day job and fully integrated with existing management processes.
2. Risks are recorded only once and (where possible) managed by one responsible person and monitored by one responsible body, otherwise there could be duplication of effort to manage the same risk and a danger that everyone believes someone else is responsible.
3. Risks are managed at the most appropriate level - sensible risk management is about ensuring that risks are managed responsibly, managing risk is a normal part of the day to day responsibilities of service managers who are generally best placed to do this effectively.
4. Risks are promptly escalated; senior management and Members need to be aware of those risks that pose the most serious threat to the Council and how they are being managed.
5. Articulating and realistically assessing the potential likelihood and impact of a particular risk is vital, the risk management process is inherently subjective and open to interpretation, therefore competent professional advice and robust challenge is required.
6. Everyone must take some personal responsibility for identifying and managing risks in their own area, one person can not do everything and failure to identify or escalate real risks increases the chance that something serious will happen.

The following describes in detail, the key roles and responsibilities of Members, senior management and officers:

5.1 Members

Members are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces and be aware of how these risks are being managed. Member's key tasks are as follows:

Audit Committee

1. Monitor the effective development and operation of risk management through regular information reports.
2. Determine whether any further information or action is needed in respect of significant risks and whether referral to the relevant Scrutiny Board is required.
3. Consider compliance with the Risk Management Policy and Procedure.
4. Require risk owners to attend the Committee to explain the actions being taken to manage significant risks.

Cabinet Members

1. Hold the Corporate Leadership Team (CLT) accountable for the effective management of risk.
2. Monitor the arrangements for managing the Council's strategic risks through an annual performance report.
3. Consider the risks involved in making any "key decisions".

Cabinet Member for Resources

1. Approves the Risk Management Policy and Procedure.
2. Considers the risks involved in making any "key decisions".

Other Members

1. Support and promote risk management.
2. Consider the risks involved in making any "key decisions".

5.2 Chief Executive and Corporate Leadership Team

The Chief Executive and CLT are responsible for managing strategic risks, as well as operational risks in their individual areas of responsibility. CLT's Key tasks are to:

1. Determine the Council's Risk Management Approach, risk appetite and supporting processes and recommend any subsequent changes for approval by Members.
2. Support and promote risk management throughout the Council.
3. Set the council's risk appetite and review it at regular intervals.
4. Actively identify, analyse and profile corporate and cross cutting risks.
5. Determine and prioritise action on corporate and cross cutting risks, delegating responsibility for control where appropriate.
6. Monitor progress of risk arrangement activities as part of existing performance management timetables.
7. Escalate as appropriate, significant operational risks for consideration at a corporate level.
8. Appraise the relevant Cabinet Member of any emerging or increasing risks.
9. Ensure that "key decision" reports include a section to demonstrate that arrangements are in place to manage any risks.

5.3 Director of Resources & Deputy Chief Executive

The Director of Resources & Deputy Chief Executive is the Officer Risk Champion with responsibility for Risk Management, fulfils the statutory role of Section 151 Officer and is the Council's most senior finance professional. In relation to risk management, key tasks are to:

1. Ensure that effective risk management arrangements are maintained to reflect the changing nature of the Council.
2. Champion the process of risk management as good management practice and a valuable management tool.
3. Understand the financial risks and potential liabilities that may impact the Council.
4. Ensure that material business decisions include a full consideration of the immediate and longer-term financial implications, opportunities and risks, consistent with the overall financial strategy.
5. Promote arrangements to identify and manage key business risks including safeguarding assets, risk mitigation and insurance.
6. Provide independent assurance of compliance with effective risk and financial management arrangements to support production of the Council's Annual Governance Statement.

5.4 Directorate Leadership Teams

The primary role of Directorate Leadership Teams is to manage operational risks by:

1. Being actively involved in the identification, analysis and profiling of risks.
2. Incorporating the risk management process into service planning processes.
3. Encouraging staff to be open and honest in identifying risks or missed opportunities.
4. Ensuring that the risk management process is an explicit part of all major projects and change management initiatives.
5. Regularly monitoring progress of risk management activities as part of existing performance management timetables.
6. Regularly reviewing the risk profile against the agreed risk appetite and escalating risks outside the appetite to the CLT.

5.5 Heads of Service, Service Managers and Project Managers

Heads of Service, Managers and Project Managers are responsible for ensuring that their Service and Project activities are well managed and suitable management practices and controls are in place and working. This includes responsibility for managing risks. Heads of Service, Managers and Project Managers, will ensure that:

1. Significant risks are identified, assessed and appropriately documented.
2. Risk ownership is clearly identified.

3. Risk monitoring is undertaken in line with corporately agreed timescales.
4. Risks are escalated appropriately.

5.6 Risk Champions

Each Directorate has a nominated Risk Champion whose role is to:

1. Produce regular progress reports to Directorate Leadership Teams on performance as part of the existing performance management processes.
2. Share their experiences of the risk management process and identified risks with others in their Directorate.
3. Act as a resource to help, support and facilitate risk assessments being carried out within their, and other directorates.
4. Support the review of cross cutting risk areas.

5.7 Audit Services Division

Head of Audit Services

To maintain independence and objectivity, the Internal Audit function is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:

1. Audit the risk management process and provide assurance on its implementation.
2. Support risk identification and assessment workshops, as appropriate.
3. Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks.
4. Ensure Internal Audit's work plan is updated to reflect emerging or increasing risks and include time to review those risks that could significantly hinder the achievement of the Council's outcomes.
5. Ensure that each audit review includes an assessment of the effectiveness of risk management in the particular area.

Governance and Risk Management Team

The Council's risk management arrangements are co-ordinated by Audit Services and independently reported to the Audit Committee. This provides Members with an objective and independent view, outside of senior management and will:

1. Provide a centre of expertise, providing active support and involvement in the risk management process.
2. Provide guidance and advice on matters of risk management and facilitate risk management training where appropriate.
3. Provide managers with practical techniques for identifying and assessing risks and designing control and mitigation strategies.
4. Facilitate risk identification and assessment workshops and support the co-ordination of risks across all Directorates.
5. Monitor the implementation of high and medium audit recommendations and consider what further action needs to be taken as a result of any internal audit review. *This could include, for example, ensuring new risks are included in an appropriate risk register, providing support to accurately assess risks and identify effective mitigation.*
6. Co-ordinate risk reporting to the Corporate Leadership Team and Members.
7. Arrange for net amber 8 and net red 9 risks (that are not marked as confidential) to be published on the Council's internet site.
8. Take a lead role in the review of the Risk Management Policy and Procedure and the review of the council's Risk Appetite.

5.8 Other Staff

All staff have a responsibility to:

1. Manage risk effectively in their job and report emerging risks to their service managers.
2. Participate in risk assessment and action planning where appropriate.
3. Adhere to Council policies and procedures.
4. Attend training and development sessions as appropriate.

5.9 Risk Owners

To ensure “ownership” of identified risks, each risk has a Risk Owner who is responsible for:

1. Ensuring that appropriate resources and importance are allocated to the process of managing identified risks.
2. Confirming the existence and effectiveness of the current mitigating actions and ensuring that any proposed mitigating actions are implemented.
3. Ensuring any changes in the risk in terms of likelihood or impact are recognised and prompt action taken where necessary.
4. Ensuring any risks containing confidential information are reviewed in accordance to the policy.

5.10 Action Owners

To ensure “ownership” of any mitigating action, an action owner should be allocated to each identified action, who is responsible for:

1. Confirming the existence and effectiveness of the current mitigating actions.
2. Ensuring that any proposed mitigating actions are implemented.

Check List for Risk Identification

Remember, effective risk management improves...PERFORMANCE

Political	<ul style="list-style-type: none"> • Change in Government policy • Election changes and new political arrangements • Member support/approval, political personalities
Electronic	<ul style="list-style-type: none"> • Use of technology including disaster recovery • Data protection and security of information
Regulatory	<ul style="list-style-type: none"> • Legislation, grant funding conditions, internal policies and regulations • Data Protection, Freedom of Information, Public Sector Equality Duty, Human Rights, Employment Law, TUPE, Health & Safety, Environmental • Legal challenges, judicial reviews or public interest reports
Financial / Fraud	<ul style="list-style-type: none"> • Budgetary pressures, loss of/reduction in income, cost of living, interest rates, inflation etc • Financial management arrangements • Investment decisions, sustainable economic growth • Affordability models and financial checks, inadequate insurance cover • External funding issues including loss of (or reduction in) funding • System/procedure weaknesses that could lead to fraud
Opportunities/ Outcomes	<ul style="list-style-type: none"> • Opportunities to add value or improve customer experience/satisfaction • Opportunities to reduce waste and inefficiency and minimise the use of natural resources • Increase employment, education and training • Improve health, reduce health inequalities and promote healthy lifestyles • Eliminate discrimination, promote equality of opportunity and promote good relations between communities • Recycling, minimise pollution, emissions and energy use • Protecting the community and making Solihull a safer place to live
Reputation	<ul style="list-style-type: none"> • Negative publicity (local and national) including print, broadcast or social media, inspection reports
Management systems	<ul style="list-style-type: none"> • Loss of key staff, recruitment and retention issues, management arrangements/protocols • Lack of/inadequate management support, poor communication • Capacity issues, training issues, availability, sickness absence etc • Emergency preparedness/Business continuity
Assets	<ul style="list-style-type: none"> • Land, property, listed buildings and ancient monuments, equipment, information, cultural and recreational assets, abuse of intellectual property
New Initiatives	<ul style="list-style-type: none"> • New ways of working, combined authority, shared services, projects, partnerships or contracts • New arrangements/relationships, new policies/procedures • Managing change
Customers/ Citizens Clients/ Children/ Clinical	<ul style="list-style-type: none"> • Demographics, changing needs and expectations of customers, impact on vulnerable groups • Poor quality/reduced service delivery, poor communication/consultation • Crime and disorder, health inequalities, safeguarding issues, clinical governance
Environment including Climate Change	<ul style="list-style-type: none"> • Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions • Impacts from weather and climate change, such as severe weather events like heat waves or flooding

Measures of Likelihood and Impact

LIKELIHOOD MEASURES

Low Green	Medium Amber	High Red
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Probability	Possible to happen	Likely to happen	Highly likely to happen
Consider	<i>Has an incident occurred in the past 2-3 years OR is it possible in the next 2-3 years</i>	<i>Has an incident occurred in the past 1-2 years OR is it likely to occur in the next 1-2 years</i>	<i>Has an incident occurred in the past year OR is it highly likely to occur in the next year</i>

IMPACT MEASURES

Low Green	Medium Amber	High Red
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Safeguarding / Safety	Avoidable minor injury	Avoidable serious injury	Avoidable death, abuse, life-threatening OR permanent disability
Cost	Between £50k - £100k	Between £100k - 250k	More than £250k
Legal Impact	Legal action and/or fines unlikely	Legal action likely Substantial cost claims	Legal action certain Criminal offence Possible imprisonment Judicial Review
Intervention Required	Corporate Leadership Team intervention	Member intervention	Statutory body, partner or enforcement agency intervention
Service Impact	Significant service disruption	Service failure directly affecting customers/ council operations	Serious service failure directly affecting vulnerable groups
Project Delivery	Significant delays impacting on the Division's performance	Project failure impacting on the Directorate's performance	Project failure impacting on the Council's performance
Reputation Impact	Short term local media attention	Sustained local media attention	National media attention (print/broadcast/social), highly damaging or potential Public Interest Report

Impact	High	Amber 7	Amber 8	Red 9
	Medium	Green 4	Amber 5	Amber 6
	Low	Green 1	Green 2	Green 3
		Low	Medium	High
Likelihood				

Monitoring Risks - Reviewing and Reporting Framework

APPENDIX C

Net Risk Level	Option	Management Action Required	Review / Reporting Required
Red 9	Reduce Avoid	<p>This level of risk is not acceptable and immediate management action must be taken to assess how this risk can be reduced to an acceptable level.</p> <p>Where the impact might be avoidable death, abuse, life-threatening OR permanent disability, wherever possible, the activity should cease until the risk is effectively managed.</p>	<ul style="list-style-type: none"> The appropriate Director must be made aware immediately Escalate to the most appropriate DLT Director to inform the relevant Cabinet Member and consider escalation to CLT <p>Progress to manage these risks must be reviewed by DLT and/or CLT at least monthly and it is expected that the outcome of such reviews will be minuted in the appropriate meeting minutes and a comment recorded in the risk management software.</p>
Amber 8 Amber 6 Amber 5	Transfer Reduce Accept	<p>Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact.</p>	<ul style="list-style-type: none"> Net Amber 8 Risks - The appropriate Director must be made aware immediately Net Amber 5 or 6 Risks - The appropriate Head of Service must be made aware Consider whether the risk should be escalated to the appropriate DLT <p>Progress to manage these risks must be reviewed by the Head of Service and/or DLT at least quarterly. It is expected that the outcome of such reviews will be minuted in the appropriate meeting minutes or 1:1 notes and a comment recorded in the risk management software.</p>
Amber 7	Transfer Reduce Accept	<p>In view of the low likelihood of this risk occurring, this level of risk can be accepted. However, management must first consider all reasonable steps that could be taken to reduce this risk in terms of the potential impact.</p>	<ul style="list-style-type: none"> The appropriate Head of Service must be made aware Consider whether the risk should be escalated to the appropriate DLT <p>Progress to manage these risks must be reviewed by the Head of Service and/or DLT at least six monthly. It is expected that the outcome of such reviews will be minuted in the appropriate meeting minutes or 1:1 notes and a comment recorded in the risk management software.</p>
Green 4 Green 3 Green 2 Green 1	Transfer Reduce Accept	<p>Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact. If the likelihood of this risk occurring reduces further, management may consider closing this risk.</p>	<ul style="list-style-type: none"> The appropriate Line Manager must be made aware Consider whether the risk should be escalated to the Head of Service <p>Progress to manage these risks must be reviewed by the Line Manager at least annually (or sooner if circumstances change significantly) and a comment recorded in the risk management software.</p>

Risk Appetite Scale

Categories	Averse <i>Avoidance of risk and uncertainty is a key organisation objective.</i>	Cautious <i>Preference for safe options that have a low degree of risk and may only have limited potential benefits.</i>	Open <i>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.</i>	Seeking <i>Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.</i>
Finance	<ul style="list-style-type: none"> Avoidance of financial loss is a key objective. Only willing to accept the low cost / low return / very low risk option. Very limited delegation from officers/members through the organisation's hierarchy in terms of making significant financial decisions. (e.g. treasury management approach to investing our finances and with our borrowing) 	<ul style="list-style-type: none"> Only prepared to invest finances whilst accepting the possibility of very limited financial loss and even then will try and manage/ mitigate any residual risks fully. VFM and service delivery is the primary concern. Prepared to accept the possibility of some limited financial loss but willing to also consider the obvious tangible (cashable) or wider service benefits. Limited delegation from officers/members through the organisation's hierarchy in terms of making significant financial decisions. (e.g. investment in the building of a care home) 	<ul style="list-style-type: none"> Prepared to invest for reward and minimise the possibility of financial loss by managing/mitigating the risks to a tolerable level. Value for money and tangible benefits (cashable and otherwise, e.g. social value) considered (not just cheapest price) to achieve service benefits and deliver a sustainable solution. More flexible approach/greater level of delegation of key financial decisions from officers/members through the organisation's hierarchy in terms of making significant financial decisions. (e.g. investment in a project to deliver a regional Materials recycling facility) 	<ul style="list-style-type: none"> Prepared to invest for the best possible reward financial and service benefit (e.g. regeneration and long term growth and prosperity) and accept the possibility of financial loss although risk mitigating controls will be in place where possible but unlikely to eradicate the risk entirely. A very clear and extensively delegated framework for decision making from officers/members through the organisation's hierarchy in terms of making significant financial decisions. (e.g. selective property investment in a shopping centre or strategic land/building asset in the Borough)
Regulatory/legal	<ul style="list-style-type: none"> Avoid anything which could be challenged, even unsuccessfully Play safe 	<ul style="list-style-type: none"> Limited tolerance for anything which we aren't reasonably sure we would win if challenged. 	<ul style="list-style-type: none"> Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences including potential costs. 	<ul style="list-style-type: none"> Chances of losing are high and potential consequences including cost and reputational damage significant. But a win would be seen as great success.
Reputational	<ul style="list-style-type: none"> No tolerance for any decisions that could lead to challenge, adverse publicity or scrutiny of the Council 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Council should failure occur 	<ul style="list-style-type: none"> Appetite to take decisions with potential to expose the Council to additional scrutiny, but only where appropriate steps have been taken to minimise any exposure 	<ul style="list-style-type: none"> Willingness to take decisions that may bring scrutiny of the Council but where potential benefits outweigh the risks. New ideas seen as potentially enhancing the reputation of the Council.
Projects and Programmes	<ul style="list-style-type: none"> Projects are small and contained, aiming to maintain or protect rather than innovate/create. Project tolerances are low/non-existent, with limited devolved decision making authority. Programmes are small and have short timescales. They have clearly defined outputs and measures. Risk reviews and benefit reviews are mandatory and are reported on regularly. Environmental and economic impacts have been considered and minimised. 	<ul style="list-style-type: none"> Projects are larger in scale. Options considered are limited to those with a proven track record in local Government. We will always pilot or test first before seeking to adopt at scale. Decision making authority is held by senior officers and project tolerances are low. Programmes are of medium size and length. Benefits are defined with little scope for iteration. System development is limited to improving the protection of current operations. Environmental and economic impacts have been considered in detail and greater impacts are justified. 	<ul style="list-style-type: none"> Projects are medium to large in scale and are often collaborative. Tolerances are medium to high, with responsibility for non-critical decision making being devolved. Through an options appraisal and business case development, we are willing to consider all potential options (including innovative ones) and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money. Robust systems are in place around projects and programmes to enable operational delivery. Projects have larger tolerances and higher risk. Benefit realisation plans are established and regularly reviewed. A medium level of risk is accepted in the project/programme. Environmental and economic impacts may be medium to large and have been considered and justified. 	<ul style="list-style-type: none"> Projects likely to be large scale, long term, and contain collaborative elements. Tolerances are high with decision making devolved and based on trust. Innovation is pursued, with a desire being to introduce major change to existing practices. Programmes are large and contain many complex projects. Agile project management is employed. Benefits are long term and may be both direct and indirect. A high level of overall risk is acceptable and lower level risks are managed by project/programme officers. Environmental and economic impacts may be large and have been considered with a greater risk justified by a greater benefit.
Operational and Policy Delivery	<ul style="list-style-type: none"> Resources allocated to essential services to protect delivery to the public. Management controls and oversight are tight. Any delegated decision making is strictly prescribed. Innovation is avoided. Systems/technology developments are avoided except where essential to prevent service failure. 	<ul style="list-style-type: none"> Resources allocated to all essential services to protect delivery to the public plus some discretionary services which add value to the public. Management controls and oversight are generally tight with limited delegated decision making in some areas. Innovations avoided unless seen as essential Systems/technology developments limited to improvements to preventing service failure and / or protection of current operations. 	<ul style="list-style-type: none"> Resources allocated to all essential and some discretionary services but also to some additional high value service areas, in order to capitalise on potential opportunities where the return is fairly certain. Responsibility for decisions is devolved within a framework of overall accountability. Some time and resource is spent in investigating opportunities for innovation. Systems/technology developments sought in order to enable and enhance operational delivery 	<ul style="list-style-type: none"> Resources allocated to all essential and some discretionary services but also to some services areas where there is not a firm guarantee of return – 'investment capital' type approach High levels of devolved authority – management by trust rather than tight control Innovation actively pursued – desire to 'break the mould' and challenge current working practices. New and alternative technologies viewed as a key enabler of operational delivery
Physical Assets	<ul style="list-style-type: none"> Organisation restricts its land and property holdings to those required to deliver core / statutory services. Organisation tends to favour direct ownership of the assets required. Surplus assets are disposed of on the open market for a capital receipt Organisation invests in land and property to the extent required to deliver core services. 	<ul style="list-style-type: none"> Organisation restricts the majority of its land and property holdings to those required to deliver core / statutory services. Organisation tends to favour direct ownership of most of the assets required. The majority of surplus assets are disposed of on the open market for a capital receipt Organisation invests in land and property in the majority of cases to the extent required to deliver core services. For all of the above the organisation will consider alternatives in a limited number of cases but only where the business case demonstrates minimum risk. 	<ul style="list-style-type: none"> Organisation keeps land and property holdings primarily to those required to deliver core / statutory services but does branch out for other objectives when a compelling case is made. Organisation tends to favour direct ownership of assets required but does have some joint vehicles and partnerships. Surplus assets tend to be disposed of on the open market for a capital receipt but is prepared to consider other options subject to a business case. Organisation invests in land and property to the extent required to deliver core services and is prepared to look at other objectives in some cases subject to the business case. In all of the above the organisation considers alternatives but is prepared to make a more balanced judgement based on both risk and reward. 	<ul style="list-style-type: none"> Organisation uses land and property assets to further broader economic and regeneration objectives. Organisation is prepared to own/hold stake in land and property through a range of vehicles and partnerships. Organisation uses assets to lever in additional investment into the area. Organisation invests in land and property to deliver growth, regeneration and an income return.
Appetite	None	Low	Medium	High

STATEMENT OF RISK APPETITE 2021/22

Introduction and background

The council's ambitious activities, strategies and plans are driven by its vision of a borough where everyone is healthier, happier, safer and prosperous through growth that creates opportunities for all. The achievement of these outcomes, in a dynamic social and economic environment is subject to risks, which are anticipated and managed through a robust risk management and governance framework.

To support and enhance our existing Risk Management processes we have now, through a process of consultation with key stakeholders, defined our Risk Appetite which represents 'the **amount and type of risk that an organization is willing to take in order to meet their strategic objectives**'.

By deploying a properly embedded risk appetite framework, we can choose to accept a higher degree of risk in particular areas, in line with our overall strategy and in contrast to passive risk-taking.

SMBC's Risk Appetite

Solihull is a sound and well-run Council with strengths including vibrant communities, passionate and committed staff and elected members, strong financial management and good partnerships. The council recognises the complexity of demands on its services and offerings and aims to provide holistic and balanced solutions that evolve constantly and deliver the required outcomes.

SMBC's attitude to risk is that risks should be identified and managed rather than avoided. The Council recognizes finance, regulatory & safeguarding, reputational, programmes, policy delivery and physical assets as key risk categories that have the opportunity to create a significant impact on business operations if not managed effectively. Our appetite for risks falling within these risk categories have been mapped by the Corporate Leadership Team on a scale ranging from risk averse, where the council has zero tolerance for risks to risk seeking where the council is willing to adopt practices to enable optimised outcomes

The Council has low appetite for legal, regulatory & safeguarding, and reputational risks and will put in sufficient controls through its policies and procedures to manage the risk to their lowest reasonable levels of impact and likelihood. However, the Council is open to risks in its delivery of customer outcomes through programmes and policy delivery and will take a trust-based and partnership working approach towards the same. The Council seeks to find and support opportunities and innovative solutions to optimise the delivery of the Council Plan.

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. Where appetite for risk falls outside of this statement this should be approved by the appropriate Director and escalated as needed.

For more information on the Council's Risk Appetite please write to riskmanagement@solihull.gov.uk.