



## Summary of the strategic risks updated since the last Audit and Risk Assurance Committee meeting - as @ October 2023

Risk Ref	Risk Title and Description	Previous score (Mar 2023)	Movement in risk score	Current risk score (Oct 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)	Key Sources of Assurance								
27a 06/09	<p><b>Medium Term Financial Strategy (MTFS), Central Government Funding and Resource Allocation</b></p> <p>Local Government continues to operate in an uncertain financial environment arising from reducing central government funding, increasing demand for services, and more recently the impact of the high levels of inflation being experienced.</p> <p>If the government does not provide local authorities with clarity over the future plans for health and social care reforms, the Public Health grant, the Better Care Fund, the package of one-off social care grants, business rates reset and retention, and future years funding, and it continues with one year funding settlements then this inhibits local authorities' ability to effectively manage medium term/ three year plans and put in place the necessary processes and actions to manage funding pressures.</p> <p>If the council is unable to plan effectively as a result of funding uncertainty, and is unable to identify sufficient savings and put in place the necessary policies, processes and actions to manage pressures, pay and price inflation and manage its spending plans, then this will impact on the council's financial resilience and its ability to effectively discharge its statutory responsibilities including the setting of a balanced budget for future years. This will impact on the council's ability to deliver sustainable services to the people of Sandwell.</p> <p>Risk Area – All Council Services Risk owner- Director of Finance <b>Objectives impacted: All</b></p>	8 (amber)	*	*	*	<p>* There are a number of factors that underpin the wider risk score for this risk, and the score will continue to remain fluid throughout each 12-month cycle as the council develops its MTFS, generally in-line with the below pattern. However, overall the council is confident that it has processes in place in order to be able to adequately mitigate these risks, and that it will remain able to effectively discharge its statutory responsibilities, including the setting of a balanced budget for future years.</p> <table border="1"> <thead> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26 Onwards</th> </tr> </thead> <tbody> <tr> <td>Delivery of the Medium-Term Financial Strategy (MTFS)</td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FF0000;"></td> </tr> </tbody> </table> <p><b>Current and Ongoing Controls</b></p> <ul style="list-style-type: none"> <li>The review by CIPFA on the council's financial management and governance arrangements, noted that the council was initially a progressive two-star (out of five) authority. The follow up review subsequently undertaken by CIPFA progressed this to a three-star. The review also looked at financial resilience and concluded that the council is financially stable and in recent years has been able to contribute towards reserves through achieving a balanced budget or an underspend. An underspend was delivered in 2022/23.</li> <li>A fundamental review of the MTFS (in line with the CIPFA recommendations) has been completed, to ensure that the council understands the challenges ahead and to ensure that the MTFP matches the ambitions of the corporate plan and regeneration plans for Sandwell.</li> <li>A balanced budget for 2023/24 was approved by Council on 21<sup>st</sup> February 2023 and includes savings totalling £21.4m.</li> <li>Monthly monitoring of savings is carried out by Finance Business Partners in year. Savings are RAG rated and reported to Directors monthly through DMT meetings and to LT budget meetings. Budget surgery meetings are held mid-year to review savings rated 'red', with a view to understanding any issues hampering delivery and to unblocking those issues. Budget surgery meetings are attended by the Director of Finance, appropriate Directors and a range of officers from across the organisation. Monitoring of savings includes any savings carried forward from previous years that were not delivered in those years.</li> <li>Star Chambers continue to be used to support budget setting. During August and September 2023, a Star Chamber meeting was held in relation to each Council directorate, focusing on the directorate's financial position, savings delivery within 2023/24, ongoing budget pressures and savings to be delivered in 2024/25. Star Chamber meetings include the Chief Executive and Portfolio Holders as well as the appropriate Director and Finance Business Partners.</li> <li>Star Chamber meetings are used as the initiation process to generate further savings proposals for the following financial year and to test those proposals with elected members. This is the first step in the process towards balancing the budget for the following year.</li> <li>Directorate budget pressures and growth are calculated annually by Finance Business Partners, and for Adult Social Care includes a growth model that extrapolates client numbers and average placement costs forward, building in assumed increases in market rates.</li> <li>A Strategic Finance Manager post has been created, with a view to having a dedicated resource to creating and updating the MTFS model and to ensuring assumptions, eg, pay inflation assumptions, are calculated with consideration and in accordance with wider local authority group assumptions.</li> <li>LG Futures have been commissioned to provide financial benchmarking data, including assumptions on grant income in future years,</li> <li>Regular discussions take place with WMCA over the likelihood of when the business rates reset might transpire, and Sandwell's assumptions in this regard are aligned to the rest of the WMCA group of local authorities.</li> <li>The MTFS position has been reported to Leadership Team on several occasions during the Autumn of 2023, and Directors have been fully engaged in the process of generating savings proposals to balance the budget gap in 2024/25.</li> <li>The draft MTFS for 24/25 reports a deficit (prior to savings) of £13m. Savings proposals have been developed to balance the budget, supported by a business case document for each saving. The draft MTFS will be presented to Cabinet on 15<sup>th</sup> November. Cabinet workshops were held on 19<sup>th</sup> September and 25<sup>th</sup> October to engage Cabinet in the MTFS process and to ensure that elected members are willing to adopt each of the proposed savings.</li> <li>Further iterations of the MTFS will be produced following the provisional and final settlement during Winter 2023/24.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>Continued implementation of the action plan developed following the CIPFA review (as per the improvement plan timetable).</li> <li>Use of benchmarking data to help identify opportunities for efficiencies, savings and service improvements.</li> <li>The council continues to horizon scan and consider the impacts of potential government initiatives and policies on future funding sources and demand for council services.</li> </ul>		2023/24	2024/25	2025/26 Onwards	Delivery of the Medium-Term Financial Strategy (MTFS)				<p><a href="#">Budget and Corporate Scrutiny Board</a></p> <p>External Audit</p> <p>CIPFA financial management review</p> <p>LGA Corporate Peer Review</p> <p>Grant Thornton Value for Money Governance Review - <a href="#">Follow Up- December 2022</a></p> <p>LG Futures benchmarking data</p> <p>Budget and Corporate Scrutiny Board</p> <p>Star Chambers</p> <p>Business case templates – Savings Proposals</p> <p>CIPFA</p>
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27b 10/21	<p><b>Budget Monitoring and Management 2023/24</b></p> <p>If the council does not put in place effective arrangements to monitor and manage the current year's budget to ensure that planned savings are achieved and efficiencies realised, then it will result in overspends and impact the resilience of the council's finances.</p> <p>Therefore, timely and accurate monthly monitoring of the budget forecast outturn is required to ensure that the revenue and capital expenditure stay within the agreed budget. This applies to the General Fund and the Housing Revenue Account (HRA).</p> <p>Risk Area – Finance and Resources Risk owner- Director of Finance</p> <p><b>Objectives impacted: All</b></p>	8 <i>(amber)</i> Monitoring and management	*	*	*	<p>* The score will continue to remain fluid throughout each 12-month monitoring cycle, however, overall the council is confident that it has processes in place to be able to forecast the outturn position within a reasonable degree of certainty, and confident that it has the resources in place to be able to mitigate a forecast overspend position in the current year, up to a degree of tolerance of approximately 5%.</p> <table border="1" data-bbox="1323 296 2407 436"> <thead> <tr> <th colspan="2"></th> <th colspan="12">2023/24</th> </tr> <tr> <th>Monitoring Period</th> <th></th> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Jan</th> <th>Feb</th> <th>Mar</th> </tr> </thead> <tbody> <tr> <td>Revenue Budget Monitoring Position</td> <td></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> <td style="background-color: #FFD700;"></td> </tr> </tbody> </table> <p><b>Current and Ongoing Controls</b></p> <ul style="list-style-type: none"> <li>A budget monitoring timetable is created annually and circulated to all in Finance, so that monthly monitoring deadlines are clearly understood and adhered to. Elements of the monitoring timetable relevant to budget holder involvement are circulated to budget holders.</li> <li>Directors and ADs are asked to sign budget accountability letters at the start of the financial year, which set out the budgets available to each senior officer and provide assurance that the budgets are understood and will be adhered to as far as possible</li> <li>As part of the budget monitoring process, year to date expenditure figures are compared with profiled budgets, and variances to date are used to calculate forecast outturn information, in conjunction with information from budget managers, historic data, trend data and any other relevant information</li> <li>Salaries monitoring is carried out at individual post level, using year to date cost information and information from budget managers on any changes in staffing that will take place in year</li> <li>All budget holders are sent their budget monitoring report monthly, and regular meetings are held between budget holders and Finance Business Partners. Budget holders are asked to provide forecast outturn information monthly.</li> <li>Heads of Finance Business Partnering collate information for all directorates, challenging and checking assumptions with Finance Business Partners</li> <li>Directors take ownership of their directorate's monitoring position, signing off the position for their directorate each month as a true reflection of the position</li> <li>Finance Business Partners attend DMT meetings monthly to present each directorate's monitoring position, to ensure that the position is understood by all ADs and that mitigating actions are proposed to deal with overspends as necessary</li> <li>The monitoring position is presented monthly to Leadership Team, quarterly to Cabinet and quarterly to Budget Management and Corporate Scrutiny Board</li> <li>Monitoring of current year savings (as per the MTFS) is carried out monthly by Finance Business Partners and present to DMT meetings monthly and Leadership Team meetings monthly, so that the impact of any non-delivery or slippage of savings on the Council's outturn position is understood</li> <li>If at any point, management action (for example an in-year spending freeze or recruitment freeze) or corporate action (for example use of reserves) is required in order to improve the forecast outturn position, Leadership Team is made known of this as soon as possible and provided with a list of actions that could be taken to address the forecast position. A menu of spending control options were presented to Leadership Team in August 2023, and spending controls were put in place following the Leadership Team meeting</li> <li>The council reported its Quarter 1 2023/24 <a href="#">budgetary position</a> which showed a forecast outturn position for 2023/24 of: <ul style="list-style-type: none"> <li>£2.188m projected overspend for the general fund revenue</li> <li>£nil variance for the HRA revenue</li> </ul> </li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>Introduction of Oracle Fusion by 1 April 2024, which will provide each budget manager with 'real time' access to their areas' budget and spend data.</li> <li>Involving budget managers in the budget setting process will ensure that they understand their budget figures and how they have been developed</li> <li>Introduction of Oracle Fusion will lead to budget managers taking ownership of the budget monitoring process for their areas, actively reviewing data and ensuring that outturn projections are completed. Finance Business Partners will be able to ensure that monthly challenge meetings are taking place with ADs and that mitigating actions are proposed and put in place to address overspends</li> </ul>			2023/24												Monitoring Period		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Revenue Budget Monitoring Position														<p>Leadership Team Budget and Corporate Scrutiny Board External Audit Annual Internal Audit review- budgetary control</p>
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27c 10/23	<p><b>Statement of Accounts</b></p> <p>Failure of the Council to produce its outstanding Statements of Accounts for 2021/22 and 2022/23 and/or failure to produce a Statement of Accounts for 2023/24 within the required statutory deadline could result in reputational damage to the council and may impact on the council's ability to come out of intervention.</p> <p>Risk Area – Finance and Resources Risk owner- Director of Finance <b>Objectives impacted: All</b></p>	N/A	N/A	8 (amber)	4 (green) March 2024	<p><b>Current and Ongoing Controls</b></p> <ul style="list-style-type: none"> <li>A team of interim specialist contractors has been put in place to produce the outstanding Statements of Accounts and to address resulting audit queries</li> <li>The audit of the 2020/21 Statement of Accounts was completed during Summer 2023, and final accounts have now been published.</li> <li>A Statement of Accounts for 2021/22 is due to be provided to Grant Thornton by 20 November 2023, and the resulting audit is due to be completed by the end of March 2024. A resource plan will be put in place by the Head of Technical Accounting to deal with audit queries during the three/four month audit period, to ensure that officers are available to respond to queries and that there are no delays to the audit timetable.</li> <li>The Statement of Accounts for 2022/23 must be produced by end of March 2024, and further external resources will be procured as required to ensure that this deadline is met.</li> <li>A closedown timetable for 2023/24 will be produced by the Head of Technical Accounting by the end of February 2024, and officer training will be delivered as required in advance of the closure period.</li> <li>A plan will be put in place for knowledge and skill transfer between the interim specialist contractors and the council's permanent Technical Finance team to ensure that permanent staff are able to produce Statements of Accounts in the future in-house.</li> </ul>	External Audit
53 04/18	<p><b>Oracle Fusion Implementation</b></p> <p>The project primarily has a risk of missing the April go live date.</p> <p>At this point in time the risks have started to crystallise with HR &amp; Payroll. This stems mainly from previous process and working practice challenges in HR and Payroll operations. The programme has agreed with the project board to a phased plan to resolve this risk through Finance and Procurement remaining to go live in April and HR &amp; Payroll moving back to July.</p> <p>For Finance the new management team are undertaking a review of the design of the Chart of Accounts and approved design which presents a further risk to the go live date for Finance. The programme board have directed that the Finance go live date cannot move back from April 2024.</p> <p>Risk Area – Finance and Resources Risk Owners – Director of Finance <b>Objectives impacted: All</b></p>	8 (amber)		9 (amber)	4 (green) April 2024	<p>There has been a slight increase in the risk score, as noted in the risk descriptor - at this point in time risks have started to crystallise with HR &amp; Payroll.</p> <p><b>Mitigations:</b></p> <p><b>For HR &amp; Payroll</b></p> <ul style="list-style-type: none"> <li>SME engagement activities to resources to take on programme role</li> <li>Repeated realignment of relevant resources</li> <li>Additional line manager representation</li> <li>Direct progress reports to relevant Board member</li> <li>Implemented agile way of working with parallel progress</li> <li>Detailed level of governance, and controls, and task prioritisation</li> <li>Phased Plan to move HR &amp; Payroll go-live to July whilst retaining an April Go-Live for all other workstreams</li> <li>Additional resources identified</li> <li>Further analysis taking place on other critical activities</li> </ul> <p><b>For Finance</b></p> <ul style="list-style-type: none"> <li>Working through the gaps in the Chart of Accounts to achieve best practice with minimised impact</li> <li>Exploring rapid implementation of an interface from the existing HR &amp; Payroll system to Oracle Fusion general ledger and budget monitoring</li> <li>All identified changes will be assessed through the Programme change control and governance process</li> <li>Engaging with stakeholders to explain the need to revisit Chart of Accounts</li> <li>Revisiting end to end processes as quickly as possible</li> <li>Added the production of accounting procedure guides to the task list</li> </ul>	<p>Project Board SOCITM Grant Thornton – <a href="#">Value for Money Governance Review 2021</a> Grant Thornton Value for Money Governance Review - Follow Up- <a href="#">December 2022</a> SRO updates to Leadership Team Grant Thornton review of Oracle Implementation</p>
61 10/21	<p><b>Partner Organisations/Contractors Service Delivery</b></p> <p>The council works closely with partners and contractors to provide services to its residents and businesses.</p> <p>In the event Partner organisations or contractors do not provide the required level of service to the public this may result in:</p> <ul style="list-style-type: none"> <li>Efficient / good value for money / high quality services not being delivered</li> <li>Enforcement action</li> <li>Significant financial loss and</li> <li>Reputational damage</li> </ul> <p>Risk Area – All Services Risk Owner – Chief Executive and Leadership Team <b>Objectives impacted: All</b></p>	12 (red)		9 (amber)	4 (green) March 2024	<p><b>Current Controls</b></p> <ul style="list-style-type: none"> <li>Leadership Team has established a reporting structure for the council's key contracts and partnership arrangements.</li> <li>Arrangements for scrutiny consideration of the council's key contracts is in progress.</li> <li>A deed of variation and extension period has been agreed and signed with SLT to deliver services up to end March 2027.</li> <li>Contract management training has been rolled out across the Council.</li> <li>A lessons learnt session led by key stakeholders in WM police has been completed during September 2023 to ensure that the recent service disruption due to illegal blockading during the period of industrial action is analysed appropriately to inform future incidents.</li> <li>Follow up report to Cabinet has been provided in October for Sandwell Leisure Trust to confirm the position to end March 2027</li> </ul> <p><b>Further Actions</b></p> <ul style="list-style-type: none"> <li>Establishment of consistent contract management for both significant capital and service contracts across the Council.</li> <li>Review of the current arrangements in place for each key contractor to ensure they remain fit for purpose and that the partnership objectives are aligned to the refreshed corporate plan.</li> </ul>	<p>Grant Thornton – Value for Money <a href="#">Governance Review 2021</a> CIPFA Financial Management and Governance Review 2021 LGA Peer Review 2022 Economy, Skills, Transport And Environment Scrutiny Board review of the performance and management of the waste partnership contract Reports to the Improvement Board Grant Thornton Value for Money Governance Review - Follow Up- <a href="#">December 2022</a> Leadership Team – quarterly monitoring</p>