



# RISK MANAGEMENT STRATEGY

## Document Control

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<b>Approved by</b>	Management Board and Joint Audit and Standards Committee

## Version History

<b>Date</b>	<b>Version Number</b>	<b>Revision Notes</b>
January 2016	V0.1	First Draft of revised Strategy
May 2016	V0.2	Second Draft of Strategy following Administration meetings
December 2017	V0.3	Update of Roles and Responsibilities following introduction of Cabinet model
January 2019	V0.4	Recognition of the corporate 'Values' within the Councils' Risk Appetite.

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## 1. Policy Statement

The effect of uncertainty on an organisation's objectives is risk. Risk management is the process of ascertaining what might go wrong, what the potential consequences may be, what could trigger the occurrence and deciding how best to minimise the risk materialising. If it does go wrong, as some things inevitably will, proactive risk management will ensure the impact is kept to a minimum.

To structure and formalise the risk management arrangements across all functions, Babergh and Mid Suffolk District Councils have developed a systematic and logical process of managing business risk within a comprehensive framework to ensure it is managed effectively, efficiently and coherently across the organisation. The Councils' adopted approach sets out the methodology for identification, evaluation and control of risk to ensure the continued financial and organisational well-being of the Councils. Council wide ownership and accountability for managing risk is critical to the success of the organisation.

When implemented and maintained, the effective management of risk enables the organisation to:

- Increase the likelihood of achieving its goals and delivering outcomes
- Improve the identification of opportunities and threats
- Improve governance, stakeholder confidence and trust
- Establish a reliable basis for decision making and planning
- Effectively allocate and use resources for risk treatment
- Improve organisational resilience.

It is the role of the Audit and Risk Management Services team within the Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the organisations to take control of the risks that threaten delivery. The role of the team is also to provide a level of challenge and scrutiny to the risk owners. The work of the team will be directed to effect the achievement of the following risk management objectives:

- Align the organisations culture with the risk management framework
- Integrate and embed the risk management framework across the organisations
- Enable the organisations to recognise and manage the risks it faces
- Minimise the cost of risk
- Anticipate and respond to emerging risks, internal & external influences and a changing operating environment
- Implement a consistent method of measuring risk.

## 2. Statement of Commitment

Babergh and Mid Suffolk District Councils are committed to adopting good practice in its management of risk to ensure retained risk is of an acceptable and tolerable level in order to maximise opportunities and demonstrate it has made full consideration of the implications of risk to the delivery and achievement of outcomes.

The Councils are clear that the responsibility for managing risk belongs to everyone and that there needs to be an appropriate level of understanding of the nature of risk by all stakeholders.

As a corporate body, the Councils are obligated to protect its material assets and to minimise its losses and liabilities. It recognises the need to equip its workforce with the skills and expertise to manage risk on its behalf and provides the necessary resources to ensure this can be delivered.

The Councils' risk management objectives are a long term commitment, inherent to good governance practices and fully supported by senior management and its Councillors.

**John Snell – Corporate Manager – Internal Audit**  
**Emily Yule – Assistant Director Law & Governance**  
**and Monitoring Officer - Sponsor**

## 3. Our Approach

For risk management to be successful, it is imperative that there is a single approach for the management of business risk, adopted through all levels of the organisation. This risk management strategy is one part of the overall risk framework, the essential elements of which include:

- Risk Management Policy Statement and Strategy (including governance and accountabilities)
- Risk Management Methodology, Tools and Guidance to support the methodology and Training
- Risk Management Reporting
- Risk Assurance Statement.

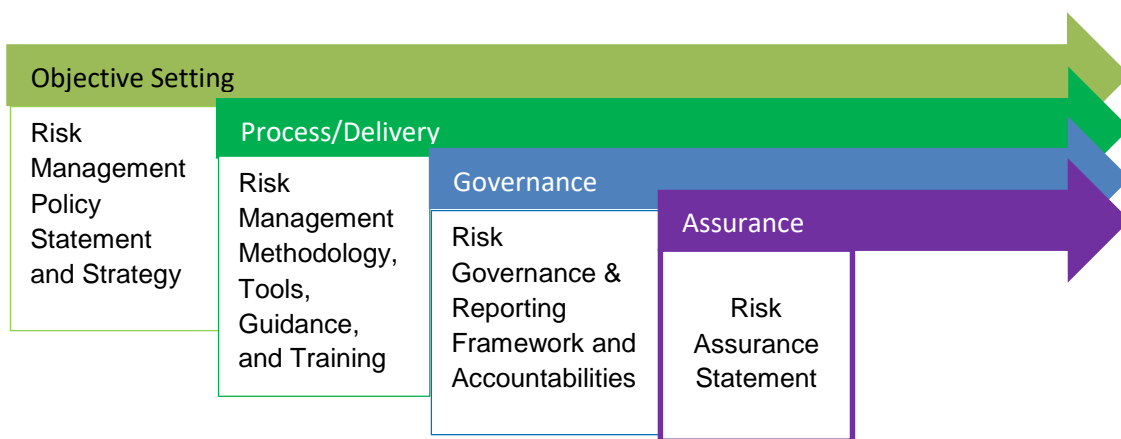
Our approach is that the discipline of effectively managing risk is integrated throughout the organisation and involves all key stakeholders including - but not limited to officers, senior management, Councillors, partners and suppliers.

Primarily Councillors and senior management will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operations risks will be the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Identified key risks and mitigations are managed through the Councils' Significant Risk Register and is regularly discussed, reviewed and updated. Frequent risk reporting takes place across all levels of the organisation. The governance and reporting arrangements which set out what risk information is reported to which audience and when is covered in more detail in section 11 of this Strategy.

It is the role of the Corporate Manager – Internal Audit and his team to develop and set the framework for the organisation to follow; ensuring that this adds value to the organisation.

Babergh and Mid Suffolk District Council's risk management framework is our end to end process of managing risk



#### 4. Risk Management Principles

At Babergh and Mid Suffolk District Councils, we are committed to ensuring risk management is embedded across the whole organisation. To do this, we ensure we adhere to the spirit of the principles of risk management as set within the OGC's Management of Risk Framework and in accordance with the International Risk Management Standard (ISO:31000).



## 5. Risk Appetite Statement

Risk Appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our strategic outcomes. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and the ability to exercise controls and hence different appetites and tolerances to risk apply.

Underpinning our approach to risk management are the Councils' Values. Having our values will help establish trust, understanding and behaviour change from our residents, and enable us to be able to make decisions, confident in the knowledge that we have the support of the wider organisation. It is critical therefore that our values now become real for us all through everything we do, how we do it and our wider behaviours.

The Councils' appetite for risk reflects the different types of risk that could impact on the Councils' ability to meet its statutory requirements and strategic outcomes, including likely reputational impact and potential financial implications and are described in more detail below.

These risks can be defined as follows:

#### *Strategic Transformational Risk*

This is the risk arising from the possible consequences of strategic decisions taken by the Councils, or the risk of a failure to achieve our strategic vision. The environment the Councils' work in is continually changing through both its internal operations and the services it provides. The Councils recognise that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

#### *Operational/Service Delivery Risk*

This is the risk arising from the nature of the Councils' business and operations, for example, the risk of a failure to deliver statutory or other services to residents, to fail to provide required quality in services, or to provide appropriate services in the event of an emergency and as such accepts a high level of risk arising. In terms of risk appetite it is acknowledged that due to the nature of services provided 'one size' does not fit and therefore each service area would determine their level of risk appetite based on a risk-reward basis.

#### *People and Culture Risk*

The Councils' recognise that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Councils' an inspiring and safe place to work. It has a high appetite for decisions that involve staffing or culture to support transformational change and ensure the Councils' are continually improving.

#### *Financial Risk*

This is the risk of changes in the Councils' financial condition and circumstances, such as for example, in its balance sheet assets and liabilities, its funding, income and spending levels. The Councils' aims are to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives.

#### *Reputational Risk*

It is regarded as essential that the Councils' preserve a high reputation and hence it has set a moderate appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity.

#### *Legal and Compliance Risk*

The Councils' recognise the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud and corruption.



## **Duty of Officers**

All of the Councils' elected Councillors and its officers, including when they are working in partnership with other organisations, have a duty and responsibility as part of their actions to manage risk as an integral part of their role, which includes ensuring they comply at all times with provisions of the risk appetite of the Councils' as outlined in this document.

## **General Risk Appetite Statement**

*The Councils' recognise that its long term sustainability depends upon the delivery of its strategic objectives and its relationship with its partners. As such, the Councils' will not accept risks that are in breach of legal compliance, regulations and ethical behaviour. However, the Councils' have a greater appetite to take considered risks in terms of their impact on strategic and organisational issues and actively encourage officers to pursue innovation and creativity and challenge current working practices where positive benefits can be anticipated within the constraints of the regulatory environment.*

## **6. Risk Management Levels**

Our approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the organisation. The risk culture that emanates from the senior management throughout the organisation is essential in ensuring all levels buy into and adhere to the corporate risk process.

### **The Levels:**

**Service Level:** The day to day management activities provide reasonable assurance that the main tactical and operational risks arising from service operations are identified, assessed, managed and monitored. Close links between the service managers and the Audit and Risk Management Services' team strengthen the process and ensure consistency in the risk messages delivered within the services.

**Programme/Project Level:** The identification of risks from the initial business case stage in a programme/project and continued risk management throughout the project lifecycle to ensure the objectives can be achieved.

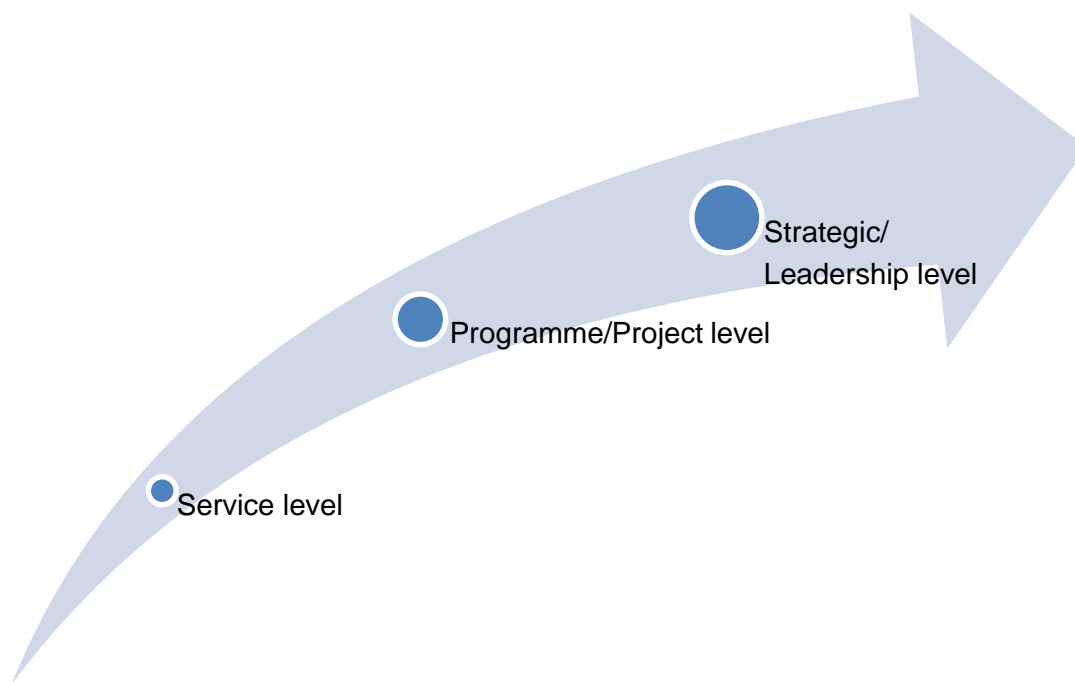
**Leadership/Strategic Level:** The highest level of risk is managed at this level. Reports on the top business critical risks are reviewed quarterly by the Senior Leadership Team and the Audit and Risk Management Services' team. This level sets the tone for effective risk management across the whole organisation. At this level, the risk management strategy is agreed and endorsed and its principles championed by senior management of the Councils.

## 7. Escalation of Risks

In the event that a single risk or group of risks exceed a pre agreed threshold, then the risks should be escalated to a senior level and the Audit and Risk Management Services' team. The Risk owner will initially be responsible for either deciding on a course of action or escalating the information further up the process to a senior level. Similarly it should also be clear where a risk can be delegated to a lower level for action.

### Process

If as a risk owner you identify that the risk needs to be moved because it fits into one of the categories as stated above, initially seek the advice of the Audit and Risk Management Services' team regarding moving the risk. If a risk is multi service or organisation wide the risk owner should consult with other relevant parties before recommending a change of level.



### A risk may need to be escalated to a higher level if:

- the risk becomes too unwieldy to manage at the current level
- the risk rating cannot be controlled/contained within its current level
- the risk remains very high even after mitigations are implemented
- the risk will impact on more than one service/project if the risk event materialises
- instinct tells the owner it is out of their control

- the risk moves outside the appetite boundaries / comfort zone.

**A risk may need to be moved to a lower level if:**

- the risk can be controlled / managed at a lower level
- the risk rating decreases significantly
- the risk event will only affect one service area / team and the impact will be limited then this should be controlled more locally at a lower level.

## 8. Risk Management Process

The risk management process is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk. The process is cyclical and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the risks to the activity/outcome you are assessing.

The process consists of six main stages:



- Objective setting – Identify and agree the objectives for the Councils including how services, projects and partnerships support the delivery of these projects.

- Risk identification - Identify and record the risks, relating to the achievement of the Councils' objectives/priorities. An Example risk register template is shown in Section 11 – Risk Register System.
- Risk Assess - Having identified areas of potential risk, we assess them with the use of a risk matrix to give an assessment of impact and likelihood and calculate and overall risk score (See Section 9 – Risk Matrix). Firstly the 'Inherent' score is assessed (the score with no controls in place) then a 'current' score (with controls in place). The results are recorded in the risk register.
- Risk ownership – the identified risks need to be allocated a risk owner to take responsibility for managing the risk. See also Section 11 – Roles and Responsibilities.
- Manage and Control – Assess what is already in place to manage the risk and planning to put further controls in place if required; progress of projects linked to strategic priorities, action plans (use the 4 T's to determine if we will tolerate, terminate, transfer or treat the risk). This would also include maximising any positive opportunities.
- Identify how the risk is currently controlled and then what gaps there are, how these can be addressed and who by. Risks can be managed in the following ways:-
  - Tolerating – The benefits gained by undertaking the process causing the risk, outweigh the costs involved to mitigate the risk entirely, or there is no justification of the expense involved in introducing measures to control the risk, therefore it is simply accepted that there is a risk.
  - Treating – Control the risk as much as possible to bring it back to an acceptable level that can be tolerated.
  - Terminating – To get rid of the risk altogether by either controlling it fully or not doing the task causing the risk, so that there is no risk.
  - Transferring – Transfer the risk to another party so that they become responsible, for example insurance. If insurance is an option this should be discussed with the Risk Lead who would liaise with the Finance Team who oversee the insurance function.

Remember – more risk can be taken if it is felt that the benefits in doing so would outweigh the risk itself. The idea of Risk Management is not to become risk averse, but to ensure that risks are managed i.e. Risk Management.

- Monitoring and reporting – Risks can change over time and therefore need to be monitored on a regular basis to ensure that controls in place remain effective and actions have been implemented. New risks can also be added to the risk register and those that are no longer a risk can be removed. All changes must be recorded and reported appropriately.

## 9. Risk Matrix

A risk matrix is used to evaluate the risks so that there is an understanding of the risk exposure faced, which in turn influences the level of risk treatment that should be applied to manage/reduce/prevent the risk from occurring. At Babergh and Mid Suffolk District Councils the adopted matrix for assessing risk is shown in the diagram below supported by guidance on how to determine the appropriate score for both probability and impact.

Ensuring that all business risks are assessed and managed through the adopted risk management methodology drives consistency through the risk management framework and enables risks to be compared and reported on against a like for like basis. It also provides the Councils with the ability to map their collective risk exposure of a particular activity, objective, outcome, function(s) or indeed whole Councils' operation.

Impact / Consequence	Disaster	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Bad/Serious	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Noticeable /Minor	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Minimal	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
Probability / Likelihood						

### Likelihood

1	Highly Unlikely	Less than 25% Has never occurred before Would only happen in exceptional circumstances
2	Unlikely	26% - 50% Not expected to occur but potential exists Has occurred once in the last ten years
3	Probable	51% - 75% May occur occasionally Has occurred within the last 5 years Reasonable chance of occurring again
4	Highly probable	Over 76% Expected to occur Occurs regularly or frequently

## Impact / Consequence

		Finance	Compliance	Safety	Service Delivery	Reputation
1	Minimal	Minor loss <£5,000	Small, single non-compliance	No harm to persons /community	Very minor disruption (less than 1 day)	No noticeable media interest
2	Noticeable / <b>Minor</b>	Moderate loss £5,001 – £50,000	Sustained single or few short-term non-compliance	Potential for ill-health, injury or equipment damage	Some service disruption, (more than one day)	Local media coverage
3	Bad / <b>Serious</b>	Significant loss £50,101 – £250,000	Multiple sustained non-compliance	Potential for serious harm or injury (non-life threatening)	Critical service disruption (statutory services not delivered)	Adverse local/national media coverage
4	Disaster	Substantial loss >£250,000	Significant non-compliance - Litigation, custodial sentence	Fatality, major injury (life threatening or life impacting)	Systemic or sustained service loss	Adverse/ prolonged national media coverage

**Red text = Health and Safety Descriptors**

## 10. Risk Register System

As part of good governance, the Councils' manage and maintain a register of its Significant Risks - assigning named individuals as responsible officers for ensuring the risks and their treatment measures are monitored and effectively managed.

The risk register is a critical tool for the service in capturing and reporting on risk activity and the organisations risk profile. The risk register is a working spreadsheet where new risks are captured, others are managed to extinction and some require close and regular monitoring.

The data within the register is used to inform the business of the threats it faces in delivering outcomes and services to the Councils. It is part of the Councils' internal governance and performance frameworks and is used to ensure the organisation operates effectively. An example of the risk register template is shown at Appendix A.

## 11. Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. The focus must be on ensuring that consideration of risks is embedded into policy approval (Strategic) and into service delivery (Operational).

The agreed roles and responsibilities within the risk management framework at Babergh and Mid Suffolk Councils' are outlined in the table below.

<b>Group/Stakeholder</b>	<b>Role Description</b>
BDC and MSDC Cabinet	<ul style="list-style-type: none"> <li>• Strategic decision-making in respect of 'Strategic Risk Management'</li> <li>• Responsible for approving the Risk Management Strategy</li> </ul>
Joint Audit and Standards Committee	<ul style="list-style-type: none"> <li>• To 'consider the effectiveness of the joint risk management arrangements'</li> <li>• 'Be satisfied that the joint Annual Governance Statement properly reflects the risk environment and any actions taken to improve it'.</li> <li>• This Committee discharges the Audit Committee function for the authorities providing a strengthened governance assurance mechanism to Members as a focussed control mechanism in this time of change and increased risk of governance failure.</li> <li>• Responsible for noting the Council's risk management strategy and reviewing and monitoring the arrangements for managing risk.</li> </ul>
Babergh and Mid Suffolk Audit Committees	<ul style="list-style-type: none"> <li>• To 'support the Corporate Manager – Internal Audit for ensuring that effective arrangements are in place with regard to risk management arrangements'.</li> </ul>
Leader of each Council	<ul style="list-style-type: none"> <li>• To sign the Annual Governance Statement.</li> </ul>
Lead Cabinet Members	<ul style="list-style-type: none"> <li>• A clear understanding and responsibility of the nature of the key risks facing the Councils, particularly those within their allocated portfolios.</li> </ul>

Group Leaders	<ul style="list-style-type: none"> <li>• A clear understanding and responsibility of the nature of the key risks facing the Councils.</li> </ul>
Chief Executive	<ul style="list-style-type: none"> <li>• To ensure that risk management is included within the job descriptions of Management Team.</li> <li>• To sign the Annual Governance Statement.</li> </ul>
The Accounts and Audit Regulations	<ul style="list-style-type: none"> <li>• Require that the Council's financial management is adequate and effective and that there is sound system of financial control that facilitates the effective exercise of the Council's functions and that includes risk management arrangements.</li> </ul>
S151 Officer	<ul style="list-style-type: none"> <li>• Is responsible for providing advice to underpin the financial regulations that Members, officers and others acting on behalf of the authority are required to follow.</li> </ul>
Assistant Directors	<ul style="list-style-type: none"> <li>• Responsible for ensuring that all staff in their service are aware of the existence and content of the authority's financial regulations and associated procedures/guidance that is issued and that they comply with them.</li> <li>• Can identify the risks &amp; implications of various courses of action and can articulate how business continuity can be maintained.</li> <li>• Engagement with Lead Cabinet Members</li> <li>• Oversight of Corporate Manager's Operational Risk Registers</li> </ul>
Senior Leadership Team and Extended Leadership Team	<ul style="list-style-type: none"> <li>• Are responsible for reviewing the effective management of risks and internal controls and governance, supported by the Corporate Manager – Internal Audit and the s151 Officer.</li> </ul>
Corporate Managers	Produce and maintain their operational risk registers and any projects / programmes they are responsible for.
Corporate Manager – Internal Audit	<ul style="list-style-type: none"> <li>• Is responsible for preparing the Council's risk management strategy and for promoting it throughout the Council and maintaining and reporting on the Council's Integrated Significant Business Risk Register.</li> </ul>



	<ul style="list-style-type: none"> <li>Will advise and report to management and the Joint Audit and Standards Committee on whether the Council's governance – appropriate risk management processes, control systems and operational procedures – are in place and operating properly.</li> </ul> <p><b>Note:</b> This scope will extend to systems or services provided wholly by, or in conjunction with other organisations, including partnership arrangements.</p>
Councillors	<ul style="list-style-type: none"> <li>To apply the rules in the Planning Charter which seeks to explain and supplement the Members Code of Conduct and the law on decision making for the purposes of planning control. If Members do not abide the Charter they put: <ul style="list-style-type: none"> <li>The Councils at risk of proceedings on the legality of the related decision or maladministration; and</li> <li>Themselves at risk of being named in a report made to the Council or, if the failure is also likely to be a breach of the interest provisions of the Localism Act 2011, a complaint being made to the police to consider criminal proceedings.</li> </ul> </li> </ul>
Employees involved in appointments	<ul style="list-style-type: none"> <li>Must ensure that these are made on the basis of merit. There is a strong risk of illegality if an employee makes an appointment based on anything other than the ability of the candidate to undertake the duties of the post.</li> </ul>
New employees	<ul style="list-style-type: none"> <li>Required to read the 'New Employee Induction Pack', which provides all new staff with an overview and general understanding of risk management across the Councils.</li> </ul>

## 12. Guidance, Education and Training

The Audit and Risk Management Services team are responsible for developing workforce risk management capability across the organisation, through the provision of guidance, education, training and support.

Guidance materials are under regular review to ensure they reflect the needs of the organisation and are compatible with the organisations structure having the flexibility to adapt to new and changing structures.

The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the very latest industry best practice.

### **13. Summary**

Risk management is a continuous and improving process that the Councils are committed to. Risk management should be embedded into the culture of the Councils, led by senior management but with responsibility assigned through all levels of the Councils' structure. Risk management is therefore not an add-on to the role and responsibilities of management but is actually a fundamental and inherent part of it.

### **14. Review**

The Risk Management Strategy, guidance and associated working templates will be annually reviewed by the Corporate Manager – Internal Audit as part of the Councils' overall approach to the risk management process and overseen by the Assistant Director Law & Governance and Monitoring Officer as Management sponsor.

The Risk Management Strategy and Significant Business Risk Register are available to Members and staff and placed on the Authorities websites and intranets.

## APPENDIX A

RISK DETAILS	Risk owner	Cabinet Member Leads	Original scores (before any mitigation)			Mitigation to date	Current scores			Direction of Travel from previous Qtr (score)	Further Actions / Comments	Planned completion date(s)	Target scores (following completion of all further actions)			
			L	I	S		L	I	S				L	I	S	
<b>1 - HOUSING DELIVERY</b>																
<b>RISK 1a</b>	<b>CAUSE:</b> If we do not have the appropriate evidence base	Assistant Director - Planning and Communities	Cabinet Members for Planning	3	2	6	Having the right evidence base e.g. making use of Suffolk Housing Need Survey and existing Local Housing Need Surveys.	2	2	4	Stayed the same	Creating Joint Local Plan - next stage due for consultation. Support for Local Housing Needs Surveys (6 completed to date)	June 2019 Ongoing	2	2	4
	<b>RISK:</b> We may not have an up to date understanding of housing need and demand						Published the Strategic Housing Market Assessment as part of evidence base for Joint Local Plan. Assessment as part of evidence base for Joint Local Plan. Creating Joint Local Plan. Creating Housing Strategy.									
	<b>CONSEQUENCE(S):</b> We will not know if we are addressing and delivering the housing need and demand						Housing Strategy created and approved by Full Council.									