

**BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL**

<b>TO:</b>	<b>Joint Audit and Standards Committee</b>	<b>REPORT NUMBER: JAC/21/36</b>
<b>FROM:</b>	<b>Cabinet Members For Customer, Digital Transformation And Improvement</b>	<b>DATE OF MEETING: 28/11/2022</b>
<b>OFFICER:</b>	<b>Jane Kennedy, Corporate Manager, Policy, Performance, Insight, Risk and Improvement</b>	<b>KEY DECISION REF NO. N/a</b>

**RISK MANAGEMENT IMPROVEMENT**

**1. PURPOSE OF REPORT**

- 1.1 This report updates members on risk management improvement since responsibility for risk transferred to the Policy, Performance, Insight, Risk and Improvement team in January this year. It seeks JASC views on the draft Risk Management Policy and Strategy which provides a comprehensive framework for ensuring risk is managed effectively, efficiently, and coherently across the Councils.

**2. OPTIONS CONSIDERED**

- 2.1 The Councils could have maintained the existing responsibility for risk rather than integrate it with performance and improvement, but it was felt this would not drive the improvement required or maximise the opportunities to join up with a new corporate approach.

<b>3. RECOMMENDATIONS</b>
3.1 That members of the Joint Audit and Standards Committee note the progress so far to improve strategic risk management including the new draft risk management policy and strategy to align with the Orange Book.
<b>REASON FOR DECISION</b>
This Committee is currently responsible for considering the effectiveness of the joint risk management arrangements.

**4. KEY INFORMATION**

**Background**

*Why is risk management important?*

- 4.1 We are likely to be living with some variant of Covid-19 or a new pandemic disease for the foreseeable future. Other risks are emerging for example, cost of living, energy crisis, digital innovation, cyber-crime, demographic change, and the direct and indirect impacts of climate change.
- 4.2 Good risk management enables us to deliver the outcomes we have agreed for Babergh and Mid Suffolk. It also improves service delivery and helps to achieve better value for money and demonstrate compliance.

- 4.3 Risk management enhances strategic planning and prioritisation, assists in achieving outcomes and strengthens our ability to be agile in responding to challenges. It is an essential and integral part of planning and decision-making.
- 4.4 Without good risk management practice our Councils cannot manage resources effectively. It also helps us to take advantage of the opportunities to improve services or to reduce costs.
- 4.5 Risk management provides early warning on key / emerging matters to enable transparent, timely decision-making and intervention at appropriate levels, it improves decision-making allowing intelligent 'informed' risk-taking, helps to prioritise, protect assets, people and the Council's reputation, supports consistent good governance and internal control and allows better informed financial decision-making leading to greater financial and budget control.

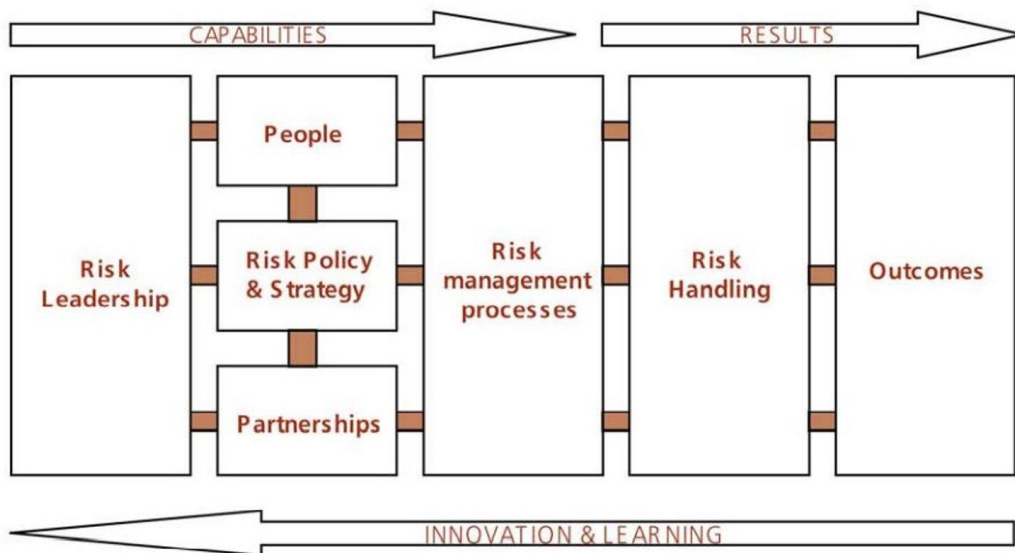
*External opinion on our risk approach*

- 4.6 In April 2021, our external audit partners, TIAA undertook a review of our strategic risk management arrangements. They identified some good practice in our risk management framework and made several recommendations to improve.
- 4.7 TIAA identified the good practice as: all risks in the Strategic Risk Register (SRR) have risk owners, Cabinet member leads, mitigation actions and all other areas of the SRR was completed. Risks in the SRR include the original, current and target risk scores. The SRR is structured so risks are articulated in terms of cause, risk and consequence. Mitigations are included along with further actions necessary to reduce the risk.
- 4.8 In March 2022, the Councils also received feedback on our approach to risk management in the LGA Corporate Peer Challenge report. One of their recommendations was to revisit the risk management strategy and "bring it to life" to ensure a more effective corporate approach to risk including financial risk.
- 4.9 TIAA recommended the Councils review their risk management strategy to include how the SRR links to the Council's Objectives. The LGA also made this recommendation to review the risk strategy and include review, moderation, and approval process for new risks for both the SRR and the Departmental Risk Registers, how we address programme risk and embed our work on risk appetite. The risk management strategy and policy is now revised and is attached for comment and will be taken to both Cabinets in January 2023.
- 4.10 TIAA asked us to consider the latest guidance for risk appetite and to set out more specific tolerance levels within the risk management strategy for each type of risk. We have now established specific tolerances for each of the risk types identified in the Orange Book and worked with SLT to develop detailed tolerances that we have tested with both Cabinets. These have been embedded into the SRR.
- 4.11 TIAA recommended we embed sources of assurance in the SRR and reflect those in the Risk Management Strategy. Sources of assurance are now included for each of the strategic risks and sources of assurance are noted as a necessary component of risk treatment in the risk strategy.
- 4.12 TIAA recommended we review significant risks where they have met their 'Target Risk', to decide if they can be de-escalated or closed. This has been completed for the Strategic Risk Register and is part of the quarterly review process with SLT.
- 4.13 TIAA asked us to be more specific with planned completion dates to make it easier for SLT and Members to monitor and understand any gaps between the current and target scores. These dates are now built into the SRR and are monitored as part of the quarterly review process with SLT and are included in the risk register attached to this report.

*An holistic approach to risk management*

- 4.14 In addition to the TIAA report and the LGA CPC report driving improvement, as part of the new Outcomes Framework agreed by both Cabinets in January 2022, we also committed to integrating performance and strategic risk management. This led to a decision to bring strategic risk management into the newly formed Corporate Centre.
- 4.15 In January 2022 following risk management moving to Policy, Performance, Insight, Risk and Improvement from Audit, SLT agreed to adopt a whole systems approach to risk management, known as the Orange Book (see Figure 1). This central government approach integrates risk with our outcomes and will help us to improve the culture and leadership of risk management across the Councils.
- 4.16 Also, in January 2022 we updated the SRR to reflect the recommendations of our audit partner, significantly reducing the number of risks and adding new ones. We also reset quarterly reporting on the risk register to SLT.
- 4.17 Since then, we worked with SLT to develop detailed risk appetites for the 13 types of risk identified in the Orange Book and in Spring 2022 held joint workshops with SLT and Cabinets to test these for both Councils at a high level. Risk appetite is also discussed in the revised risk management strategy and will also inform improvement work to embed risk into our services and programmes.

**Figure 1 – Whole systems view of risk taken from the Orange Book.**



- 4.18 Our work on risk appetites was done using the five levels of risk appetite identified in the Orange Book:

Averse - Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.

Minimalist - Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.

Cautious - Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.

Open - willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

Eager - Eager to innovate and choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

- 4.19 Understanding risk appetite results in improved organisational health to help prioritise and allocate resources to where they are most needed to manage risks, achieve our outcomes, and demonstrate value for money.
- 4.20 This risk improvement programme is being led by the new Risk Management Lead in PPIRI who is driving this plan through a process of change management to achieve the organisational objectives, maintain the commitment of stakeholders, both during and after implementation, to embed the Orange Book and associated risk culture across the Councils and work with performance colleagues to integrate risk and performance reporting using the agreed outcomes framework.

## **5. LINKS TO CORPORATE PLAN**

- 5.1 This holistic approach to risk management links across all aspects of the corporate plan and the strategic framework.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no financial implications to this report.

## **7. LEGAL IMPLICATIONS**

- 7.1 There are no legal implications to this report.

## **8. RISK MANAGEMENT**

- 8.1 Achieving a whole systems approach to risk management across the councils will need support and leadership across the whole organisation. There is significant work to do to embed risk across all operational delivery, and programmes and for staff at all levels to see the business benefits of this approach is a significant cultural change that will need effective management.

## **9. CONSULTATIONS**

- 9.1 Cllrs Suzie Morley, John Ward and Alastair McCraw have been consulted on this report as Leaders or Portfolio Leaders. Members of SLT have agreed the risk improvement priorities and the draft risk management strategy and policy. The Strategy has been presented at Joint Cabinet and well received.

## **10. EQUALITY ANALYSIS**

- 10.1 An Equality Impact Assessment is not required for this report.

## **11. ENVIRONMENTAL IMPLICATIONS**

11.1 None

## **12. APPENDICES**

12.1 Appendix 1 – Draft Risk Management Policy and Strategy 2022-2025 @October 2022

## **13. BACKGROUND DOCUMENTS**

13.1 The Government's Orange Book - Source: PU829 - Risk Management assessment framework: a tool for departments ([publishing.service.gov.uk](https://publishing.service.gov.uk)).

## **14. REPORT AUTHORS**

14.1 Dr Jane Kennedy, Corporate Manager Policy, Performance, Risk, Insight and Improvement and Tereza Fairbairn, Risk Management Lead.