

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Joint Audit and Standards Committee	REPORT NUMBER: JAC/23/14
FROM: BDC: Cabinet Member for Customers, Digital Transformation and Improvements MSDC: Cabinet Member for Resilience and Performance	DATE OF MEETING: 27/11/2023
OFFICER: Jo Hobbs, Corporate Manager, Strategic Policy	KEY DECISION REF NO.

RISK MANAGEMENT

1. PURPOSE OF REPORT

- 1.1 This report updates newly elected members on risk management improvements since responsibility for risk transferred to the Strategic Policy team (previously known as Policy, Performance, Insight, Risk, and Improvement) from audit, in January 2022. The report sets the context of where the Councils currently stand in terms of their risk management journey following external opinion on their risk approach. It details items by exception, that remain outstanding or have been closed since the last report in November 2022, and describes next steps for continuous improvement.

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. The move of risk management from audit also provided the Councils with a clear 'three lines of defence' model for risk.

3. RECOMMENDATIONS

- 3.1 That given changes in the administrations, newly elected members of the Joint Audit and Standards Committee note the progress to improve strategic risk management in alignment with the HM Government Orange Book since January 2022, and support the ongoing schedule of continuous improvement for the Councils' joint risk management arrangements.

3.2 REASON FOR DECISION

This Committee is currently responsible for considering the effectiveness of the joint risk management arrangements.

4. KEY INFORMATION

Background

Why risk management is a priority

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 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

- 4.5 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.
- 4.6 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.
- 4.7 TIAA recommended the Councils review their risk management strategy to include how the strategic risk register links to the Council's Objectives. The LGA also made the recommendation to review the risk strategy and include review, moderation, and approval processes for new risks for both the strategic and operational risk registers, review how we address programme risk and embed our work on risk appetite. The risk registers and risk management strategy and policy were revised accordingly, the latter being adopted by both Cabinets in January 2023.
- 4.8 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 established specific tolerances for each of the risk types identified in the Orange Book and worked with SLT to develop detailed tolerances that we tested with the previous Cabinets and embedded into the SRR. We intend to work with the new administrations to establish their risk appetites following the setting of the corporate plan detail, and to embed this into our strategy and publish accordingly.
- 4.9 The LGA CPC recommended we improve our financial risk analysis to ensure there is a transparent link between the assessment and the risk register. A separate programme of financial transformation work focusing on six themes is in progress to support this by:
 - 4.9.1 Building financial resilience by balancing short and long term aims, maintaining a solid capital position and ensuring effective liquidity management.
 - 4.9.2 Transitioning to a finance business partnering model focusing on professional development and new ways of working for the benefit of the wider organisation, facilitating robust financial decision making

- 4.9.3 Integrating a pro-active and value-adding approach to commissioning and procurement, driven by the need to seek the best possible commercial and service outcomes.
- 4.9.4 Maximising financial process and reporting capabilities – right first time/one version - whilst embedding whole organisation engagement and corporate ownership of financial matters and ensuring the processes are lean, efficient and add value to robust financial management.
- 4.9.5 Advising on best practice solutions and utilising financial management systems to deliver realisable transformational benefits.
- 4.9.6 Organising training and development with ongoing accessibility, to enable business continuity and succession planning, supporting necessary changes within the teams to create resilience.

Risk management progress and improvement

- 4.10 In January 2022, we committed to integrating performance and strategic risk management. This led to the decision to bring strategic risk management into the newly formed Strategic Policy team. At the same time, SLT agreed to adopt a whole systems approach to risk management, known as the Orange Book. This central government approach will integrate risk with our outcomes and is helping us to improve the culture and leadership of risk management across the Councils.
- 4.11 The risk improvement programme is led by the Risk Management Lead in Strategic Policy 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.
- 4.12 The Risk Management Lead sits on the Statutory Officers Group and supports the risk approach across directorates whereby operational and strategic risk are discussed on a regular basis.
- 4.13 Risk Management is working with performance colleagues to integrate risk and performance reporting. A new risk reporting system, Pentana Risk, is being implemented from December 2023 and into 2024 to link risks to the Councils' corporate objectives to facilitate integrated reporting following the refresh of the corporate plan under the new administrations.
- 4.14 To further develop the Councils' shared understanding of effective risk management, a risk management portal has been developed for both members and officers to access the strategic risk register, promote governance, insight, training and guidance, and access other risk resources. Training and workshops are, and will continue, to support our holistic approach and contribute to a positive culture of risk management.
- 4.15 In Q4 2022, we launched a new Suffolk Councils risk and performance forum, a quarterly forum where risk and performance leads from Suffolk County Council, Babergh and Mid Suffolk, East and West Suffolk District Councils and Ipswich Borough Council meet to discuss horizon scanning from a global, national, regional, and local perspective, share best practice concepts and opinion, and provide peer support. The forum invites guests, with the Q3 23 forum welcoming the Integrated Care Board and the Q4 23 forum welcoming Suffolk Police.
- 4.16 In November 2022, the Joint Audit and Standards committee enquired as to the arrangements for the Councils' Company risks.

- 4.16.1 The Councils are the shareholders of the Babergh and Mid Suffolk District Councils Holding Companies and have ultimate oversight of risk management for all Council Companies. The Board of Directors of the Holding Companies are made up of Councillors.
- 4.16.2 The Holding Companies meet quarterly as a board to review the operational companies and their performance. The risk registers for the Holding Companies, which capture risks relating to all companies, are reviewed, and discussed by the Board Members at these meetings.
- 4.16.3 In addition to the Board meetings the Companies Risk Panel meets each quarter with the Councils Risk Management Lead and the Chairs of each Holding Company to review and discuss the risks and their mitigations.
- 4.16.4 The Companies by virtue of their articles and governance processes are responsible for the management of operational risk.
- 4.16.5 Whilst the companies manage their own risks, risks posed by the companies to the Councils are managed through the joint BMSDC Strategic risk register.
- 4.16.6 In addition, all Council Companies are audited by an external auditor, and report on the management of the companies including the risk strategy.
- 4.17 In summary, we are not proposing making amendments within this cycle to the current Risk Management Strategy and Policy published in January 2023.
- 4.18 In addition to the existing portfolio holder meetings where directorates can brief members on strategic risk items, we will further enable Cabinet members with oversight of strategic risk through the risk portal and enhanced reporting in line with our strategy.
- 4.19 We intend to review the scoring and guidance assurance criteria for financial impacts of risks, conduct a risk appetite exercise with the new Cabinets, continue our work on external recommendations, and seek further improvement opportunities.
- 4.20 Once any governance changes have been agreed, they can be embedded and republished in the risk management strategy and policy in January 2025 following review by this committee and both Cabinets.

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 needs support and leadership across the whole organisation. There remains 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 as a significant cultural change that needs effective management.

9. CONSULTATIONS

9.1 Cllrs Andy Mellen, and Alastair McCraw have been consulted on this report as Portfolio Leaders, and members of SLT have agreed the risk improvement priorities.

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 – Risk Management Policy and Strategy 2022-2025 @January 2023

13. BACKGROUND DOCUMENTS

14.1 The Orange Book, Management of Risk – Principles and Concepts @May 2023

14. REPORT AUTHORS

14.1 Jo Hobbs, Corporate Manager Policy, Strategic Policy and Tereza Fairbairn, Risk Management Lead.