



Risk Management Policy and Strategy

2022-2025

Document Control

Reference	Risk Management Policy and Strategy 2022-2025
Date	October 2022
Author	Risk Management Lead – Tereza Fairbairn Corporate Manager, Policy, Performance, Insight, Risk, and Improvement – Dr Jane Kennedy
Approved by	Senior Leadership Team Joint Audit and Standards Committee Babergh Cabinet Mid Suffolk Cabinet

Version History

Date	Version Number	Revision Notes
October 2022	1.2	New Risk Management Strategy
January 2023	V1.0	Final approved

Contents

- 1 Policy Statement**
- 2 Our Strategic Approach**
- 3 Risk Management Principles**
- 4 Risk Appetite and Tolerance**
- 5 Risk Management Levels**
- 6 Escalation and De-escalation of Risks**
- 7 Risk Management Process**
- 8 Risk Matrix and Scoring Criteria**
- 9 Risk Register System**
- 10 Roles and Responsibilities**
- 11 Guidance, Education and Training**
- 12 Continuous Improvement**
- 13 Review**

1. Policy Statement

Risk management is the process by which Babergh and Mid Suffolk Councils consider uncertainty that poses the risk of an adverse effect on the community and its constituents, and an integral part of the Councils' activities when supporting decision making in achieving objectives. The development of a positive risk culture embraces openness, supports transparency, welcomes constructive challenge, and promotes collaboration, consultation, co-operation, and continual improvement.

By operating a robust risk management process, the Councils can:

- Improve governance, stakeholder confidence and trust;
- Set strategy and plans through informed decision making;
- Evaluate options and deliver programmes, projects, and policy initiatives;
- Prioritise and manage resources;
- Support efficient and effective operations;
- Manage performance, resources and assets; and
- Deliver goals and improved outcomes.

This strategy has drawn on guidance from: The Orange Book, Management of Risk - Principles and Concepts (HM Government, 2020), providing a comprehensive framework ensuring risk is managed effectively, efficiently, and coherently across the Councils.

This approach supports the consistent and robust identification and management of opportunities and risks within desired levels, across both Councils supporting openness, challenge, innovation, and excellence in the achievement of outcomes.

It is the role of the Policy, Performance, Insight, Risk, and Improvement team acting for both Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the Councils to take control of the risks that threaten delivery and maximise opportunities. 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 affect the achievement of the following risk management objectives:

- Align the Councils' culture with the risk management framework;

- Integrate and embed the risk management framework across both Councils;
- Enable the Councils to recognise and manage the risks they face;
- Minimise the cost of risk;
- Anticipate and respond to emerging risks, internal & external influences, and a changing operating environment; and
- Implement a consistent method of measuring risk.

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

As a corporate body, the Councils must protect their material assets and to minimise losses and liabilities. They recognise the need to equip their workforce with the skills and expertise to manage risk on their behalf and provide 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 the Senior Leadership Team (SLT), both Babergh and Mid Suffolk Cabinets and the Joint Audit and Standards Committee.

2. Our Strategic Approach

Led by the SLT but with responsibility assigned through all levels of the Councils' structure, risk management is integrated into the strategic planning and prioritisation of the Councils to assist in achieving outcomes and strengthening their ability to be agile in responding to the challenges they face. This is an essential and integral part of meeting objectives successfully, improving service delivery and achieving value for money.

Babergh and Mid Suffolk District Councils achieve successful risk management through guidance from the HM Government Orange Book – Management of Risk – Principles and Concepts (2020), within a setting of strong governance and leadership and integrating risk management across their organisational activities to support decision making in achieving their Outcomes Framework. The Councils ensure risk management is collaborative and informed, using the best information and expertise available to them, supported by a strong risk management process and programme of continuous improvement.

The Councils support a Three Lines of Defence Model with everyone within the Councils having some responsibility for risk management.

The Cabinets and the SLT focus on strategic and business critical risks that may impact on the achievement or successful delivery of outcomes. Operational, programme and company risks are the primary concern of the services, change boards, and company boards respectively, who control and monitor their risks, escalating to the strategic level if they are no longer manageable at the functional level.

Identified key risks and mitigations are managed through the Councils' Strategic risk register and regularly discussed, reviewed, and updated. Frequent risk reporting takes place across all levels of the organisation. This constitutes the First Line of Defence.

The Second Line of Defence is defined by the Policy, Performance, Insight, Risk, and Improvement team including the Risk Management Lead who oversee and specialise in risk management.

The Third Line of Defence is Internal Audit who can provide an objective evaluation of the adequacy and effectiveness of the framework, governance, risk management and control when necessary.

3. Risk Management Principles

The HM Government Orange Book (2020) risk management principles adopted by Babergh and Mid Suffolk Councils state:

- Risk management shall be an essential part of governance and leadership, and fundamental to how the Councils are directed, managed, and controlled at all levels;
- Risk management shall be an integral part of all Council activities to support decision making in achieving objectives;
- Risk management shall be collaborative and informed by the best available information and expertise;
- Risk management processes shall be structured to include:
 - Risk identification and assessment to determine and prioritise how the risks should be managed;
 - The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;

- The design and operation of integrated, insightful, and informative risk monitoring; and
- Timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.
- Risk management shall be continually improved through learning and experience.

Risk Management Framework

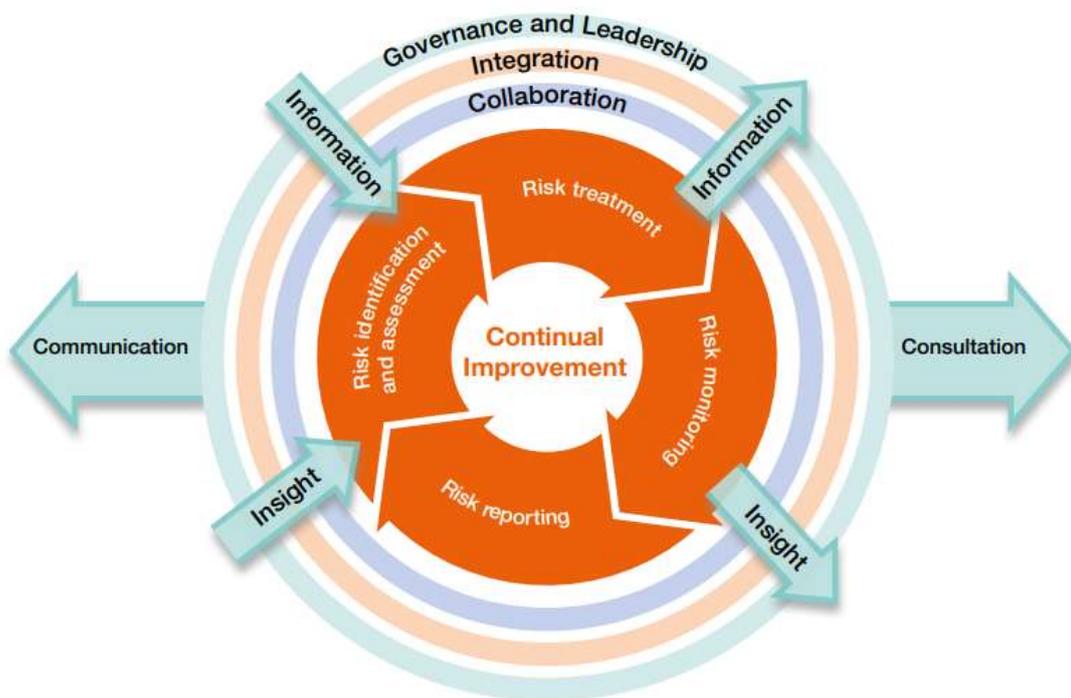


Fig. 1 (HM Government, *The Orange Book, Management of Risk – Principles and Concepts*, 2020)

4. Risk Appetite and Tolerance

Babergh and Mid Suffolk District Councils recognise that risk is inherent in delivering and commissioning services. The Councils' aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery and securing of value for money.

The Councils do not seek to avoid all risk, but the acceptance of risk is subject to ensuring that potential benefits and risks are fully explored and that appropriate

measures to mitigate risk are established before decisions are made. The Councils 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 will apply. The SLT undertake an annual review of risk appetite across the thirteen risk categories defined by the Orange Book. These appetites are referred to when considering the planned treatment of a particular risk.

Referring to our Values and considering our people and customers, being transparent, accepting ownership and being ambitious, also helps us to consider our appetite and tolerance for any given risk. Risks defined as 'high' will be managed down to a tolerable and targeted level wherever possible, however, it is important that risks across the Councils are not over-controlled.

Our work on risk appetites uses 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.

Risk appetite and tolerance is considered with reference to strategic outcomes and service delivery in each area. Risks that would be seen to be unacceptable would be those that would breach law and regulatory compliance, would adversely impact the safety of our service users, residents, or employees, would critically damage the

reputation of the Councils, risk future operations of the Councils or negatively impact their financial resilience.

The Councils' appetite for risk also reflects the diverse types of risk that could impact on the Councils' ability to meet its statutory requirements and strategic outcomes, and are described in more detail below:

Strategic risks - identifying and pursuing a strategy, which is poorly defined, based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to external changes.

Governance risks - unclear plans, priorities, and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance, political risks.

Operational risks - Inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.

Legal risks - claims being made or some other legal liability or other loss, or a failure to respond appropriately to meet legal or regulatory requirements or to protect assets (for example, intellectual property).

Property risks - property deficiencies or poorly designed or ineffective safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.

Financial risks - not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.

Commercial risks - weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in deficient performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.

People risks – ineffective leadership and engagement, poor culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.

Technology risks - technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.

Information risks - failure to produce robust, suitable, and appropriate data/information and to exploit data/information to its full potential.

Security risks - failure to prevent unauthorised and/or inappropriate access to key systems and assets, including people, platforms, information, and resources. This includes cyber security.

Project/Programme risks - change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.

Reputational risks - adverse events, systemic or repeated failures or inferior quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

5. Risk Management Levels

Babergh and Mid Suffolk District Councils' approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the organisation.

Service Level: The day-to-day management activities provide reasonable assurance that the main tactical and operational risks arising from service areas are identified, assessed, treated, monitored, and reported through the service plan risk registers. Close links between the Directors, Service Managers and the Risk Management Lead strengthen the process and ensure consistency of risk management delivered within and across 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 programme/project lifecycle ensures deliveries are achieved. Programme and Project Managers are supported by the Risk Management Lead to ensure risk management delivered is aligned to the service and strategic levels for escalation purposes.

Company Level: The Councils as shareholders of the Babergh and Mid Suffolk District Councils Holding Companies have ultimate oversight of risk management for all Council Companies, however the Companies by virtue of their articles and governance process are responsible for the management of operational risk and the Companies Risk Panel meets each quarter to review their risks with the Councils' Risk

Management Lead. Company risks are reflected on the Strategic risk register where required.

Leadership/Strategic Level: The highest level of risk is managed at Senior Leadership Level. A risk report and the Strategic risk register detailing business critical risks are reviewed quarterly by the SLT and the Risk Management Lead. This level sets the tone for effective risk management across the whole organisation. At Joint Audit and Standards Committee, the risk management strategy is agreed, and its principles championed by the SLT.

6. Escalation and De-escalation of Risks

Strategic risks are those where there is the probability that an event will interfere with the Councils' business model. If a single risk or group of risks meet the escalation criteria below, then the risk/s should be escalated to the SLT and the Risk Management Lead. 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 if:

- the risk becomes too unwieldy to manage at the current level;
- the risk rating cannot be controlled/managed within its current level;
- the risk remains extremely 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; and/or
- the risk moves outside the appetite boundaries.

Similarly, risk owners should consider de-escalation where a risk or set of risks become operational and related to process or transactions and meet the de-escalation criteria below:

- the risk can be controlled/managed at the Service, Programme or Company level;
- the risk scoring meets its' target or decreases significantly; and/or

- the risk event will only affect one Service area / team and the impact will be limited.

Escalation/De-escalation Process

If risk owners identify that a risk or group of risks need to be moved because they fit into one of the criteria above, they should initially seek the advice of the Risk Management Lead 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.

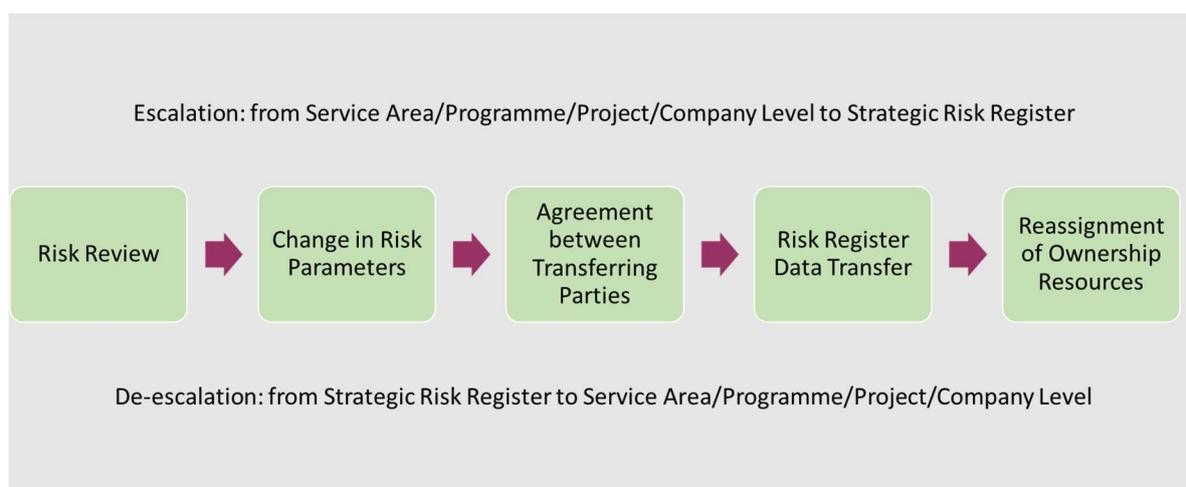


Fig. 2 Escalation and De-escalation Process for Risks

7. Risk Management Process

The risk management process follows defined steps whereby:

- Risks are identified and assessed to determine and prioritise how they should be managed;
- Treatment options are selected, designed, and implemented to support the achievement of intended outcomes and manage risks to an acceptable level;
- Integrated, insightful and informative risk monitoring is implemented; and
- Timely, accurate and useful risk reporting is applied to enhance the quality of decision-making and to support the SLT and the Councils in meeting their responsibilities.



Fig. 3 (HM Government, *The Orange Book, Management of Risk – Principles and Concepts*, 2020)

Whilst the risk management process is represented as sequential, it may in practice be iterative.

Risk identification and assessment

New and emerging risks are identified whilst considering, changing internal or external events, tangible and intangible sources of risk, uncertainties and assumptions, and limitations and reliability of information. New risk identification needs to be agile and may be ad hoc at Service or SLT level, or through regular risk meetings. New risks are discussed between members of the Extended or Senior Leadership Teams and the Risk Management Lead, to agree reporting either at operational or strategic level.

For strategic level risks, the Risk Management Lead works with the identified risk owner to register the risk. New operational risks will be embedded within the Service risk registers by the Service Managers and reported monthly through Directorate risk discussions. New strategic risks are reported to the SLT by the Risk Management Lead immediately. Emerging strategic risks are reported to the SLT by the Risk Management Lead through the quarterly risk report.

Risk treatment

Each risk has a considered risk treatment known as a 'mitigation plan' applied. This planning considers risk appetite, in addition to expected benefits, proposed actions, nomination of those responsible for owning and implementing the mitigation activity, resource requirements, sources of assurance, key performance indicators and control indicators, constraints, and a planned date for when the action is expected to be resolved.

Risk monitoring

Ongoing monitoring before, during and following implementation of the risk treatment supports the Councils' understanding of how the risk profile is changing to provide assurance over the management of risks to an achievable level in the achievement of the Outcomes Framework. Recording and reporting transparently communicates management activities and outcomes across the organisation, provides information for decision making improving risk management activities and ensures interaction with all stakeholders including those responsible and accountable for risk management activities.

Risk reporting

On an ongoing basis Committee Report risks are circled back to the relevant risk registers to ensure report risks cited are captured and being actively mitigated.

Service risk registers are maintained and reviewed monthly by the Extended Leadership Team to discuss directorate risks.

Through the monthly meetings, Directors are equipped to escalate risks to the Strategic risk register and receive risks de-escalated from the Strategic risk register via the quarterly SLT risk meeting. A quarterly briefing to Cabinet details priority strategic risks and risk management, aligned to performance and finance reporting, which is supported by monthly Portfolio Holder meetings.

Annually there is a risk assurance briefing and review of current risk management strategy to the Joint Audit and Standards Committee.

Programmes/Projects manage risk through a model of risk, assumptions, issues, and dependencies which are reviewed by the Change Board of the programme of work.

The Companies review their risk at a quarterly Companies Risk Panel.

8. Risk Matrix and Scoring Criteria

Babergh and Mid Suffolk District Councils use the following risk matrix to evaluate risks to understand the level of risk exposure. This influences the level of risk treatment applied to manage/reduce/prevent the risk from occurring.

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
Likelihood/Probability						

Likelihood/Probability

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 / Minor	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 / Serious	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

9. Risk Register System

As part of good governance, the Councils manage and maintain a Strategic risk register, assigning named individuals as responsible officers for ensuring the risks, and their treatment and assurance measures are monitored and effectively managed.

The Strategic risk register is a critical tool for the organisation to capture and report on risk activity and the Councils' risk profile. The Strategic risk register is a 'live' working tool where new risks are captured, others are managed to an acceptable level, some are closed and some de-escalated to service area, programme, or company risk registers for onward operational management. Equally the services, programmes and projects, and Companies can escalate risks to the Strategic risk register.

10. Roles and Responsibilities

Group or Individual	Responsibilities
Babergh Mid Suffolk District Council Cabinets	Strategic Risk Management and approval of the joint Risk Management Policy and Strategy. Quarterly Strategic risk register reviews aligned to performance and finance reporting.
Joint Audit and Standards Committee	Consideration of the effectiveness of the joint risk management arrangements, and the control environment. Be satisfied that the joint Annual Governance Statement

	accurately reflects the risk environment and any actions taken to improve it.
S151 Officer	Provide advice to underpin the financial regulations that Members, officers, and others acting on behalf of the authority, are required to follow including matters of financial risk.
Lead Cabinet Members	Demonstrate a clear understanding and responsibility of the nature of the key risks facing the Councils, particularly those within their allocated portfolios.
Chief Executive	Demonstrate a clear understanding and responsibility of the nature of the key risks facing the Councils. Be accountable for the Strategic risk register. Ensure that risk management is embedded within the job descriptions of the Management Team. Promote a positive risk management culture.
Senior Leadership Team Members (CEO, Deputy CEO, Directors)	Review the effective management of risks and internal controls and governance supported by the Risk Management Lead. Own, review and maintain risks on the Strategic risk register. Consult with members as required to appraise them of strategic risks. Promote a positive risk management culture.
Extended Leadership Team Members (SLT and Service Managers)	To support the effective implementation of risk management through effective service plan and programme/project risk registers, supported by the Risk Management Lead. Promote a positive risk management culture.
Risk Management Lead	Responsible for preparing and promoting the Councils risk management strategy, and maintaining and reporting on the Councils' integrated strategic risk register. Advise and report to management and the Joint Audit and Standards Committee on whether the Councils' governance, appropriate risk management processes, control systems and operational procedures are in place and operating properly. Provision education and training for the Councils regarding risk management. Strive for continuous improvement of risk management across the organisation and promote a positive risk management culture.
Internal Audit	Internal Audit will advise and report to management and the Joint Audit and Standards Committee on whether the Councils' governance, appropriate risk management processes, control systems and operational procedures are in place and operating properly.
All elected Members and Staff Members	Proactively identify risks and contribute to their management where required. Report inefficiencies, irrelevant or unworkable controls. Ensure loss events or near misses are escalated promptly to management.

In relation to individual risks:	
Risk owner	Accountable for the management and control of all risks assigned to them. Determine, authorise, implement, and monitor the selected controls and actions to address the threats and maximise the opportunities.
Mitigation owner	Responsible for the management and control of all risks assigned to them. Implement and monitor the selected controls and actions to address the threats and maximise the opportunities.
Control owner	Accountable for providing the assurance that specified management control is effective and fit for purpose.
Action owner	Responsible for managing the action on the owner's behalf and to keep them apprised of progress.

11. Guidance, Education and Training

The Risk Management Lead is responsible for developing the workforce risk management capability across the organisation, through the provision of guidance, education, training, and support.

Guidance, education, and training materials are regularly under review to ensure they provision for the needs and levels of the organisation, reflect the HM Government Orange Book (2020), and promote a positive and dynamic risk culture with strong stakeholder buy in.

12. Continuous Improvement

Risk management is a continuous and improving process that the Councils are committed to, to remain agile in addressing internal and external change. The Councils will continually seek to improve the suitability, adequacy and effectiveness of the risk management framework supported by lessons learned and an annual review of the risk management strategy.

As gaps and improvement opportunities are identified, the Councils will develop plans, tasks, and delegate actions to those responsible for implementation.

13. Review

The risk management strategy, guidance and associated working templates will be annually reviewed by the Risk Management Lead as part of the Councils' overall approach to the risk management process and overseen by the Corporate Manager, Policy, Performance, Insight, Risk and Improvement and the Director for Customers, Digital Transformation, and Improvement.