Appendix B

BABERGH DISTRICT COUNCIL

RISK MANAGEMENT STRATEGY

1. INTRODUCTION

1.1. What is Risk Management

1.1.1 Risk management is the process of identifying significant risks **and opportunities** in relation to the achievement of the Council's strategic and operational objectives, evaluating their potential consequences and taking appropriate and timely action to manage them.

1.1.2 It is, therefore not just about considering negative risks (threats) but also opportunities (positive risks).

1.2. Risk Management Objectives

1.1.1 The risk management strategy sets out a systematic framework and structured approach to identifying and managing risks across the Council.

1.1.2 The key aims of the strategy are to:

- Clearly identify the significant business and operational issues facing the Council (both in terms of risks and opportunities), and the roles and responsibilities for managing these.
- Assess the likelihood of the risks and their impact
- Identify and allocate responsibilities for managing and reducing risk
- Co-ordinate risk management activity throughout the Council
- Facilitate shared learning and promoting best practice
- Integrate and embed risk management into the culture of the Council
- Ensure risks are fully considered when identifying and responding to changing social, environmental and legislative requirements **and in relation to significant partnerships.**

2 RISK MANAGEMENT PROCESS

2.1 The Risk Management Framework and Process

2.1.1 The risk management framework and process identifies the **significant business** risks that may affect the ability of the Council to achieve its corporate aims and priorities.

2.1.2 It consists of six main stages:

- Risk identification - In order to enable risk to be effectively managed, the nature of the risk must first be identified. This is achieved through interviews with senior managers and Members and a review of relevant documents.
- Risk analysis – the identified risks are assessed in terms of their likelihood and potential impact
- Prioritisation – action is determined based on the Council's appetite for, or tolerance to, risk.
- Risk management/mitigation – Management Action Plans are prepared for each risk above a risk tolerance line. These set out:
  - the actions/controls already in place;
  - the effectiveness of the actions/controls;
  - further actions/controls required to manage the risk down to the risk tolerance line;
  - the person responsible for the action plan being carried out;
  - critical success factors, which are an indication of what success will look like and how performance will be improved.

  For risks below the Council's risk tolerance line the actions/ controls already in place and their effectiveness are recorded.
- Monitoring – Progress in managing the risks is monitored and reported to ensure that intended actions are achieved.
- Review/update – new, changing or emerging risks are captured and reflected in a periodic strategic risk refresh exercise (typically every 12-18 months)

2.1.3 Each identified risk is owned by a member of the Management Team to ensure that there is high-level support, understanding and monitoring of the work required.

2.1.4 The periodic strategic risks refreshes will assess whether the risks in the current significant business risks register are still relevant and identify any new risks arising from external and internal changes that impact on the work of the council.

2.1.5 Key service and operational risks are identified and managed as part of the Council's annual business and service planning arrangements.

3 ROLES AND RESPONSIBILITIES

3.1 Approach

3.1.1 An approach that involves Members and officers is required to ensure that risk management is fully integrated and embedded into the culture of the Council.

3.2 Members

3.2.1 Members of the Strategy and Overview and Scrutiny Committees and Strategy Committee receive training on Risk Management.

3.2.2 The Overview and Scrutiny (Stewardship) Committee has specific responsibility for the effective management and scrutiny of risk management. The Committee receives regular monitoring reports throughout the year on progress on the risk management actions identified in the Management Action Plans.

3.2.3 It is the Committee's responsibility to ensure that risks are being actively managed. The Committee will report its findings to the Strategy Committee as deemed necessary, **who will report to the Full Council as necessary**.

3.2.4 The Strategy Committee (and Council where appropriate) considers periodic reports on significant business risks and approves Management Action Plans to reduce those risks.

3.2.5 Reports to the Strategy Committee **and Overview & Scrutiny Committees** during the year on strategic policy issues include a risk assessment

3.3 Management Team

3.3.1 Management Team has overall responsibility for ensuring that the Council manages risk effectively through the development of a comprehensive corporate risk management strategy.

3.3.2 Management Team:

- Nominates a member of Management Team with overall responsibility for Risk Management
- Nominates a senior officer as 'Risk Champion'

- **Allocates ownership of individual significant business risk to a Management Team Member**
- Ensures responsible officers contribute to the management of each risk
- Ensures regular updates on progress on Management Action Plans are undertaken
- Consider any new significant emerging risks.

3.4 Heads of Service

3.4.1 Heads of Service and service managers are responsible for raising awareness of the risk management within their own service area, **including partnership risks**.

3.4.2 Heads of Service and service managers, in conjunction with the 'Risk Champion':

- Ensure significant business and service/operational risks relating to their areas are effectively managed
- Ensure a responsible officer is assigned responsibility for all significant business / operational risks
- Allocate resources to address the highest priority risks
- Monitor progress on a regular basis
- Review the risks on an ongoing basis and when the periodic refreshes are undertaken

3.5 Finance & Audit Division

3.5.1 **The Finance & Audit Division** are responsible for the overall effectiveness of the risk management framework **and embedding risk management throughout the organisation**:

- Developing and reviewing the framework and overall process for the management of risk
- Reviewing and updating the overall Risk Management Strategy
- Providing updates to Management Team and Members on significant identified and emerging risks
- Compiling, refreshing and maintaining the significant business risk register
- Supporting Heads of Service and their managers on risk management through sharing expertise on risk and control issues and providing advice and training
- **Ensuring risks relating to significant partnerships are identified and effectively managed.**

3.6 Internal Audit

3.6.1 Internal Audit will undertake a regular and independent evaluation of the risk management framework and

- **Provide independent assurance on the adequacy of the Council's risk and control procedures and on the management of high priority risks**
- **Develop an annual audit work programme using a risk assessment that takes into account the business and operational risks of the Council**
- **Assist with developing arrangements to manage the risks, including effective systems of internal control**
- **Report annually to the Overview and Scrutiny (Stewardship) Committee on the effectiveness of internal control, including risk management, within the Council.**

3.6.2 In carrying out its duties Internal Audit maintains an independent role in line with guidance from the Institute of Internal Auditors and others and ensure compliance with the CIPFA Audit Code of Practice.

4 RISK AND THE DECISION MAKING PROCESS

4.1.1 Risk needs to be addressed at the point at which decisions are made. Where Members and officers are asked to make decisions they are advised of any associated risks. Committee reports involving strategic policy decisions and project appraisal/initiation documents should include a section demonstrating that the risks in terms of both opportunities and threats have been assessed.

5 PARTNERSHIPS

5.1.1 There are many potential benefits and rewards from partnership working but there are also risks involved. Some of these risks can be managed by the Council through formal contracts and partnership agreements that allocate risks to appropriate parties. Failure by either of the parties can have serious consequences.

5.1.2 All significant partnerships that are established need to identify the risks (events or actions) that could prevent the partnership from achieving its objectives. A risk assessment will be undertaken for each partnership that:

- **Highlights the risks that the partnership faces**
- **Identifies the barriers to the partnership's success**
- **Creates a common understanding among the partners of the issues the partnership faces**
- **Prioritises the risks and ensures that these are regularly reviewed and monitored**

- **Allocates responsibility for managing the risks to the party best placed to do that**
- **Provides the necessary assurance to each organisation that the partnership is being adequately managed.**

5.1.3 Risks associated with key partnerships will be regularly reviewed. The monitoring process should be agreed when the partnership is set up. Reports to the partnership and the individual organisations will be determined by the significance of the risks involved.

6 EMBEDDING RISK MANAGEMENT

6.1.1 Embedding risk management is a way of ensuring that the processes designed to manage risk are intrinsically built into business planning and everyday business processes and procedures across the whole Council.

6.1.2 This ensures that risk management is an integral part of the way that the Council is run and a part of is culture. It helps manage the achievement of its corporate aims and priorities.

6.2 The Benefits

6.2.1 There are many benefits to embedding risk management into the Council's culture, including:

- Greater management focus on the issues that really matter
- Consideration of opportunities as well as threats
- More focus on doing things in the best way
- Greater likelihood of achieving corporate aims and priorities
- Increased likelihood of change initiatives being achieved
- More informed risk taking and decision making

6.3 Key Success Factors

6.3.1 The following are critical to ensuring a successful embedding of risk management:

- Sponsorship by Management Team and positively supported by all officers
- **Member involvement, awareness and monitoring**
- Part of the annual business and service planning process
- Risks and their management addressed as part of:
  - strategic policy reviews and decisions
  - budget approval meetings
  - performance reviews

- project planning and management
- significant partnerships

- A regular update of the risk register by senior management
- Responsibility and accountability for risks should be included in performance management processes

7 REVIEW

7.1.1 This strategy is to be updated on a regular basis as part of **an annual review of the Council's overall risk management process**.

7.1.2 The strategy is available to Members and staff and placed on the council's website and intranet.

Updated January 2008

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