



APPENDIX 1

RISK MANAGEMENT STRATEGY

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1. INTRODUCTION

Ipswich Borough Council recognises the importance of embedding risk management across the whole organisation in a consistent manner. Employees at all levels should have an understanding of risk management and will view it as a fundamental part of all functions carried out by the council.

The application of this strategy will ensure that all decisions are taken with due consideration for the relevant risks. This will identify any potential problems for the council before they occur.

2. WHAT IS RISK MANAGEMENT?

Risk Management is not a new process and takes place on a daily basis. It is a term used to describe a particular approach to identifying threats and opportunities and managing them.

It is essential that risk management is seen as integral to performance and addressing business objectives, and key component in an organisation's strategic framework and not as just a compliance issue.

Good Risk Management does not mean that we are required to take greater risks, but that we have a better understanding of what risks we have and how we can manage them.

Risk Management is the process of identifying, assessing and mitigating threats to an organisation and will not eliminate risks. The real value of risk management lies in the benefits it will deliver. Those benefits will be varied in their nature and extent, and some may be more measurable than others, but they will all be important to the council's reputation and ability to deliver improved and value for money public services.

Some of the benefits of strong risk management include: -

- Improvement in performance and achievement of objectives;
- Supporting the decision-making process;
- Enhanced reputation and public confidence;
- Early warning of issues;
- Prioritisation of resources;
- Improved business planning by focusing on the outcome, not the process; and
- Managers become confident risk takers.

This strategy will be reviewed regularly and no later than three years after approval to ensure that risk management continues to be an integral part of the culture and operations of Ipswich Borough Council and all risk management actions outlined in the strategy are undertaken to provide the benefits listed above.

3. RISK MANAGEMENT AND PROUD OF IPSWICH (CORPORATE STRATEGY)

- Risk management underpins the decision making that facilitates "effective" local government.
- Effective risk management will maximise the value for money for key projects outlined in the corporate plan.
- Working to identify potential issues and mitigating against them.

- Working in partnership introduces an additional dimension to risk.
- Effective management of partnership risks maximises the benefits and minimises liabilities for both the Council and the partnership(s) and any partnership that the Council may enter into.

4. THE STRATEGY

The Executive and the Corporate Management Team (CMT) are collectively fully committed to effective Risk Management and appreciate the contribution that it makes to the governance of the organisation. Overall responsibility for ensuring that risks are properly managed lies with the Executive through the Chief Executive.

The aim of this strategy is to ensure that Ipswich Borough Council adopts best practice in the identification, analysis, and management of its risks.

And to do this it will need to: -

- Continue to ensure that risk management is an integral part of the culture and operations of the Council to facilitate effective decision making.
- Ensure a systematic approach to risk management both in terms of review and assessment, which is integrated with performance management.
- Ensure risks are managed in accordance with best practice.
- Ensure clear accountability for both ownership and the tools to effectively manage risk.

These objectives are achieved by:

- Establishing clear roles, responsibilities, and reporting lines within the Council's management.
- Incorporating risk management within the Council's decision making, business and performance management processes.
- Monitoring risk management and internal control arrangements on a regular basis.
- Reinforcing the importance of effective risk management through training and other opportunities for shared learning.
- Provide suitable insurance or other arrangements to manage the impact of potential risks.
- Ensure all new Council strategies and policies include risk management as an integral part of their structure.

The strategy is underpinned by a commitment to ensure that the Council's exposure to risks is effectively managed and that systems are in place to track and report upon any existing and emerging risks that could cause damage to the Council or its stakeholders.

Risk management is not a concept that exists in isolation and must be viewed in terms of the way in which all decisions, policies, acts or omissions could impact on the Council and its ability to achieve its vision and objectives. A comprehensive approach to risk management is important to the success of the Council's risk management strategy and success of the council's strategic and operational management.

Roles and responsibilities

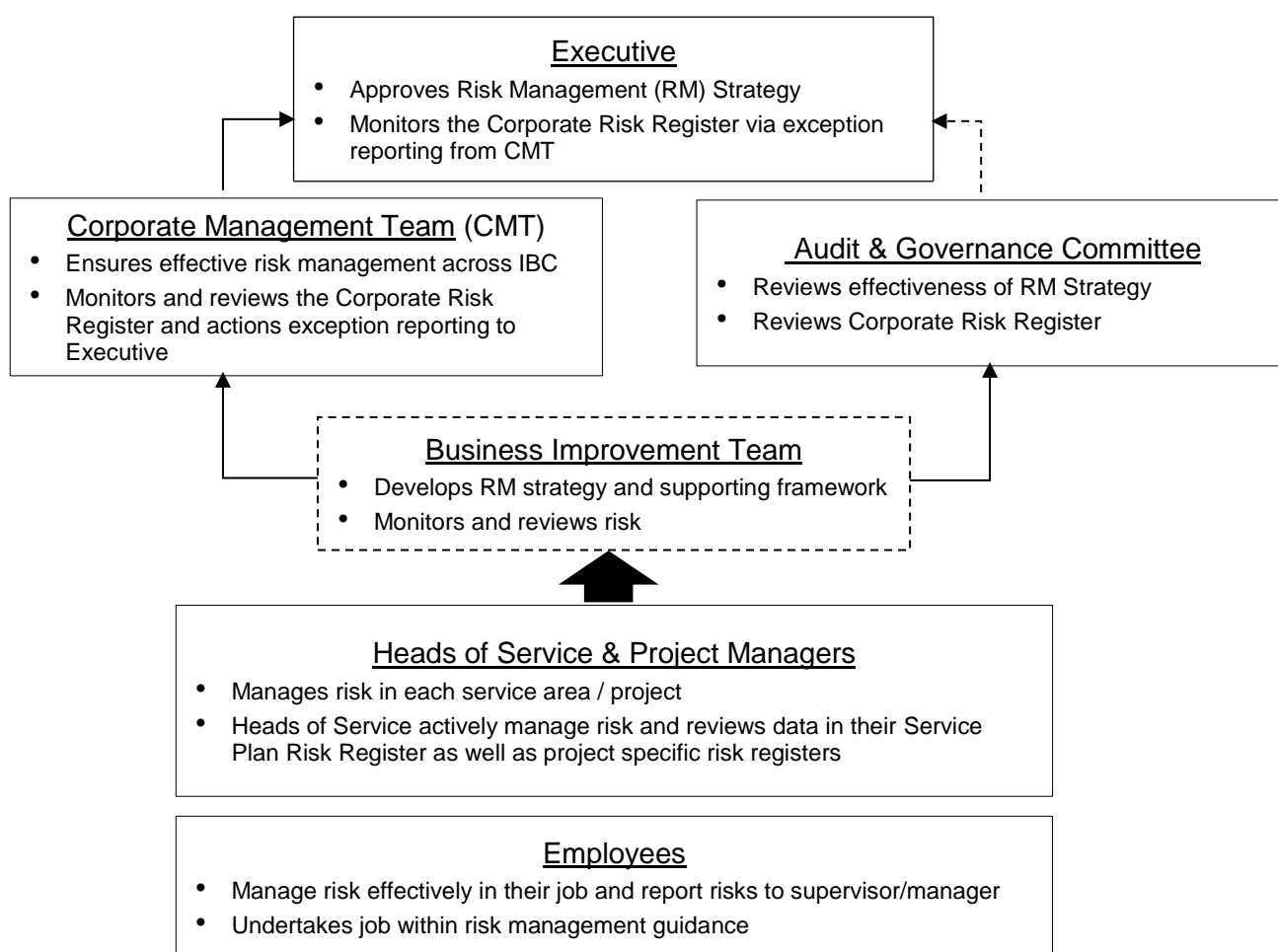
The responsibility for managing risk is not restricted to any one person or group of specialists; it is the duty of every councillor and employee. This strategy is intended to reinforce the Council's approach to the management of risks.

The relevant Portfolio Holder will champion Risk Management on behalf of the Executive, supported by the Chief Executive.

The Audit & Governance Committee will provide independent assurance of risk management through its review of the overall strategy along with a regular review of the Corporate Risk Register.

Risk is managed at different levels within the organisation in accordance with the Council's 'golden thread,' as shown in the diagram below.

The Governance of Risk Management will be consistent with the current Performance Framework



Strategies

The Council has a number of key strategies which are set out in its Policy Framework document. All strategies are prepared and reviewed on a regular basis and have associated action plans to support them. The lead officer for the development of each strategy is responsible for ensuring risks are identified and managed. Each strategy acknowledges key risks relevant to the delivery of the strategy.

Business Plans

All Assistant Directors are required to produce a Business Plan, which includes an analysis of risks and actions to reduce the level of impact. Business Plans are supported by service plans.

Corporate Risk Register (CRR)

CMT monitors and reviews the CRR quarterly and will determine actions relating to high risk(s). If further action is required risk(s) will be reported to Executive on an exception basis.

Service Plan Risk registers

It is the responsibility of the Heads of Service to identify, mitigate risk to reduce the level of the risk's impact and to record this in the appropriate, Risk Register.

Personal Development Reviews (PDRs)

PDRs are embedded throughout the organisation. Each employee is responsible for risk to some degree, and it is within the formal PDR process that ownership of risks is identified, analysed, and monitored. In addition to PDRs, the issue of risk will be communicated regularly through team briefings and one to ones.

5. IMPLEMENTING RISK MANAGEMENT

It is important that the risk management process is co-ordinated centrally to ensure that key risk data is being identified, analysed, managed, and reported in a consistent manner and that best practice is disseminated throughout the Council. To assist risk management becoming embedded in the organisation, CMT review and monitor the Corporate Risk Register on a quarterly basis.

In designing a programme to embed the risk management process a number of steps need to be taken. These steps are necessary to confirm that the entire Council, including Councillors and Employees, are continually involved and aware of its risks.

Framework for Risk Management Reporting Lines

Group	Role
Executive	To formally approve the Council's Risk Management Strategy. To receive and review exception reports from CMT in relation to corporate risk and ensure that any actions are taken when performance or risk is outside the required level/tolerance.
Corporate Management Team (CMT)	To monitor and review the corporate risk register, holding managers to account where appropriate and considering strategic risks affecting the Council; where appropriate add new areas of high risk to the corporate risk register for closer monitoring.
Business Improvement Team	To review and develop alterations to the risk management strategy and deliver the associated action plan.
Audit & Governance Committee	To review the effectiveness of the risk management strategy. To receive risk-related reports as appropriate. To regularly review the corporate risk register.
Heads of Service & Project Managers	To be accountable for the effective management of risk in their particular service area and report any areas of high risk to relevant Assistant Directors/Directors.

Employees	To manage risk effectively in their job and report risks to their service manager via team meetings and formal appraisal. To undertake their job within risk management guidelines.
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Skills and Expertise

Having established roles and responsibilities for risk management, the Council must ensure that it has the skills and expertise necessary. It will achieve this by a programme of risk management training, including bitesize e-learning modules and learning opportunities that address the individual needs of employees and councillors.

Risks and the decision-making process

Risks need to be addressed at the point at which decisions are being taken. Where councillors and officers are asked to make decisions, they should be advised of the risks associated with recommendations being made.

The Council needs to be able to demonstrate that it took reasonable steps to consider the risks involved in a decision. Decisions will be requested through reports to CMT, Executive and Council. Risk must be addressed within these reports.

A balance needs to be struck between the efficiency of the decision-making process and the need to address risk. All reports to Executive, including new and amended policies and strategies, should include a section to demonstrate that risks (both threats and opportunities) have been addressed.

Executive and Council papers have a risk management section, and a consistent approach needs to be continually taken with regard to the quality of information included in the sections. This does not guarantee that decisions will always be right, but the important point is to demonstrate that the risks have been considered and to have evidence that will support this.

Risk Appetite & Tolerance - Assessment of Risks

To ensure a consistent approach across the organisation, the Council has adopted the following framework for assessing risks to the Council in terms of both likelihood and impact.

All risks are assessed for likelihood and impact using the risk matrix (shown below). The responsible officer or team assigned to the risk are responsible for any mitigating controls.

Current Risk is defined as the probability and implications of an activity resulting in negative and/or undesirable consequences BEFORE any planned control measures are introduced.

Target Risk is defined level of risk after mitigating actions have been taken to reduce adverse and potentially long-term effects prior to the event occurring.

Likelihood	Very High	6				
	High	5				
	Significant	4				
	Low	3				
	Very Low	2				
	Almost Impossible	1				
			1	2	3	4
			Negligible	Marginal	Critical	Catastrophic
			Impact			

- Risks falling within the red zone are outside the tolerable range of exposure and mitigations must be put in place to reduce the exposure or be referred to a higher managerial level for discussion and decision when they arise.
- Risks falling within the amber zone are likely to require some measure of mitigation in order to be acceptable.
- All risks falling within the green zone are considered tolerable and unlikely to require further action or mitigation unless circumstances alter.

Risks are 'graded' by multiplying the Likelihood by Impact to get the total risk grading, e.g.: Significant (4) x Critical (3) = risk grade 12.

Risk management methodology

There are 4 key stages in the Risk Management cycle, as illustrated in the diagram below:



The 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

Addressing Risk

If the preceding steps are taken the risk will be mitigated to an acceptable level of tolerance. A key part of this will be the need to both contain threats and take advantage of opportunities.

There are four key aspects to addressing risk and internal control:

1.TOLERATE	<p>The exposure may be tolerable without any further action being taken.</p> <p>The ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases, the response may be to tolerate the existing level of risk.</p> <p>This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.</p>	
2.TREAT	<p>By far the greater number of risks will be addressed in this way.</p> <p>The purpose of treatment is that whilst continuing with the activity giving rise to the risk, action (control) is taken to constrain the risk to an acceptable level. Such controls can be further sub-divided according to their particular purpose (see below).</p>	
	PREVENTIVE CONTROLS	Controls designed to limit the possibility of an undesirable outcome. The more important it is that an undesirable outcome should not arise, the more important it becomes to implement appropriate preventive controls. The majority of controls implemented in organisations tend to belong to this category (preventive controls), e.g.: separation of duty whereby no one person has authority to act without consent of another; only those suitably trained and authorised being permitted to handle media enquiries to prevent inappropriate comment being made to the press.
	CORRECTIVE CONTROLS	Controls designed to correct undesirable outcomes which have occurred. They provide a means to achieve some recovery against loss or damage, e.g.: contract terms to allow recovery of an overpayment.
	DIRECTIVE CONTROLS	Controls designed to ensure that a particular outcome is achieved. They are particularly important when it is critical that an undesirable event is avoided, e.g.: Health and Safety, a requirement that protective clothing be worn when undertaking dangerous duties, or that staff be trained with required skills before being allowed to work unsupervised.
	DETECTIVE CONTROLS	These controls are designed to identify occasions of undesirable outcomes having been realised. Their effect is by definition "after the event" so they are only appropriate when it is possible to accept the loss or damage incurred, e.g.: stock or asset checks (which detect whether stocks or assets have been removed without authorisation), reconciliation (which can detect unauthorised transactions), "Post Implementation Reviews" which detect lessons to be learnt from projects for application in future work, and monitoring activities which detect changes that should be responded to.
3.TRANSFER	<p>For some risks, the best response may be to transfer them.</p> <p>This might be done by conventional insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks or risks to assets. The transfer of risks may be considered to either reduce the exposure of the organisation or because another organisation (which may be another government organisation) is more capable of effectively managing the risk.</p> <p>It is important to note that some risks are not (fully) transferable. In particular it is generally not possible to transfer reputational risk even if the delivery of a service is contracted out. The relationship with the third party to which the risk is transferred needs to be carefully managed to ensure successful transfer of risk.</p>	
4.TERMINATE	<p>Some risks will only be treatable or containable to acceptable levels by terminating the activity. It should be noted that the option of termination of activities may be severely limited in government when compared to the private sector. A number of activities are</p>	

	<p>conducted in the government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.</p> <p>This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.</p>
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Risk Management and Projects

Projects are required to be managed through a robust formal corporate project management process. The Council uses project management processes to achieve IBC's Project Management Competencies. The Project Management documentation on the intranet is a useful tool, containing all the templates for projects and a project management handbook to provide consistency in the council's approach by offering guidance on effective project management including risks.

The Council is committed to delivering its Climate Change Strategy and action plan. As a consequence, all projects are required to consider the environmental impact of their decisions and risks in order to demonstrate how they contribute to the aims and objectives of this Strategy.

Risk Management and Partnerships

The Council is engaged in a large number of partnerships both in response to delivering its strategic and operational aims and as a result of local initiatives. Partnerships are a powerful tool for tackling difficult problems and can be a productive way of achieving more efficient and effective use of scarce resources.

Joint working can bring risks as well as opportunities. Many partnerships can fail to achieve their objectives or are partnerships in name only.

The Council's Partnership Framework and toolkit aims to ensure that the Council can respond effectively to the demands, risks and opportunities of partnership working and is reviewed on an annual basis by Corporate Management Team.

Councillor Involvement

Councillors have a contribution to make in the assessment of risks to the aims and objectives in the corporate plan and key strategies and reports to the Executive, and the Audit & Governance Committee also scrutinise risk management regularly. Exception-based reports outlining key strategic risks and the way in which they are managed are reported to Executive after CMT recommendation.

6. RISKS ASSOCIATED WITH THIS STRATEGY

The following risks are relevant to this strategy:

No	Risk Description	Owner	Current Risk			Planned Control Measures (Including timescale)	Target Risk (After Mitigation)		
			Likelihood	Impact	Risk grading		Likelihood	Impact	Risk grading
RMS1	The Council's risk management strategy is outdated and/or ineffective	CMT	3	3	9 Amber	<ul style="list-style-type: none"> Annual review of risk management process in line with business planning Regular (3 yearly) review of risk management strategy 	2	3	6 Amber
RMS2	The strategy does not become embedded within the organisation	CMT	3	3	9 Amber	<ul style="list-style-type: none"> Adoption of the risk management strategy CMT proactive in monitoring risk Audit & Governance Committee monitors and reviews the Council's risk management arrangements The strategy links in with the corporate strategy Issue clear guidance to managers Train all managers and councillors Raise awareness of risk management methodologies Council wide 	2	3	6 Amber
RMS3	Employees do not have the skills to effectively manage risks	CMT	3	4	12 Red	<ul style="list-style-type: none"> Regular review of Corporate Risk Register at CMT Appropriate support provided to CMT and Heads of Service via the business and service planning process Raise awareness of risk management methodologies Council wide Any further training is provided on an ad hoc basis by the Business Improvement Team 	2	4	8 Amber

7. REVIEW

Framework, Procedures and Guidance

A Risk Management Toolkit is available on the council's Intranet. This provides guidance on all aspects of risk management and is a practical toolkit that includes a consistent methodology to be followed throughout the authority. This is reinforced through training.

Performance Management

The Council's Performance Management process is used to monitor the effectiveness and impact of risk management activities and also the effectiveness of the Strategy itself.

Individual performance indicators are used to measure achievement of the aims and objectives. The performance of the indicators is presented to CMT and Executive Councillors as part of the performance management process.

This strategy will be reviewed regularly and no later than three years from its approval.