SUFFOLK COUNTY COUNCIL: OUR APPROACH TO RISK MANAGEMENT

Embracing Threats and Opportunities with Confidence

Management of Risk is an integral part of any manager's job and this document outlines Suffolk County Council's approach to making that happen. In essence, we want staff to embrace risk in a positive way and not shy away from threats or be fearful of failure. We must also take opportunities wherever and whenever they arise to improve our services. As a rule, threats do not disappear if they are ignored or covered up and opportunities do not hang around waiting to be taken. Similarly, people with new ideas and innovations do not shout forever.

In the past, management of risk was often seen as an 'activity trap' or something we had to do to satisfy somebody else. Its meaning and relevance was therefore diluted. However, honest appraisals of many world and local events where things have gone wrong reveal a common feature: a disregard to risk.

Today, whilst in the midst of a fragile economic recovery we have a coalition government that has new ideas as to how public services should be delivered. This will present the council with unprecedented challenges and turbulence as new policies and plans emerge. In the coming months with effective and proportionate management of risk we can move forward, together, with more confidence.

'Risk is Uncertainty that matters'

Management of Risk will help you to:

- Enhance your decision making and encourage you to confidently embrace, threats, opportunities, innovations and new ideas.

- Deliver efficiency in that routine activities, as well as programmes and projects, will be more likely to deliver the intended outcomes for our customers.

- Provide assurance in all facets of service delivery and that our activities are compliant with regulations and governance processes. This also means taking your responsibility for managing a risk.

- *Effective responses to risk will **reduce uncertainty** and hazards*

To make this work we need to be consistent and have a common but sensible and pragmatic approach. This means that our management of risk needs to be:

- Proportionate – some threats or opportunities will require significant effort to manage based around their potential impact and likelihood. Alternatively, minor risks should not be 'over managed'.

- Aligned – to planning and other activities being carried out without necessarily being constrained by departmental boundaries. Risk must be routinely discussed at management team meetings and where risks are recorded on our corporate risk register, they should be as up-to-date as possible and managers will be well versed and open as to the progress being made or the problems being experienced.

- Comprehensive – operational and strategic risks are considered both within Suffolk County Council and with all of our current and future partners. In simple terms, managers will take a broad but sensible view as to sources of risk. Some will affect long term strategies, others will impact upon day-to-day operations or projects.

- Embedded – roles, responsibilities and relevant risk management activities are clearly defined.

- Dynamic – recognising that some risks and our responses to them will change, sometimes quickly. As a valuable source of information, senior managers need to be receptive to risks that are *escalated* to their position.

Having set out our approach to management of risk, our policy succinctly lays out the formula for delivery and future development.

Policy Statement

Risk management will be applied in a dynamic and proportionate way that enables staff to confidently deal with both threats and opportunities at an operational or strategic level. These risks will relate to all services provided or activities undertaken by the council either directly, via commissioning, or any type of partnership agreement.

The processes that underpin this will: support effective consideration and management of risk at all levels of the Council; ensure that it supports decision making; and encourages staff to embrace risk as an integral feature of good management.

This policy is underpinned by a strategic approach, and in turn supported by a manager's guide. Both Policy and Strategic Approach will be reviewed annually by the Head of Transformation and Planning.

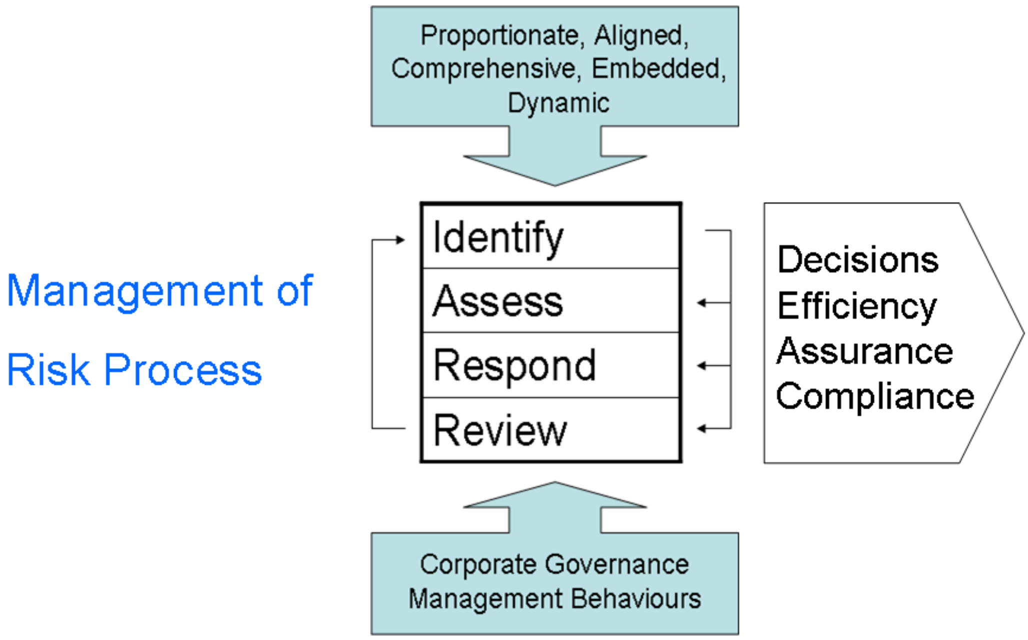
Signed:
Graham Dixon
Director Suffolk County Council

Signed
Councillor Jane Storey
Portfolio Holder for Resources and Transformation

Principle Mechanisms to aide Understanding and Delivery

Risk management can be defined as *uncertainty that matters*. It is something that may have an impact on the achievement of our corporate strategies or operational objectives. Risk can be an opportunity relating to a new innovation or it can be a threat around uncertainty or future hazards.

A key feature of delivering this process will be the 'Identify, Assess, Respond and Review' cycle that should be delivered within the context already outlined. This is illustrated in the diagram below.



Risks should identified against a business objective or strategy, then assessed having regard to the likelihood and impact of an event occurring. In effect, we are describing a future problem or blocks to achievement and innovation. Taking time to identify and describe the right problem – you will come up with the right solution and save time and effort.

By using a 5X5 matrix (as seen on the next page) we can calculate a risk score that will guide future activity. The Council has set its threshold at 10. When a risk exceeds this score it will not normally be tolerated and preventative and/or mitigating action will be expected (ie a response). Such risks will require closer examination and involvement of senior managers and/or Programme/Project Boards. It is important that managers understand this scoring matrix in order that the response taken to manage risk is proportionate.

The elements of this cycle are discussed in more detail in the Management Guidance.

= Toleration Line

IMPACT

	Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
Catastrophic 5	5	10	15	20	25
Major 4	4	8	12	16	20
Moderate 3	3	6	9	12	15
Minor 2	2	4	6	8	10
Insignificant 1	1	2	3	4	5

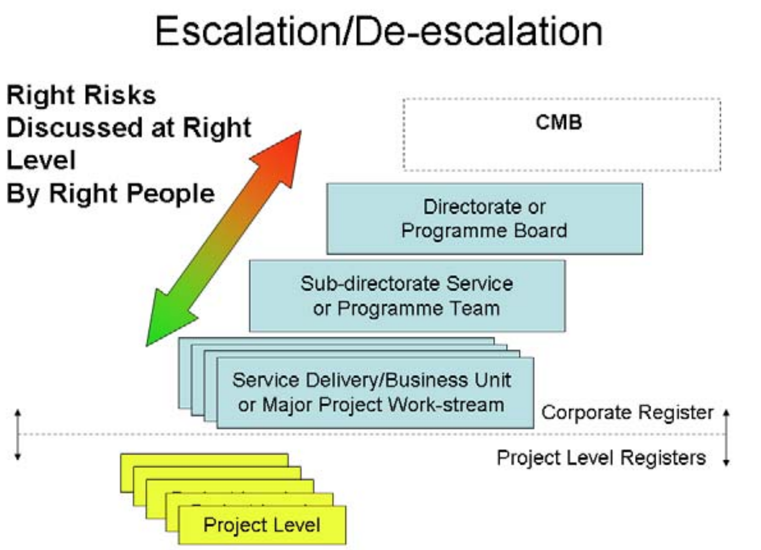
LIKELIHOOD

Lower rated risks still need to be reviewed but usually less frequently. Some risks are cyclical in that they may be low for a period and then be high. This is typically aligned to financial or reporting cycles. Consistently low risks can be removed from the corporate risk register.

Risk Escalation

By regular review of risks and controls, ratings can change – going up as well as down. The Escalation/De-escalation diagram below shows how a risk that started as relatively low can be brought to senior manager's attention. These are most likely to be operational threats. It is important that the right risks are considered by the right people at the right level.

Whilst the Corporate Management Board (CMB) and Directors will hold mainly very high strategic risks there should always be a facility whereby an operational risk can be so escalated to receive executive attention. More information on this is contained in the managers' guide.



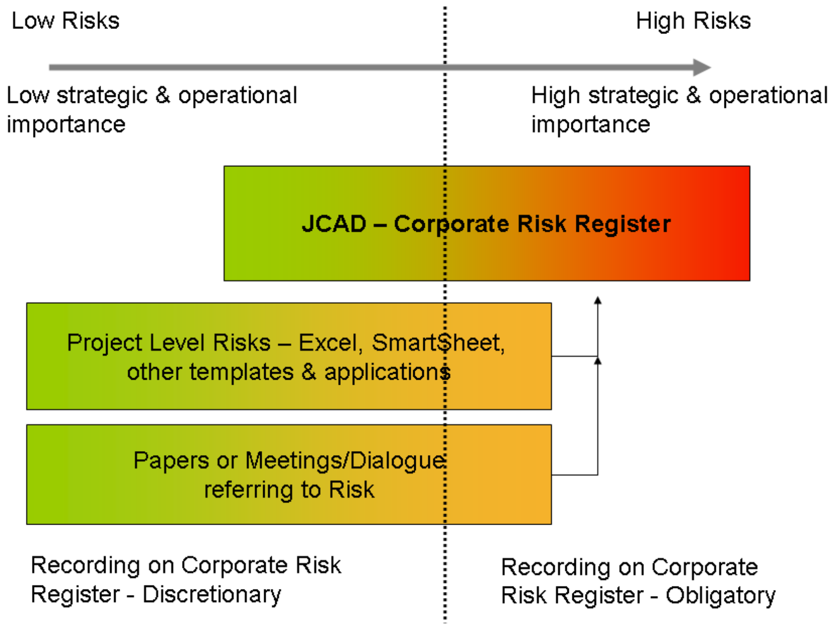
Risk Database – *an open system helping you to keep track in a busy world*

To ensure that we manage risk in a consistent manner, identify common issues and provide information and assurance across the Council, we use a database called JCAD to record our risks and our responses to them. The database allows managers to set their own review timescales and sends automatic email alerts when reviews become due. The application can also generate a series of risk reports for use at management meetings. The Principal Risk Officer will ensure that this application is effective, efficient and that periodic and ad hoc training is available to staff.

It is not intended that JCAD replicates work that is recorded in other systems but it should serve as a signpost to enable others to locate and track risks, their owners and response activities.

It is also recognised that not all risks will be recorded on JCAD. It may be appropriate in certain circumstances to record risks on other documents. Where this is the case, advice from Principal Risk Officer will be sought.

The diagram below illustrates, in broad terms, how this will work.



Risk Maturity

We assess how well we are managing risk in the county using a risk maturity model. This model will be used to gauge the extent to which risk management is embedded in our organisation and what further steps might be required to make improvements. We want to develop our approach so as to reach level 6.

Suffolk County Council Risk Maturity Model			
Level 1	*Fire Fighting*	Organisation responds to Events with infrequent consideration of risk at any level. Little evidence of appropriate risk recording.	
Level 2	*Embryonic*	Some top-level buy-in, widespread scepticism; bureaucratic, centrally driven process. Risks are recorded but evidence suggests RM thinking needs development.	
Level 3	*Developing*	Strong top-level commitment with pockets of real strength. Lack of or over-control still common. Some evidence of effective discussion at management team level and escalation.	
Level 4	*Established*	Widespread good practice with main risk concepts well understood. Still evidence of some foreseeable or preventable failures. Most risks and controls updated within a reasonable time from target dates. Roles and responsibilities are understood and applied.	
Level 5	*Business Management*	RM is 'how business is done'. Very few surprises. Effective control framework consistently applied throughout organisation with a balance of threat and opportunity risks. Risk is routine in business conversations and followed up with entries on JCAD. Risk is working with evidence of escalation, de-escalation and implementation of effective controls leading to risk reduction and informed decisions. Adequate budget for RM in place.	
Level 6	*Influencing*	Risk Management is second nature and fully optimised. Risk Thresholds and Appetite set according to business and well understood. Good risk management practices are rewarded.	

Reporting

Quarterly reports will be made to Corporate Management Board detailing very high level risks and our organisational risk maturity. Directorate Management Teams will be provided with a specific risk report on a quarterly basis to inform their Management Team meetings.

Review

This policy and strategy will be reviewed on an annual basis by the Head of Planning and Performance Improvement.

APPENDIX A

Roles & Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. To ensure successful implementation of this strategy, the following specific responsibilities are detailed below:

All Councillors:

- To have regard to risk management implications in their own decision making.

Cabinet:

- Consider the risk management implications when making decisions.
- Receive an annual report on risk management activity from the Portfolio Holder for Resources, Finance and Performance.
- Approve an annual statement on the effectiveness of the council's internal controls as part of the statement of accounts.

Portfolio Holder for Resource Management:

- Be responsible for oversight of the risk management activities of the council.

Audit Committee:

- Promote, develop and embed risk management.
- Provide Council with assurance that its corporate business risks are actively and appropriately managed.
- Promote risk management culture across the organisation and with external partners.
- Ensure that appropriate advice and training on risk management is available for all councillors and staff.
- Ensure that the resources needed to deliver effective risk management are kept under review.
- Give consideration to risk management initiatives submitted for support from the Risk Management Initiative Fund.

Corporate Management Board:

- Ensure that there is a robust framework in place to identify, monitor and manage the council's strategic risks and opportunities.
- Management and quarterly review of the CMB risk register.
- Bring specific risks to the board that have been escalated by their department managers.
- Demonstrate commitment to the embedding of risk management across the organisation.

Directors and Chief Officers:

- Ensure compliance with risk management policy and supporting guidance.
- Maintenance of the risk register in relation to their areas of responsibility whilst maintaining a corporate view.
- Place risk management on management team agendas to discuss high level or new risks; and ensure a thorough review of departmental risks every three months.
- Consult with the appropriate portfolio holders on significant risk management issues affecting their areas of responsibility.
- Where appropriate escalate risks to the Corporate Management Board.
- Receiving and acting upon risk reports.

Head of Planning and Performance Improvement:

- Oversee the corporate approach to risk management.
- Consult with the Portfolio Holder for Resources, Finance and Performance and other Portfolio Holders as appropriate, on the council's risk management strategy and performance.
- Ensure that management of risk is included in corporate planning and strategic documents.
- Approve and authorise funding for initiatives from the Risk Management Initiative Fund.
- Develop and maintain an early warning Indicator set.

Heads of Service:

- Promote risk management in line with corporate policy, approach and guidelines.
- Identify, record, assess and review risks within their area of responsibility to corporate guidelines.
- Ensure management of risk is included within business and project planning.
- Take proportionate action to manage risk in line with corporate guidance.
- Reporting systematically and promptly to senior management teams any perceived new risk or failure of any control measure.

Principal Risk Officer:

- Provide a range of advice, training and support to promote and embedded proactive risk management culture throughout the council.
- Assist staff in identifying, analysing and controlling the risks they encounter.
- Keep the Head of Transformation and Planning and Corporate Management Board fully briefed and informed on the council's top and emerging risks.

- Ensure that the management of risk is not constrained by departmental or functional boundaries.
- Liaise with internal bodies such as Audit, Health and Safety and Emergency Planning.
- Liaise with risk management organisations and bodies to promote and maintain best practice within the council.
- Manage the Council's risk data base ensuring that inputs are moderated and the best use of the application is achieved.

Risk Owners:

- Take responsibility for management of risk, including implementation of control measures.
- Embrace Risk in a positive way
- Keep recorded risks up to date and accurate.
- Report any areas of concern to the Principal Risk Officer.
- Reporting systematically and promptly to senior management teams any perceived new risk or failure of any control measure.