

Risk Management Policy and Strategy

December 2024



Contents

Risk Management Policy Statement	2
Risk Management Strategy	3
1. What is Risk Management	3
2. Why does the Council need to carry out Risk Management?	3
3. Governance and Infrastructure	4
3.1 Sponsorship and Positioning of Risk Management	4
3.2 Roles and Responsibilities	5
4. Pillars of the Strategy	9
5. Culture	10
6. Management of Risks	11
7. Risk Appetite Statement	12
8. Risk Matrix	14

Risk Management Policy Statement

We recognise risk management is a vital activity which underpins the vision, and corporate priorities of the Council. In addition, by having an effective risk management framework in place it will provide the communities we serve with confidence that we can deliver the priorities we have promised.

Risk is always present in every activity that we do, and our risk management framework sets out to be proactive in the identification, assessment, and management of key areas of risk. We seek to embed effective risk management within the operation and decision-making process of the Council. Risk management needs to be an integral part of all processes, projects and strategic decisions made. Wherever we work with partners or third parties we will ensure that they are aware of and work in line with our risk management framework or have their own suitable arrangements.

Our aim is to have a risk management framework that is fit for purpose and appropriate to the size and nature of our operations. We aim to ensure that our risk management framework is well communicated and operating effectively within the Council.

In order to assist in effective decision making it is essential for us as strategic leaders to define the level of risk exposure that we think is acceptable. This is set out in the Risk Appetite Statement. This will inform decision makers on the level of risk that they can take and areas where additional controls will need to be implemented to manage risks being taken.

The risk management framework and the effective management of risks is a key part of the Governance Framework of the Council. Its implementation will that risk identification and management plays a key role in the delivery of our Corporate Plans and strategic priorities.

Through this framework we will involve, empower, and give ownership to all employees and Members to identify and manage risk. Risk management will be supported by regular discussions and appropriate actions by Cabinet and Leadership Team including the regular review of significant risks and reviewing actions to reduce those risks to an acceptable level. The management of risk will be an integral part of strategic and operational planning as well as embedded in the day-to-day delivery of services of the Council. The Audit Committee will have oversight of the effectiveness of our risk management arrangements.

Tim Clegg
Chief Executive
Stafford Borough Council
and Cannock Chase District Council

Cllr Aiden Godfry
Leader
Stafford Borough Council

Risk Management Strategy

1. What is Risk Management

- 1.1 Risk Management is the process whereby an organisation methodically addresses the risks which may stop them from achieving their corporate priorities. The focus of good risk management is the identification and treatment of the risks to minimise any impact or maximise benefit.
- 1.2 A risk is defined as the “effect of uncertainty on the achievement of priorities” (ISO 31000). An effect is a positive or negative deviation from what is expected, and that risk is often described by an event, a change in circumstances or a consequence.
- 1.3 By accepting this definition, the Council recognises that taking the right risks in an informed way can be beneficial to the priorities and that risk management is not just a negative process used to stop opportunities being taken.
- 1.4 Risk Management should be a continuous and developing process connected with the Council’s Corporate Plan and the delivery of it in the present, and future.

2. Why does the Council need to carry out Risk Management?

- 2.1 Risk management is a management tool which forms part of the governance system of the Council. When applied appropriately, risk management can be very beneficial. It can help the Council to achieve its stated priorities and deliver on intended outcomes. It can also help managers to demonstrate good governance, better understand their risk exposure and better mitigate risks (particularly uninsurable risks). Externally it can help the Council to enhance political and community support and satisfy stakeholders’ expectations on internal control.
- 2.2 The Council does not operate in isolation and is subjected to constant challenges and external changes which may pose a threat to the delivery of the Corporate Priorities or provide new opportunities which must be considered and addressed on an ongoing basis. Risk management processes provide a mechanism by which these issues and their impact can be identified, assessed, monitored and relevant actions taken to address them.
- 2.3 Whilst it is good business practice and essential for good governance processes the Council also has a legal requirement to have a risk management process in place.

2.4 The Accounts and Audit Regulations 2015 state:

“A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and priorities.

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.”

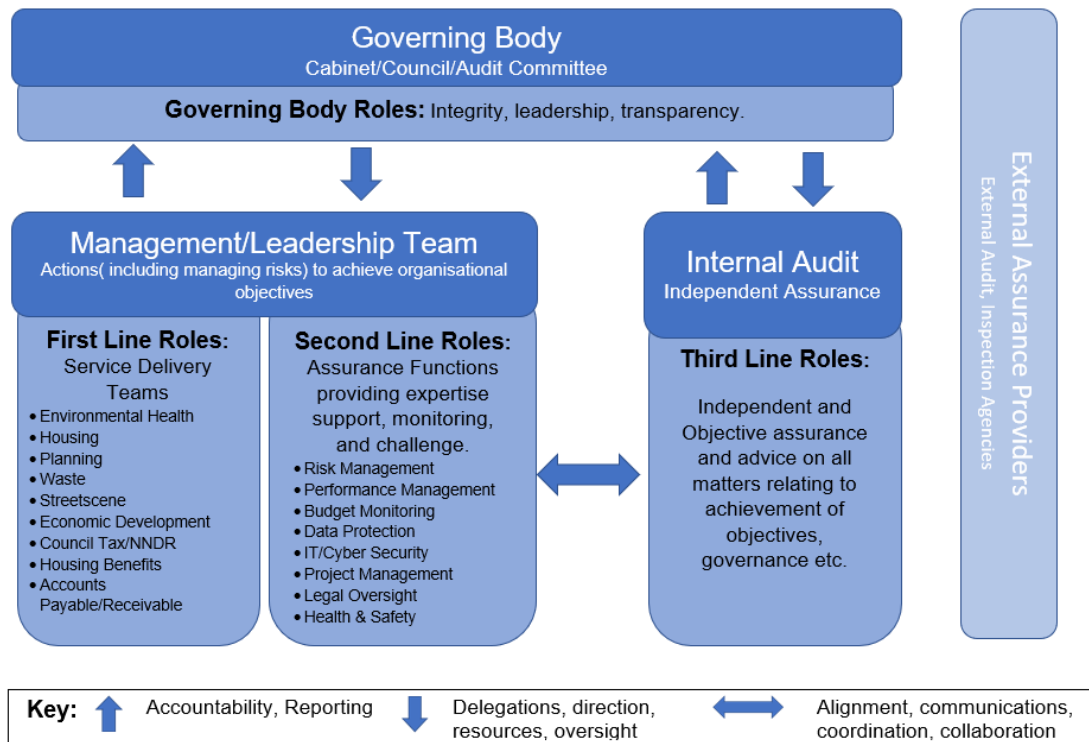
2.5 Ultimately by having an effective, embedded Risk Management Framework in place to influence its decision making the Council can benefit by helping to ensure:

- The priorities set in the Corporate Plan can be delivered.
- All employees and Members understand the desired culture in relation to risk,
- Decisions to take appropriate risks in certain areas can be made from an informed viewpoint.
- It can protect its reputation.
- Operational and financial efficiency is ensured as resources are not lost by taking unnecessary risks.
- It can maximise opportunities.
- Good governance processes are operating.
- Assets are protected.

3. Governance and Infrastructure

3.1 Sponsorship and Positioning of Risk Management

- Risk Management needs to be embedded throughout the Council and underpin all its activities. It is a key governance process and needs to have direction and leadership from the very top of the organisation; as well as being relevant and responsive to the staff delivering services on the ground. The risk matrix and risk appetite statement contained in this strategy will be used across the Council to ensure that a collective understanding and language is adopted when talking about risks.
- Management and other corporate reporting/assurance functions will help to monitor and report on the effective delivery of the Risk Management Framework in line with the Institute of Internal Auditors’ “3 Lines Model” as set out below:



3.2 Roles and Responsibilities

- All employees and Members have a role to play in the management of risk as it is a key part of day-to-day service delivery and management of the Council. However certain individuals or groups have specific responsibilities in the oversight and implementation of risk management, more detail on these is set out below.
- **Risk Management Sponsor - Deputy Chief Executive (Resources) and s151 Officer**
 - Act as the sponsor for the Risk Management Framework at a strategic level and with the support of the Head of Transformation and Assurance will ensure that Leadership Team decisions are taken in line with the Risk Management Strategy.
 - Champion risk management at the strategic level.
 - Ensure regular discussions are held on Risk Management and the Councils risks.
 - Encourage all members of Leadership Team to ensure they have effective risk management arrangements in place for their service areas.

- **Head of Transformation and Assurance**
 - Support the Deputy Chief Executive - Resources in their role as sponsor for risk management.
 - Regularly review the risk management policy, strategy, and framework to ensure it underpins the Council's strategy and priorities.
 - Report on behalf of Leadership Team on the strategic risks and controls in line with the organisation's risk management strategy.
- **Risk Manager (Chief Internal Auditor & Risk Manager)**
 - Coordinate the organisation's risk management activity.
 - Develop and maintain the risk management policy, strategy, methodologies, and tools.
 - Highlight any significant new or worsening risks to the Leadership Team or Cabinet for review and action.
 - Assist in the delivery of the risk management process across the Council.
 - Provide risk management guidance, training, and advice.
 - Promote the link between risk management and other related disciplines, for example, insurance, business continuity, emergency planning, and health and safety.
 - Promote and share best practice risk management across the Council.
- **Cabinet and Leadership Team**
 - The Cabinet and Leadership Team are responsible for giving direction, approving the Risk Management Framework, and taking ownership of the Strategic Risk Register. They will ensure that all decisions are taken in accordance with the Council's agreed risk appetite.
- **Cabinet**
 - Approve the Risk Management policy, strategy, and Risk Appetite for the Council.
 - Review key risks to the Council and controls in place via the Strategic Risk Register.
 - Provide assurance that risks are being effectively managed.

- **Leadership Team**

- Recommend the Risk Management policy, strategy, and Risk Appetite to Cabinet for approval
- Approve the processes to be used to manage and monitor risks.
- Review the strategic risks across the organisation, consider their importance against strategic priorities and action controls where required to manage those risks.
- Allocate sufficient resources to address the key strategic risks.
- Create an environment and culture where risk management is promoted, facilitated, and appropriately undertaken by the Council and is embedded in all decision making.
- Champion risk management activities, educate colleagues, and raise awareness of the benefits of managing risk effectively.

- **Deputy Chief Executives**

- To maintain a risk register of key risks for their directorate
- To raise significant risks within their directorate which could impact on delivery of the Council's corporate priorities for consideration for inclusion in the Strategic Risk Register.
- To support Heads of Service in the management of risks in their service area

- **Heads of Service**

- Communicate the benefits of risk management across service areas for which they are responsible.
- Help facilitate the risk management process and risk reporting procedures across operational areas.
- Help ensure key stakeholder commitment.
- Ensure risk management processes and risk reporting procedures are completed in line with the Council's risk management framework for each area under their responsibility.
- Monitor the key risks in each area of responsibility.

- **Service Managers**
 - Manage risk effectively in each area of responsibility.
 - Complete the risk management process and risk reporting procedures as per the Council's guidelines.
 - Complete, track and monitor the progress of action plans.
- **All Employees**
 - Understand and comply with the risk management processes and guidelines of the Council.
 - Monitor work on an ongoing basis to identify new and emerging risks and escalate as required.
- **Audit Committee**
 - Gain assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements, and the ownership and accountability for risks.
 - Monitor to ensure management are managing risks appropriately
- **Internal Audit**
 - Create an audit plan aligned with the key strategic and directorate risks.
 - Review and provide assurance on the effectiveness of the risk management framework.
 - Provide assurance on the operational arrangements for managing risks across the Council.
 - Review the progress of planned actions.
 - Test and validate existing controls.

4. Pillars of the Strategy

4.1 There are several key pillars which form the basis of the risk management strategy these are set out below.

4.2 The risk management strategy encourages the use of risk registers to record key risks faced by the Council in delivering its services and objectives. The following risk registers are required to be maintained as part of this strategy:

- Strategic Risk Register
- Directorate Risk Registers for Place and Resources
- IT Risk Register
- Housing Revenue Account Risk Register
- Project Risk Registers

4.3 Processes will be in place to monitor and report the risk registers to relevant levels as set out below:

- The Strategic Risk Register is monitored by Leadership Team and reported to Cabinet and the Audit Committee.
- The relevant Deputy Chief Executive will monitor their Directorate Risk Register escalating significant risks to Leadership Team for inclusion in the Strategic Risk Register.
- The IT Risk Register will be monitored by the Head of Transformation & Assurance and Technology Manager.
- The Housing Board will monitor the HRA Risk Register.
- Project Boards will be responsible for monitoring Project Risk Registers.

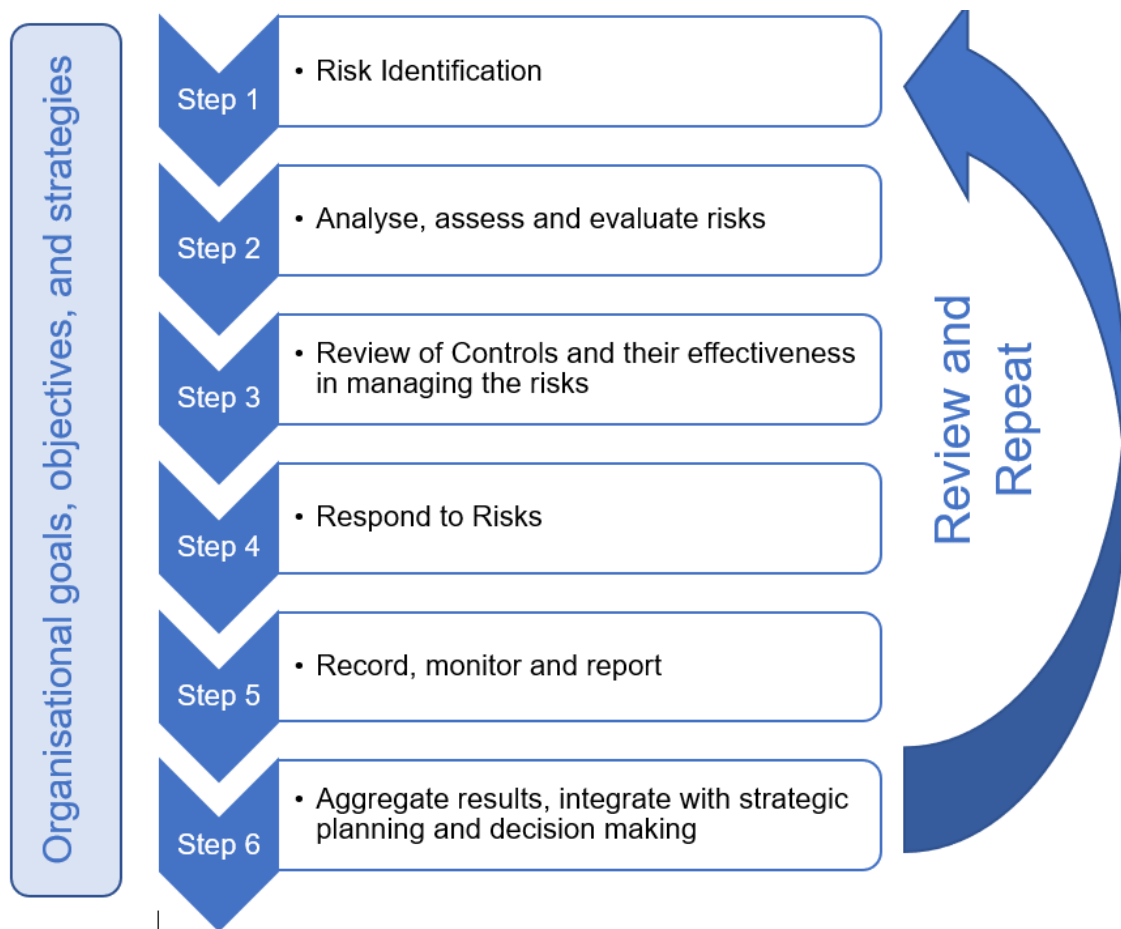
4.4 Risk management will be imbedded in all decision-making processes. All committee reports relating to decisions will clearly set out the risks relating to the proposal and any controls in place or proposed to manage the risks. Guidance and training will be provided to managers to improve the quality of risk management implications in committee reports.

5. Culture

- 5.1 To be effective in the long term and to support good governance, effective risk management needs to be embedded into the Council's culture and have full support from the top of the organisation down.
- 5.2 Leadership Team and Service Managers will set an example to other employees when it comes to embracing the importance of effective, embedded risk management in all processes. All managers must support the roll-out of this framework and ensure that risk management processes once established are followed by all employees across all processes and in all decision making.
- 5.3 The risk matrix within this framework and the definitions for levels of risk set out in this policy will be used consistently across the Council to categorise all risks to ensure a common understanding of risks. This adds clarity so that the level and definition of a risk is understood and means the same thing to everyone regardless of which section or function is talking about it. Any assessments associated with risks will utilise the agreed risk matrix and definitions and operate in line with the Council's agreed risk appetite.
- 5.4 Any deviations must be agreed in advance with the Chief Internal Auditor & Risk Manager and either the Head of Transformation & Assurance or the Deputy Chief Executive - Resources.
- 5.5 Where we work closely with third party organisations, managers should ensure that the Council's Risk Appetite Statement and risk processes are communicated and understood by those we are in partnership with. Wherever possible the Council's risk management processes should be used when working with partners and contractors. Where third party funders specify a different risk management process to the Councils as a condition of funding this will be agreed and recorded at the time of application for the funding.
- 5.6 All employees and managers are required to take ownership and accountability for their role in the Risk Management process as set out in the "roles and responsibilities" section of the strategy. Employees at all levels are encouraged to raise emerging risks that they have identified with their line managers with the knowledge that the information will be considered and acted on appropriately where necessary.
- 5.7 The Deputy Chief Executive (Resources) as the Risk Management Sponsor will oversee the risk management culture at Leadership Team. They will do this by encouraging positive messages relating to risk management and challenging poor risk management practices such as the failure to adequately consider risk implications when making important decisions.

6. Management of Risks

6.1 The Council will implement an ongoing cyclical review process for the management of risks as set out in the diagram below.



6.2 More detail on each step and how to implement the process can be found in the Risk Management Toolkit.

7. Risk Appetite Statement

- 7.1 Risk appetite can be defined as the amount and type of risk the Council is willing to accept in the pursuit of its priorities.
- 7.2 The Council's overall risk appetite is set out in reference to the risk appetite definitions below which include reference to the levels of risk. Escalation and reporting thresholds will be reassessed periodically to ensure risks are reported and reviewed within suitable defined limits and the risk appetite.

Category	Definition	Risk Levels
Avoid	No appetite. Not prepared to take any risks.	N/A
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return	Negligible Risk
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Low Risk
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes	Moderate Risk
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associate risk.	Medium Risk
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.	High Risk

7.3 **The Council's risk appetite is defined as moderate.**

7.4 This means the Council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, however, also carry a moderate level of risk. The Council's preference is for safe delivery options, especially for those services required by statute and ideally all actions should be within this agreed risk appetite. This means that options should only be pursued if they can be managed as a yellow or lower risk.

- 7.5 However, it is accepted, where service delivery is diverse and risks take many forms, risk appetite may vary according to the specific circumstances being assessed. For example, an option may be considered for a regeneration scheme that is seen to have a higher level of risk for the Council than the moderate appetite would allow but where the ultimate outcome would bring significant benefits if successfully implemented. This is where the opportunity risk significantly exceeds the risks exposed to in pursuing the option.
- 7.6 Where an option or decision is being pursued that is deemed to be at a higher level of risk than Moderate then additional controls/safeguards will need to be put in place. In most situations this will need to be clearly stated in the committee report and approval or the scheme by Cabinet or Council. Where the situation does not provide for a formal committee decision where the risk is outside of our normal risk appetite formal documented agreement to proceed will be required from the 3 Statutory Officers (s151 Officer, Monitoring Officer, and Head of Paid Service) and the Leader of the Council to pursue the option. When approved, increased levels of monitoring and reporting on the risk and the operation of relevant controls will need to be established.
- 7.7 There may also be occasions where a risk may score higher than our risk appetite, but which is outside of the Council's direct control. Examples of this includes the global/national financial situation which has a direct impact on the Council's financial/budgetary position and additional statutory duties/service delivery placed on the Council through Government policy/decision making.

8. Risk Matrix

To assist in the management of risks the Council has adopted a 4 x 4 matrix for the scoring of risks.

		Impact			
		Minor/Non-Disruptive Impact (1)	Moderately Disruptive Impact (2)	Significant Consequences (3)	Serious Consequences (4)
Likelihood	Very Likely (4)	4	8	12	16
	Probable (3)	3	6	9	12
	Possible (2)	2	4	6	8
	Unlikely (1)	1	2	3	4

The matrix has been colour coded in line with the Council's risk appetite as follows.

Risk Levels	Colour
Negligible Risk	Blue
Low Risk	Green
Moderate Risk	Yellow
Medium Risk	Orange
High Risk	Red

The risk matrix is supported by the following definitions.

Likelihood Scores

4	Very Likely	<ul style="list-style-type: none"> • Event expected to occur. Has occurred and will continue to do so without action being taken. • Indication of imminent occurrence • There are external influences which are likely to make our controls ineffective
3	Probable	<ul style="list-style-type: none"> • There is a moderate exposure to the risk. • Reasonable to expect event to occur within a year. • Has occurred in the past. • Is likely to occur within the Council's planning cycle. • There are external influences which may reduce effectiveness of controls
2	Possible	<ul style="list-style-type: none"> • There is a low exposure to the risk. • Little likelihood of event occurring - 1 in 10 years • There is a potential for external influences which may reduce effectiveness of controls
1	Unlikely	<ul style="list-style-type: none"> • Extremely remote • Not expected to occur but may do so in exceptional circumstances - 1 in 100 years. • There are few or no external influences which may reduce effectiveness of controls

Impact Scores

<p>4</p>	<p>Serious Consequences</p>	<ul style="list-style-type: none"> • Loss of key front line delivery supplier/partner • Loss of life, significant life-changing injuries • Significant negative publicity - national press • Significant interest from regulators, external auditors or central government. • Significant ongoing loss of workforce (over 25%) • Unable to finance within existing framework/requiring additional government financial support. • Complete system failures/large scale data loss/breach or major Cyber Incident. • Significant delays, overspends or abandonment of a major project. • Serious frauds or criminal offences • Major failure to deliver services across multiple departments • Requires external intervention or full Council decisions.
<p>3</p>	<p>Significant Consequences</p>	<ul style="list-style-type: none"> • Loss of suppliers/partner • Loss of a service area/team/software for several weeks • Localised pollution/contamination incident • Serious injury to employee or public • Negative short-term local publicity • Large data breach or cyber attack • Attract significant interest from regulators/external auditors • Overspend on project requiring fundamental redesign or significant additional resources • Significant additional budget pressures requiring supplementary approval • Requires Cabinet Intervention
<p>2</p>	<p>Moderately Disruptive Impact</p>	<ul style="list-style-type: none"> • Loss of systems/service delivery for a few hours • Loss/damage to a room or small part of a structure requiring some relocation • Loss of key staff member/team for short term • Minor injuries to staff/public • Small losses/thefts, minor data breaches. • Service performance/standards slightly below expected • Minor public attention or limited attention from regulators/external audit • Financial impact below £10,000 or 1% of budget • Can be resolved by Head of Service
<p>1</p>	<p>Minor/Non-Disruptive Impact</p>	<ul style="list-style-type: none"> • Negligible impact on service delivery • No noticeable impact to the public/environment • Negligible financial impact or loss/damage to assets • Can be resolved by Service Manager