

RISK MANAGEMENT FRAMEWORK

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DATE: DECEMBER 2020

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Version Control

Version	Description of version	Effective Date
1.0	Policy Statement and Framework Fully Revised	December 2012
2.0	Review and Update for New Corporate Plan (no major changes)	March 2016
3.0	Review and update to reflect new Corporate Plan and recommendations following an Audit	December 2020

Approvals

Approved by	Date
Finance and Management Committee	December 2012
Director of Finance and Corporate Services	March 2016
Finance and Management Committee	December 2020

Associated Documentation

Description of Documentation	
Performance Management Framework	Under review
Annual Governance Statement	
Emergency Planning and Business Continuity Framework	Held centrally on the Government’s “Resilience Direct” website



1.0 INTRODUCTION

The management of risk is one of the 7 principles to ensure sound Governance at the Council, contained in its Local Code of Corporate Governance.

This is based on having robust controls and strong financial management in place to ensure that risks are mitigated.

It should be noted at the outset that it is not possible to eliminate all risk and some issues that could manifest themselves into risks for the Council are outside of its control, driven by external factors.

However, the Council must accept and face up to these risks and its responsibility is to put in place measures to manage those risks.

The Council has in place a process that identifies risks, records them, monitors them and reports them to stakeholders.

As part of the Council's Governance Framework, this provides transparency for residents and provides a degree of confidence that the Council has robust controls in place to mitigate risk

2.0 CONTENT

For a local authority like South Derbyshire, it delivers a diverse range of services to the local community.

The 21st Century continues to bring change, driven mainly by advances in technology, with the current Covid Pandemic also bringing its own challenges for authorities.

This is in addition to the traditional statute and regulatory framework that local authorities operate within.

As one of the fastest growing areas outside of London and the South East, South Derbyshire has its own challenges.

Growth, although generating income, puts additional pressure on, and demand for, local services and infrastructure.

To meet these challenges, the Council has a Corporate Plan which is based on 3 priorities of:

- ***The Environment***
- ***Local People***
- ***The District's Future***

The Plan sets out targets to tackle climate change, provide enhanced community facilities and support economic growth..... all in addition to the normal delivery of day-to-day services.



3.0 WHERE RISK MANAGEMENT FITS IN

It is generally accepted that risk is inherent in all that we do to some degree.

Indeed, Council Officers are managing risk daily, on an informal basis, and this is routine, operational and although important, is perhaps low level for the Council.

3. 1 Focus is on Key Risks

Not all risks can be logged and reported at Council level, to do so would be disproportionate.

Therefore, Risk Management at the Council focuses on the **KEY** issues that have the potential to fundamentally hamper service delivery and the achievement of the Corporate Plan.

This could lead, for example, to loss of financial stability, reputational damage, impairment of assets, a security breach and even to loss of life.

These risks may be applicable to a particular service only or affect the Council as a corporate body.

4.0 IDENTIFYING KEY RISKS

In assessing risks, the Council will have regard to such factors as:

- Key Performance Indicators
- National Funding
- The Economy
- Health and Safety
- Statute and Regulation
- Management of Data
- Organisational Capacity
- IT Systems
- Condition of Assets
- Contracts

The list is not exhaustive

Assessment is based on experience, “what’s happening elsewhere” together with local demands, issues and by sharing information across the Council.

4. 1 Performance Management

The Council’ process for Risk Management is integrated into its Performance Management Framework.

Risks are identified firstly at a Service level and this is overseen by Directorate Management Teams.

Council wide, or Corporate risks, are the responsibility of the Leadership Team, who also have oversight of all key risks identified.



5.0 RESPONSIBILITY FOR RISK

Full Council	Set the Corporate Plan and Governance Arrangements, etc.
Finance and Management Committee	Set and review the Performance Management Framework
Policy Committees	Set and review service policy, monitor KPIs and scrutinise risks
Leadership Team	Oversight of all risks and articulation of corporate risks for consideration by Committees
Directorate Management Teams	Oversight of service risks
Heads of Services	Identify and monitor service risks
All Staff	To inform risk identification and provide updates as required



5.1 The Audit Sub-Committee

Under its responsibility to monitor and review the Council's Governance arrangements, this Committee consider the Council's Risk Management **process** as detailed in this document.

The Committee **are not** responsible for assessing and monitoring specific risks, this is the responsibility of Policy Committees.

6.0 APPROACH TO RISK

This is the Council's risk appetite and how risk is treated, and its approach is straightforward.

Given that risks identified concern key issues, then the Council will accept all these risks and take appropriate action.

Even where the likelihood of the risk occurring is out of the Council's control, it will seek to put measures in place to mitigate or reduce the impact.

Therefore, the Council will generally take a risk averse position and will not simply tolerate these key risks which could severely hamper service provision but seek to treat them in a proportionate way.

In many instances, the Council, through its governance and internal control arrangements, will have mitigating measures in place which are embedded as part of service delivery.



These measures will help to control the *inherent risk* at its current level.

For example:

- Medium-term financial planning to guard against loss of financial stability.
- Health and Safety Programmes, which also help to reduce the likelihood of an incident occurring in the first place.

And

- Business Continuity arrangements to mitigate the effects of a flu pandemic.

6. 1 The Key Principle

Although some risks may only be temporary, most key risks will in principle remain over a sustained period, even where there is a change to the policy direction of the Council.

However, depending on the environment that the Council operates within at any one time, the severity or prominence of the risk will change.

The Council will in many instances have work-in-progress to help mitigate and lower a risk further. However, a combination of embedded controls and additional work may never eliminate all risk and a *residual risk* will always remain.

At some stages in the cycle, a risk will be **Tolerated** on the basis that nothing more can reasonably or proportionately be undertaken to mitigate the risk any further.

The Council may also at some stages consider **Transferring** or **Sharing** the risk, for example through a shared service arrangement, or indeed **Terminate** an activity to eliminate the risk altogether, although this will be rare.

In any case, although the Council may have mitigating measures in place, it is critical that they continue to be monitored, tested and updated to ensure that they remain fit for purpose in accordance with the severity of the risk.

7.0 RISK MONITORING AND REPORTING

The Council records, reports and monitors its risks in “*Risk Registers*” as part of the Performance Management Framework.

These Registers are reported to the Policy Committees on a quarterly basis.

7. 1 Service v Corporate Risks

To mirror the Committee and Management structure of the Council, a Risk Register is maintained for:

- **Service Delivery** (*incorporating Environmental, Planning, Housing and Community Services*)
- **Corporate Resources** (*incorporating support and back-office functions*)
- **Chief Executive** (*incorporating Legal, Democratic and Economic Development Services*)



The above registers record service risks associated with, for example:

- ✓ Systems
- ✓ Maintenance of assets
- ✓ Service contracts
- ✓ Service income

In addition, the **Corporate (Strategic) Register** record risks that are generic across several services or the whole Council, associated with, for example:

- ✓ Local authority funding
- ✓ Organisational capacity
- ✓ IT infrastructure
- ✓ Data management

Besides mirroring the structure of the Council, this approach also ensures that all key risks are captured and monitored.

7.2 Other Risks

It should also be noted that risk is a key consideration in proposals to change services, in evaluating proposals for capital investment and in business cases for transformation projects.

Separate sections exist in the appropriate reporting schedules for the consideration of risk, including the use of risk and issue logs.

In these instances, the Council may be less risk averse when it comes to investment and developing services, to benefit from opportunities, and this will be reflected in the risk analysis.

8.0 RISK RATING

The Council uses a standard template (as shown in **Appendix 1**) for reporting purposes and is a standard matrix recommended by practitioners.

The template summarises each risk, the mitigation measures in place, current actions and the responsible Department (Risk Owner).

The template also highlights any changes to the rating of the risk from the previous review.

8. 1 Use of a RAG System

Risks are rated, scored and classed as either **Red**, **Amber**, **Green**.

The rating score considers the likelihood of a risk occurring and the potential impact if things go wrong.

This classification is intended to prioritise risks at a point in time and ensure that prevailing (**Red**) risks are being given appropriate treatment at that time.

The rating serves as a guide for stakeholders to help understand the extent and severity of risks at a particular time and how they may have changed.



Some risks will remain high, such as health and safety, due to the very nature that an incident could have a serious and significant effect for the Council.

The scoring/rating is a subjective assessment and is not intended to be an indication of the Council's risk appetite.

The Council is concerned that too much emphasis can be placed on rating risks when it is more important to be aware of the risk, its potential impact and to treat it accordingly.

Green risks continue to be monitored and reviewed, even where they are being "tolerated" as no further action may be required apart from underlying controls already in place.

8.2 Insurance

Some risks may be insurable and where this is the case, this is highlighted as a mitigation measure.

However, it does not mean that the Council will avoid appropriate controls to prevent or mitigate the risk in the first place.

Insurance only helps to meet any financial liability arising from an incident or accident.

9.0 INDEPENDENT TESTING & REVIEW

The Council's Risk management arrangements are periodically reviewed by:

- **Internal Audit** – who make recommendations for strengthening the process.
- **External Audit** – as part of their annual Value for Money judgement, they review the Council's overall Governance arrangements as published in the Annual Governance Statement, which includes risk management.
- **Zurich Municipal** – provide a service worth £5,000 per year to review risk management; this can focus on specific risks or a generic review of the process. This includes the dissemination of best practice.



Appendix 1

RISK TEMPLATE (EXAMPLE ONLY)

Risk	Rating and Current Position	Risk Treatment	Mitigating Actions	Change since last quarter	Risk Owner
<p>1 Universal Credit (UC) – the implementation of UC could have an impact on resources in Benefits and Customer Services.</p> <p>Housing Benefit is administered by the Council on behalf of the DWP and is one of the six benefits being rolled up into UC.</p>	<p>UC is being rolled out on a phased basis for working age claimants. During 2019/20, this started to have a much bigger impact with claims for HB reducing by over 30%. However, the overall volume of work has broadly stayed the same as changes in UC are impacting on the Council's Council Tax Reduction Scheme (CTRS). More recently, the impact of Covid-19 has increased claims under the CTRS.</p>	<p>Treat the risk through continuous action and review.</p>	<ul style="list-style-type: none"> Greater automation is currently being progressed to process change of circumstances. The Local Council Tax Reduction Scheme is being redesigned to make it easier to understand and administer. Proposals for a new scheme, in principle, were originally planned for June 2020. However, due to Covid-19, this has been delayed until next year. Where spare capacity arises, off-site support, which is used to deal with peaks in workload, will be transferred in-house to utilise spare capacity. When future vacancies arise, these will be reviewed in the light of the longer-term position. 	<p>No change to rating and current position. Mitigating actions have been updated due to Covid-19</p>	<p>Customer Services</p>



STANDARD RISK TEMPLATE

Likelihood

4 High				
3 Medium				
2 Low				
1 Unlikely				
	1 Minor	2 Moderate	3 Significant	4 Catastrophic

Impact

