

Risk Management at South Derbyshire District Council

RISK MANAGEMENT POLICY STATEMENT

- 1.1 The Council Leader and Members are committed to a programme of risk management as an element of its strategy to preserve the Council's assets, enhance safety and productivity for residents, service users and members of the public and protect its employees.
- 1.2 The principal objective is to minimise liabilities and costs and protect the Council's reputation through effective and efficient risk management.
- 1.3 Risk can be defined as the likelihood of harm occurring, in this case something happening that has an adverse impact on the Council's aims and objectives. Risk needs to be managed rather than avoided and consideration of risk should not stifle innovation. The Council recognises that it has to deliver services in an increasingly litigious and risk adverse society. However risk management is a tool for exploiting opportunities as well as a safeguard against potential threats.
- 1.4 A systematic approach to identifying and analysing risks is an integral part of all management processes and all day to day working rather than a separate initiative. As such the Council will continue to embed risk management in all that it does.
- 1.5 The Council's aim is to use Risk Management to assist in maintaining and improving the quality of services within the Council.
- 1.6 It will implement a Risk Management Strategy that has the following objectives:
 - Integrate Risk Management into the culture of the Council.
 - Raise risk awareness within the Council.
 - Manage risk in accordance with best practice.
 - Comply with legislation and guidance.
 - Improve safety and increase safety awareness.
 - Protect Council property, services and reputation.
 - Reduce disruption to services by having effective contingency or recovery plans in place to deal with incidents when they occur.
 - Raise awareness of the need for Risk Management by all those connected with the delivery of services (including partners etc).
 - Enable the Council to anticipate and respond to changing social, environmental and legislative conditions.
 - Minimise injury, damage, loss and inconvenience to residents, staff, service users, assets etc arising from or connected with the delivery of Council services.
 - Introduce a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
 - Minimising the costs of risk.
- 1.7 The Council will review Risk Management on an ongoing basis. During each review the performance against the aims and objectives set out above, as part of the Performance Management Framework will be assessed.

ROLES AND RESPONSIBILITIES

- 1.8 The Chief Executive and the Corporate Management Team will be accountable to Members for the effective management of risk within the Council and will ensure that appropriate procedures, resources and skills are introduced in order to achieve this.

Role of Members

- 1.9 Members have responsibility for determining the strategic direction of the Council and for creating the environment and the structures for risk management to operate effectively. This will be through: -

- Audit Sub Committee.
- Risk Management Working Group (the minutes from this meeting shall be reported to Corporate Management Team).

- 1.10 As a minimum Members will consider, in evaluating its system of internal control: -

- Nature and extent of retained or residual risk.
- Likelihood of such risks becoming reality.
- Process for the management of unacceptable risks.
- Probability and impact on the Council, including costs and benefits of actions taken.
- Effectiveness of the risk management process.
- Risk implications of Committee decisions.

Role of Heads of Service

- 1.11 This includes: -

- Responsibility for managing risk on a day-to-day basis.
- Promoting risk awareness within their service areas, including the introduction of risk into service planning.
- Incorporating risk into the conceptual stage of projects as well as throughout a project.

Role of the Risk Management Function (Finance & Property Services)

- 1.12 This includes: -

- Preparing policy and strategy for risk management.
- Designing and reviewing processes for risk management.
- Advising on risk management issues within the Council.
- Preparing reports on risk for the Management Team and Members.

Role of Internal Audit

- 1.13 This includes: -

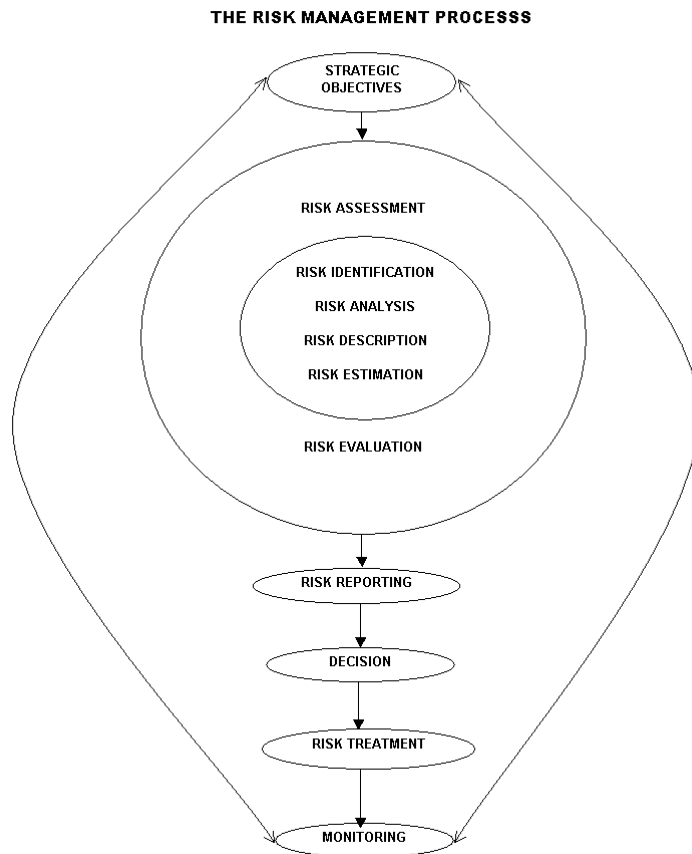
- Focusing internal audit work on the significant risks, as identified by management, and auditing the risk management processes across the Council.
- Provide assurance on the management of risk.

Risk Management at South Derbyshire District Council

RISK MANAGEMENT STRATEGY

1. Risk Management Process

1.1 The risk management process for South Derbyshire is summarised as follows: -



2. Strategic Objectives

2.1 These are identified in the Policy statement above.

3. Risk Assessment

3.1 This is the process of analysing and assessing risk. This strategy provides the guidance required to help those responsible for risk within the Council to complete the respective tasks e.g. identifying, estimating, controlling, etc.

Risk Identification

- 3.2 The risk identification process is concerned with identifying the events that can impact on the service objectives - 'what could happen'. This may have a positive rather than a negative effect on the objectives.
- 3.3 Identifying the Risk will initially be done through a simple group session to create a list of positive risks (opportunities) as well as negative risks (threats). Risk management is to be embedded into all management practices employed by the Council.
- 3.4 It can help to think in terms of internal and external factors or to use a simple Categories of Risk chart to aid the thought process.
- 3.5 Risk is considered in 3 stages:

For example:

An **EVENT** (or cause) that has a **CONSEQUENCE** that leads to an **IMPACT** on the Council's objectives.

Typical phrases that help with identification include: -

Loss to....
Failure of....
Lack of.....
Partnership with....
Development of.....

Risk Analysis

- 3.6 The risks facing the Council and its operations need to be categorised. These risks can result from factors both external and internal to the Council, which will include:-

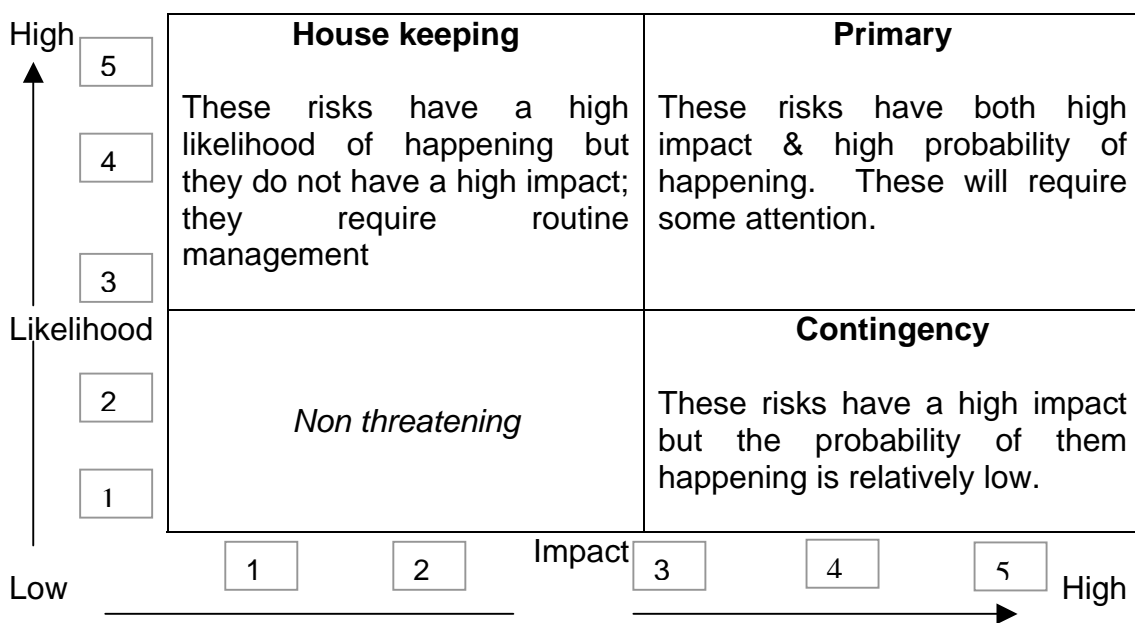
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|-----------------------------|--|
| Strategic | - These concern the long-term strategic objectives of the Council. They can be affected by availability of resources, political, legal and regulatory changes, reputation and the physical environment. |
| Operational | - These concern the day-to-day issues that the Council is faced with as it makes every effort to deliver its strategic objectives. |
| Financial | - These concern the effective management and control of the finances of the Council and the effects of external factors such as availability of central government grants, interest rate movement and other market conditions. |
| Knowledge management | - These concern the effective management and control of the knowledge resources, the production, protection and communication thereof. Factors might include a system malfunction or loss of key staff. |
| Compliance | - These concern such issues as health & safety, environmental, data protection, employment practices and regulatory issues. |

Risk Description

- 3.7 The objective of risk description is to display the identified risks in a structured and consistent format. Identification of the risks associated with business activity, service delivery and decision making shall be categorised as described in paragraph 3.6 above. The risk description should include identifying the consequences if the risk occurred and who, or what it will affect. Risk management shall be incorporated into the early planning stage of projects as well as throughout the life of a project.

4. Risk Evaluation

- 4.1 This step is about estimating which of these risks is going to pose the greatest threat (or opportunity). This is achieved by looking at both likelihood and impact. As the likelihood and severity of impact increases the level of risk also increases.
- 4.2 To ease reporting, a 5-point scoring system has been developed ranging from very low, low, medium, high to very high. Each risk is evaluated both in terms of impact and likelihood and then mapped out on a matrix.



- 4.3 Our aim in all of this is to manage risk rather than avoid it. It can be as damaging for us to over control risk as it is to not manage it at all.
- 4.4 It is important to ensure that our response to risk is proportionate. Action taken to manage the risk will depend on whereabouts the risk is plotted into the matrix, as indicated by the table below:

VERY HIGH
Red (17+)

- These risks have both high impact & high probability of happening. Risks falling into this category are top level risks and should therefore be constantly monitored and reviewed monthly.

HIGH
Orange (12 – 16)

- High level of risk - should be constantly monitored and reviewed quarterly or 6 monthly. Possibly escalate to higher committee if required.

MEDIUM
Yellow (7-11)

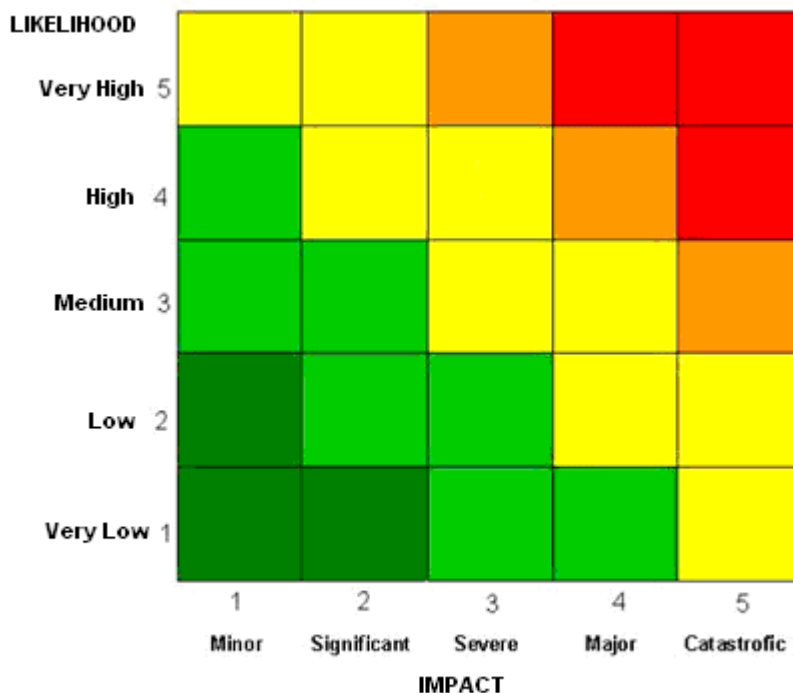
- Medium level of risk - should be monitored and reviewed annually as a minimum, 6 monthly if necessary.

LOW
Green (3 – 6)

- Low level of risk - should not require much attention but should be reviewed at least annually.

VERY LOW
Dark green (<2)

- Minimal impact - should be reviewed on an annual basis to ensure risk rating has not changing.



5. Risk Reporting and Communication

5.1 The information needed at the differing levels within the Council is summarised below: -

Elected Members

- Significant risks facing the Council.
- Effects on reputation with stakeholders.
- The levels of awareness throughout the Council.
- How the Council will manage a crisis.
- How to manage communications with the community and stakeholders.
- Be assured that the risk management process is working effectively.
- Publish a clear risk management policy.

Management Team and Heads of Service

- Be aware of risks that fall into the relevant area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them.
- Complete and maintain the risk assessment documentation (Appendix 2).
- Performance indicators that allow monitoring of the key services and financial activities, progress towards objectives and identify developments that require intervention (e.g. forecasts and budgets).
- Systems to communicate variances in budgets and forecasts at appropriate frequency to allow timely and remedial action to be taken.
- Report to elected members any perceived new risks or failures of existing control measures.

All staff

- Responsibility for individual risks.
- Understand how they can assist with continuous improvement of risk management.
- Understand that risk management and awareness is a key part of the organisation's culture.
- Report to management any perceived new risks or failures of existing control measures.

6. External Reporting

6.1 Reports to stakeholders setting out its risk management policies and the effectiveness in achieving its objectives need to be made on a regular basis. Increasingly stakeholders look to organisations like the Council to provide evidence of effective management of the Council's non-financial performance in such areas as employment practices, health and safety and the environment.

6.2 Good corporate governance requires that a robust approach to risk management be adopted which:

- Protects the interests of stakeholders.
- Ensures that the Elected Members discharge their duties to direct strategy, build value and monitor performance of the Council.
- Ensures that management controls are in place and are performing adequately.

- 6.3 The arrangements for the formal reporting of risk management should be clearly stated and be available to the stakeholders.
- 6.4 The formal reporting shall address: -
- Control methods, particularly management responsibilities for risk management.
 - Processes used to identify risks and how they are addressed by the risk management systems.
 - Primary control systems are in place to manage significant risks.
 - A monitoring and review system is in place.
- 6.5 Any significant deficiencies uncovered by the system, or in the system itself, should be reported together with the steps taken to deal with them.
- 6.6 Reports will be made to the Audit Sub Committee and take the form of:
- Policy and Strategy reviews to be undertaken at least annually.
 - Monitoring progress and performance on a quarterly basis.

7. Decision

- 7.1 For each risk identified a decision has to be reached to determine the best action that treats the risk minimising the likelihood and impact on the Council, as far as is reasonably practicable. This decision shall be taken by the Head of Service and recorded on the Risk Register. The Risk Management Group, Corporate Management Team and Audit Sub Committee shall scrutinise these decisions.
- 7.2 Terms of reference for the Risk Management Group are contained in **Appendix 4**.

8. Risk Treatment

- 8.1 Risk treatment is the process of selecting and implementing measures to reduce the level of risk as far as is reasonably practicable. Risk treatment includes as its major element risk control, mitigation, but extends further to, for example, risk avoidance, risk transfer, risk financing, etc.
- 8.2 Any system of risk treatment should:
- Be compliant with laws and regulations.
 - Not effect the Effective and efficient operation of the Council.
 - Be monitored to ensure its effectiveness
- 8.3 The risk analysis process assists the effective and efficient operation of the Council by identifying those risks which require attention by management. They will need to prioritise risk control actions to ensure the benefits to the Council are attained efficiently. If it is decided that no action is taken and the risk retained, detailed information about the process for arriving at this decision will require documenting. The decision to take no action shall be subject to regular monitoring by the Head of Service and by the Risk Management Group.
- 8.4 In treating risk the cost of implementation has to be established. This has to be calculated with some accuracy since it quickly becomes the baseline against which cost effectiveness is measured. The loss to be expected if no action is taken must

also be estimated and by comparing the results, management can decide whether or not to implement risk control measures.

8.5 Compliance with laws and regulations is not an option. The Council must understand the applicable laws and must implement a system of controls to achieve compliance. The concept of reasonably practicable will be adhered to; action must be taken to reduce the level of risk unless the cost (e.g. financial, time, resources) of reducing a risk is grossly disproportionate to the level of risk and impact on the Council.

8.6 One method of obtaining financial protection against the impact of risks is through risk financing which includes insurance. However, it should be recognised that some losses or elements of a loss will be uninsurable e.g. the uninsured costs associated with work-related health, safety or environmental incidents, which may include damage to employee morale and the Council's reputation.

8.7 Once risk has been prioritized the next step requires the identification of what measures will have to be taken to manage these risks to acceptable levels.

8.8 This is done by considering:

- Can we reduce the probability of occurrence?
- Can we reduce the magnitude of loss?
- Can we change the consequences of the risk?

8.9 There are 4 basic approaches to lowering the risk:

Terminate - Stop doing the activity or find a different way of doing it, or introduce alternative systems/practice.

Treat - Put procedures and controls in place to reduce the chance of a loss happening, or the frequency of a loss, or the severity of the incident; or formulating a contingency plan to reduce interruption to services, new internal systems and practices, staff training, physical risk improvements, continued assessment & monitoring.

Tolerate - Decide to bear losses out of normal operating costs, informed decision to retain risk and monitor the situation.

Transfer - Place indemnity clauses in a contract, insurance cover, outsource services.

9. Monitoring and Review of the Risk Management Process

9.1 Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Regular audits of policy and standards compliance shall be carried out and standards performance reviewed to identify opportunities for improvement. Changes in the Council and the environment in which it operates will be identified and appropriate modifications made to systems.

- 9.2 The monitoring process should provide assurance that there are appropriate controls in place for the Council's activities and that the procedures are understood and followed.
- 9.3 Any monitoring and review process should also determine whether:
- Measures adopted resulted in what was intended.
 - Procedures adopted and information gathered for undertaking the assessment was appropriate.
 - Improved knowledge would have helped to reach better decisions.
 - Identify what lessons could be learned for future assessments and management of risks.

10. Structure and Administration of Risk Management

Risk Management Policy

- 10.1 This is defined in the Policy Statement which is contained at the front of this document.

Roles and Responsibilities

- 10.2 These are defined in the Policy Statement which is contained at the front of this document.

Administration of Risk Management

- 10.3 The Chief Accountant shall support risk management by:
- Preparing and updating the Policy and Strategy documents.
 - Undertake periodic reviews of risk management processes.
 - Provide advice on risk management issues.
 - Maintain the Asset Register (**Appendix 3**).
 - Prepare progress and performance monitoring reports.
 - Provide administration support for the Risk Management Working Group.

RISK ASSESSMENT							
Reference:			Risk Rating (Overall Score):				
SERVICE:							
Risk Owner:							
Description of risk assessed:							
Assessed by:							
Date:							
Analysis of inherent (i.e. uncontrolled) risk:							
Controls in place Additional Controls required?							
ASSESSMENT			RISK GRADING				
Inherent Risk i.e. if uncontrolled							
• Impact			Very Low	Low	Medium	High	Very High
• Likelihood			Very Low	Low	Medium	High	Very High
Overall assessment			Very Low	Low	Medium	High	Very High
Analysis of residual risk (controls are in place):							
ASSESSMENT							
RISK GRADING							
Residual Risk i.e. if controls are in place							
• Impact			Very Low	Low	Medium	High	Very High
• Likelihood			Very Low	Low	Medium	High	Very High
Overall assessment			Very Low	Low	Medium	High	Very High
Action to be taken							
Head of Service Comments							
Signature of Head of Service and date:							
Next Review date:							

Size of Risk – Impact Guide

The Impact guides are only for guidance and are not intended to be prescriptive. It should be the worst-case scenario that is usually used to rate the risk.

Severity descriptors	Possible consequences	Examples*
1 - Very Low	No impact	
2 - Low Negative outcomes from risks or lost opportunities that are unlikely to have a permanent or significant effect on the Council's reputation or performance	<ul style="list-style-type: none"> Financial impact less than £10,000 No regulatory consequence Minor adverse publicity Minor reversible injury 	<ul style="list-style-type: none"> Council sued successfully for wrongful dismissal Employee has a work related injury e.g. slips
3 - Medium Negative outcomes from risks or lost opportunities that will have a significant impact on the Council but can be managed without major impact in the medium term	<ul style="list-style-type: none"> Financial loss up to £10,000 in any year Limited regulatory consequence Local adverse publicity of subject area Major reversible injury 	<ul style="list-style-type: none"> Major IT project is late or overspent Member of the public injured due to Council negligence Commitments cannot be delivered due to loss of funding partner
4 - High Negative outcomes from risks or lost opportunities with a significant effect that will require major effort to manage and resolve in the medium term but do not threaten service delivery in the medium term	<ul style="list-style-type: none"> Financial loss over £10,000 in a single year Major savings programme required to break-even in the medium term Significant regulatory consequence Negative headlines in the media Irreversible injury or death 	<ul style="list-style-type: none"> The Council may not make proper arrangements to fulfil its statutory obligations regarding equalities and diversity Council financial systems fail completely and cannot be recovered
5 - Very High Negative outcomes from risks or lost opportunities which if not resolved in the medium term will threaten service delivery	<ul style="list-style-type: none"> Financial loss of over £10,000 in any year for consecutive years Substantial regulatory consequence Sustained negative headlines in the media Major negative sanction by Audit Commission and/or Government Department Key services are withdrawn Irreversible multiple injury or death 	<ul style="list-style-type: none"> Major accident due to Council negligence Major fire that prevents access to the Civic Offices resulting in no payments being made to employees, suppliers and benefit claimants Failure to meet UK Statutory requirements or EU regulations Sustained failure to recruit staff

Appendix 2

* The examples can move up or down the matrix accordingly to suit whether a department, a service or the Council as a whole.

Size of Risk – Likelihood

Descriptor	Likelihood
1 – Very low	2% likely to happen
2 – Low	5% likely to happen
3 – Medium	10% likely to happen
4 – High	20% likely to happen
5 – Very high	50% likely to happen

Total risk score guide

Descriptor	Guide
0 – 6 Low	Low level of risk, should not require much attention but should be reviewed at least annually
8 – 12 Medium	Medium level of risk, should be monitored and reviewed annually as a minimum, 6 monthly if necessary
14 – 20 High	High level of risk should be constantly monitored and reviewed quarterly or 6 monthly. Possibly escalate to higher committee if required
Over 20 – Very high	Top level of risk, should be constantly monitored and reviewed monthly.

RISK MANAGEMENT GROUP

TERMS OF REFERENCE

General Purpose

The main purposes of the Group are:

- To provide a forum to discuss risk management issues and responsibilities throughout the Council.
- To oversee all issues of risk, including implementation of the Council's Risk Management Strategy, and to promote a comprehensive approach to the management of risk throughout the Council.
- To promote good Risk Management practices throughout the Council with the aim of reducing insurance claims and premiums.
- To reduce risks within the Council's services to the benefit of staff and the public.
- To consider and find ideas/schemes for risk reduction measures in buildings and services throughout the Council.

Accountability

The Group is accountable to and will report directly to the Corporate Management Team and the Audit Sub Committee.

Responsibilities

- Monitoring the Risk Management Strategy.
- Reviewing the Council's strategic risk register, schedules and action plans, acting as a forum for examining and rating risks and making recommendations to the Audit Sub Committee.
- Developing a comprehensive performance framework for risk management, which includes the use of key indicators to identify changes to risk.
- Development and implementation of relevant training, awareness and education programmes.
- Development and implementation of effective reporting, communication and information with managers and staff.
- Reviewing the programme for developing risk registers and action plans to ensure that the appropriate management action is taken to minimise or eliminate risk.
- Monitoring compliance with legal and statutory duties.
- Reviewing the results of investigations into untoward incidents, near misses and accidents to ensure that the appropriate management action is/has been taken to minimise the risk of future recurrence.

Membership

Director Community Services	-	Chair
Chief Accountant	-	Finance & Property Services
Corporate Asset Manager	-	Finance & Property Services
Technical Officer	-	Finance & Property Services
Health & Safety Officer	-	Organisational Development
Nominations from front-line services areas		
Emergency Planning Officer		

Frequency of Meetings

Four times a year