RISK MANAGEMENT FRAMEWORK

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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
4.0	New Risk Register Template and amendments to sections 4,6,7,8 and section 10 new.	May 2021

Approvals

Approved by	Date
Finance and Management Committee	December 2012
Director of Finance and Corporate Services	March 2016
Audit Sub Committee	December 2020
Audit Sub Committee	June 2021

Associated Documentation

Description of Documentation	
Performance Management Framework	December 2020 Version 2.0.
Annual Governance Statement	
Emergency Planning and Business Continuity Framework	Held centrally on the Government's "Resilience Direct" website

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The Process

Articulate the key risks

Highlight key controls

Monitor

Report and scrutinise

Communicate

1.0 INTRODUCTION

The management of risk is one of the seven 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 CONTEXT

South Derbyshire District Council delivers a diverse range of services to the local community.

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.

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3.0 WHERE RISK MANAGEMENT FITS IN

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

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.

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 INDENTIFYING KEY RISKS

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

- ➢ Key Performance Indicators
- ➢ The Environment
- ➢ 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.

The assessment of risk 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's 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.

The Leadership Team have oversight of all key risks identified.

5.0 RESPONSIBILITY FOR RISK

Full Council	Sets the Corporate Plan and Governance Arrangements, etc.
Finance and Management Committee	Sets 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

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Heads of Services	Identify and monitor service risks
All Staff	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 considers the Council's Risk Management *process* as detailed in this document.

The Committee is *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.

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. It should help to reduce the impact of a risk whilst a residual risk may remain.

Therefore, 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 Risk Registers

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

> **Corporate** (*incorporating support, back-office functions and any risks that have Corporate implications*)
> **Service Delivery** (*incorporating Operational, Environmental, Planning, Housing and Cultural and Community Services*
> **Chief Executive** (*incorporating Legal, Democratic and Economic Development Services*)

The above registers record risks associated with each Directorate, for example:

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- ✓ Systems
- ✓ Maintenance of assets
- ✓ Service contracts
- ✓ Service income
- ✓ Local authority funding
- ✓ Organisational capacity
- ✓ IT infrastructure
- ✓ Data management

Each risk will be assigned a unique risk reference number (REF) which will commence with the appropriate directorate letters for example, Corporate Risk Register - CR, Chief Executive Risk Register - CE and Service Delivery Risk Register - SD. This risk reference will remain unchanged whilst the risk is reported in the Risk Register.

Deletion of risks must be approved by the relevant member of the Leadership Team. Once the deletion of the risk has been approved, deleted risks will be moved onto the archived Risk Register.

The Leadership Team will review, and sense check all three Risk Registers each quarter before being reported to committees. Random quality checks will be carried out on one or two risks and the relevant Head of Service will be asked to attend the Leadership Team meeting to provide documented evidence to show how the controls and mitigating actions are being 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

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The Council uses a standard template recommended by Central Midlands Audit Partnership. (as shown in **Appendix 1**) for reporting purposes.

The template summarises each risk including the risk reference, risk title and description, risk effect, risk category, current risk rating, controls in place to mitigate the risk, risk rating after mitigation, further actions, summary of changes since last quarter and risk owner.

Risk Category

The risks facing the Council and its operations are categorised. As highlighted, risks can result from both internal and external factors which will include:

Strategic: These concern the long-term strategic objectives of the Council. They can be affected by political, legal and regulatory changes, reputation and the physical environment.

Resource: These concern anything that is required to achieve compliance for example, time or skilled officers

Operational: These concern the day-to-day issues that the Council is faced with including resources, skills and capacity issues at a detailed service level.

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 resource, together with the production, protection and communication thereof. Factors might include a system malfunction or loss of key staff.

Compliance: These concern such issues as health and safety, environmental, data protection, employment practices and regulatory issues.

8. 1 Use of a RAG System

The Risk Register includes the **'current risk rating.'** The current risk rating should be reviewed every quarter by the risk owner to take into account any changes that have occurred within the Council and to ensure the risk reflects the current climate.

The Risk Register will capture all controls (actions) that have been put in place to mitigate the risk, whilst the likelihood of the risk may remain the same the level of impact should reduce. The **'risk rating after mitigations'** will be reviewed every quarter by the risk owner.

Risks are rated, scored and classed as **Red, Amber,** or **Green.** The Risk Matrix Table in Appendix 1 outlines the scoring of impact and likelihood of the risk using the threshold and description as guidance.

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.

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.

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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 sharing of best practice.

10 COMMUNICATION

Following Committee approval, the risk registers will be shared across all three Directorates and loaded onto the staff intranet site.
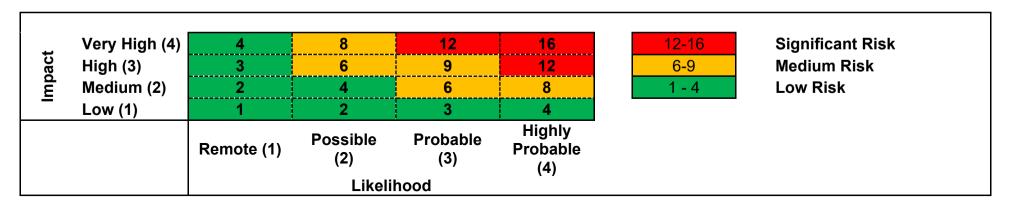
APPENDIX 1 Risk Template (Example Only)

REF	RISK TITLE & DESCRIPTION	RISK CAUSE	RISK EFFECT	RISK CATEGORY *Strategic Resource Operational Financial Knowledge management Compliance, Partnership*	Current Risk Rating *(See table below for guidance)*			CONTROLS IN PLACE TO MITIGATE THE RISK	Risk Rating after mitigations *(See table below for guidance)*			FURTHER ACTION REQUIRED	SUMMARY OF CHANGE SINCE LAST QUARTER	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING			
CR1	**Universal Credit (UC)**	The implementation of UC could have an impact on resources in Benefits and Customer Services.	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%.	Financial	4	3	12	• 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.	4	2	8	When future vacancies arise, these will be reviewed in the light of the longer-term position.	No change to rating or mitigating actions.	Head of Customer Services

Risk Matrix Template

The table below outlines how the impact and likelihood of the risk is scored using the threshold and description as guidance.

Impact		Remote (1)	Possible (2)	Probable (3)	Highly Probable (4)
	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4

Likelihood

12-16	Significant Risk
6-9	Medium Risk
1 - 4	Low Risk

Impact	Thresholds and Description
1 – Low	Limited impact on service objectives if any, section objectives unlikely to be met, financial loss less than £500k, no media attention
2 – Medium	Slight delay in achievement of service objectives, minor injuries, financial loss over £500k, adverse local media attention, breaches of local procedures
3 – High	Significant threat to Council objectives. Non-statutory duties not achieved, permanent injury, financial loss over £1million, negative national media attention, litigation expected, serious issues raised through inspection, breakdown of confidence of partners.
4 – Very high	Objectives cannot be delivered. Statutory duties not achieved, death, financial loss over £5million, adverse national media attention, litigation almost certain, prosecutions, breaches of law, inspection highlights inadequate service, council unable to work with partner organisation

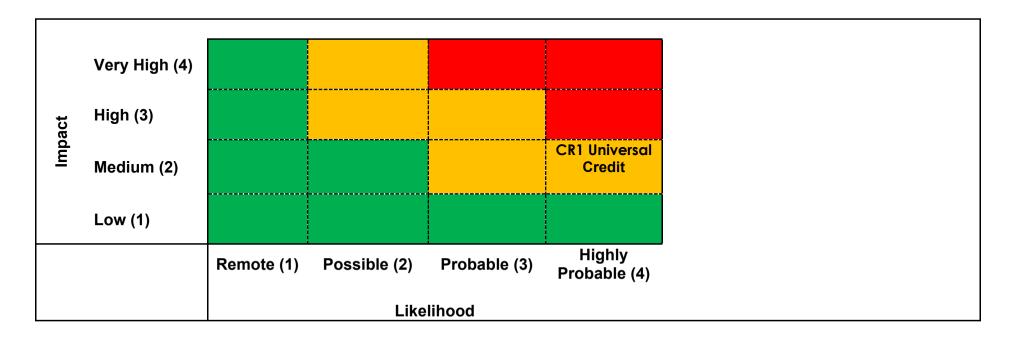| Likelihood	Thresholds and Description
1 – Remote	May occur only in exceptional circumstances (e.g. once in 10 years)
2 – Possible	Unlikely to occur but could at some time (e.g. once in three years)
3 – Probable (in two years)	Fairly likely to occur at some time or under certain circumstances (e.g. once in two years)
4 – Highly probable (in 12 months)	Will probably occur at some time or in most circumstances (e.g. once in 12 months)

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Corporate Risk Matrix

The below table summarises the risk likelihood and impact for risks after controls have been put in place to mitigate the risk.

Impact		Remote (1)	Possible (2)	Probable (3)	Highly Probable (4)
	Very High (4)	🟢	🟠	🔴	🔴
	High (3)	🟢	🟠	🟠	🔴
	Medium (2)	🟢	🟢	🟠	🟠 CR1 Universal Credit
	Low (1)	🟢	🟢	🟢	🟢

Likelihood

1 Universal Credit   The implementation of Universal Credit could have an impact on resources in Benefits and Customer Services.

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