Appendix 2

DERBY CITY COUNCIL

RISK MANAGEMENT HANDBOOK

DECEMBER 2010

ADDITIONAL INFORMATION

- Roles & Responsibilities
- The Strategic Risk Group
- Terms of Reference for the Strategic Risk Group
- Links to corporate governance
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- What are the big issues? - What are our risk priorities?
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FOREWORD

Member Champion **Officer Champion**

INTRODUCTION

Derby City Council recognises that Risk Management is an integral element of Corporate Governance and a key contributor to ensuring a robust internal control environment. The management of risk is considered good practice within the public sector.

Risk Management can be defined as the culture, process and structure that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives.

The Council will establish and maintain a systematic framework and process for managing corporate; operational; project and partnership risks which will be outcome focussed. This will include assessing risks for likelihood and impact, identifying and allocating responsibility for implementing mitigating controls and receiving assurances to ensure successful management of those risks and that they are complied with.

All members, employees, service providers, partners, and stakeholders are expected to play a positive role in ensuring that effective risk management is embedded into the culture and activities of the Council.

The Council will review the Policy and Strategy annually and any variations from this Policy will be agreed by the Audit and Accounts Committee.

Richard Boneham
Head of Audit and Risk Management

RISK & RISK MANAGEMENT

RISK & RISK MANAGEMENT

What is risk?

There are many definitions of risk; Collins English Dictionary defines risk as:
“The possibility of incurring misfortune or loss”

The problem with this definition is that, it focuses only on the negative aspect of risk.

A risk is not necessarily something going wrong - it is simply something turning out differently to how you expected or planned for

Derby City Council defines a risk as:

The chance of something happening that may have an impact on objectives

In brief, a risk is an event or occurrence that would prevent, obstruct or delay the organisation from achieving its objectives or failing to capture business opportunities when pursuing its objectives

Positive consequences or opportunities are the possibility that an event will occur and positively affect the achievement of objectives. You can channel the opportunities back into your objective setting/business planning process, formulating plans to seize those opportunities.

What is risk management?

"….it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks" ZMMS/SOLACE, Chance or Choice? July 2000

Risk management implies adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial well being of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk Management covers the whole range of risks and not just those associated with finance, health and safety and insurance. It includes risks associated with public image (reputation), the environment, technology, breach of confidentiality etc.

Risk Management is not about avoiding risks, being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives.

Risk Management is about making the most of opportunities. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

Scope

Risk management is something that everyone within the Council undertakes almost daily, in varying degrees. Although it is difficult to draw clear boundaries around risk management areas because of the cross-cutting nature of risk, risk management within Derby City Council falls into four main areas:

- Health and safety risks
- Business continuity planning / emergency planning
- Project risks
- Business risks: i.e. risks identified that could prevent the Council achieving its priorities – either top-level priorities or operational-level priorities

The Risk Management Process outlined within this Strategy applies primarily to the business and project risk management areas but can, where appropriate, be used for any area. All risk areas identified above include high-level / long-term risks (strategic risks) through to low-level / day-to-day risks (operational risks).

Lead responsibility for the development of the four areas of risk management identified is shared between:

Nigel Parkes- Rolfe	Health & safety
Robin Ashton	Business continuity planning / emergency planning
T B A	Projects
Richard Boneham	Business risks

Health & Safety

The Council has in place effective processes for the management of health and safety risks. The established processes already in place should be followed; they are not superseded by this handbook.

Business Continuity / Emergency planning

Business continuity management and risk management are clearly aligned. However, business continuity is concerned with that usually have a very low likelihood of occurring but would have a catastrophic impact on the Council ability to deliver it service if it were to manifest. Consequently any risks that any risks identified as having a catastrophic impact are likely to mitigate by the Councils business continuity management processes.

Project Risks

Risk management is incorporated into project management right from the outset (e.g. initial risk assessment is part of the project brief) The size and scope of the project dictate the best way of managing the risks.

All projects **must** undertake full risk assessments

Business Risks

The term business risk relates to risks that might prevent objectives being achieved at all levels. The risk management processes outlined in this handbook should be used to manage all the risks to the councils ability to deliver its priorities.

Aims & objectives

Risk Management is not about:

- Creating a totally risk free society
- Generating paper-work mountains
- Scaring people by exaggerating or publicising trivial risks
- Stopping important activities for individuals where the risks are managed

The Objectives of the Risk Management Policy are to:

1. Ensure that Risk Management assists in the achievement of the Council's priorities.
2. Embed Risk Management into the culture and activities of the Council.
3. Ensure that the Council continues to meet all statutory and best practice requirements in relation to Risk Management.
4. Ensure that Risk Management contributes to a framework of good governance.
5. Ensure the Council successfully manages risks and opportunities at a corporate; operational; project and partnership level.

These objectives will be achieved by:

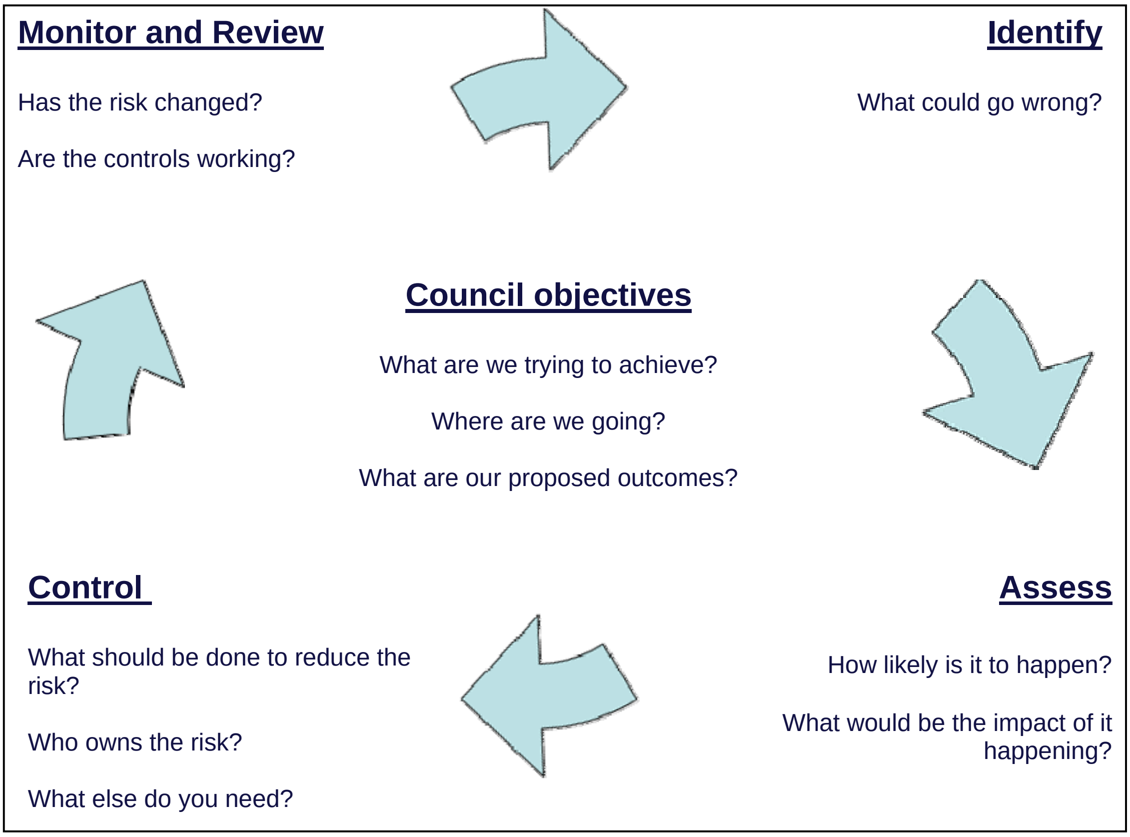
- Establishing clear roles and responsibilities.
- Embedding a clear framework for dealing with risk management issues within the council's processes and procedures which will include promotion of good risk management practices
- Identifying, reviewing and prioritising and managing risk areas (strategic and operational)
- Reinforcing the importance of effective risk management as part of everyday work of employees
- Making all stakeholders aware of the council's risk management expectations
- Incorporating risk management considerations into reviews of services
- Incorporating risk management into the annual business performance plans of the services
- Incorporating risk management in decision making processes
- Monitoring risk management arrangements on an ongoing basis
- Developing a framework to allocate resources to identified priority risk areas.
- Developing arrangements to measure performance of risk management activities against the council's aims and objectives

What are the benefits of risk management?

- In addition to complying with regulations and inspection regimes, effective risk management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole, for example the approach should lead to:

Area of activity	How risk management can help
Better service delivery There are a number of risks associated with delivering services to the public - services may be delayed, be of poor quality, unreliable or not be easily accessible; departments may not be able to respond to sudden increases in demand; or complementary services may not be joined up at the point of delivery.	Risk management can help departments to assess the likelihood of major changes occurring which might impact on resource requirements and how they deliver services. By doing so departments can develop contingency plans to maintain services if things go wrong, and consider ways of responding to the demand for services during periods of change through for example, good communication with citizens.
More efficient use of resources Effective risk management should identify the main risks to the achievement of programme outputs and outcomes.	Prioritisation: departments can help to identify those areas that maybe over-controlled or over-regulated so that resources can be released to address higher risk areas
Better project management With all types of equipment, IT and construction projects there is the risk that they will be delivered late, over budget or will not meet operational and quality requirements.	Risk assessment at the feasibility and appraisal stage can help to develop forecasts; maximise the allocation of risk to the parties best able to manage them; and help clarify responsibilities for managing identified risks.
Minimising waste, fraud and poor value for money Departments need to assess regularly whether their internal management controls are reliable and sufficient to minimise the risk of fraud, impropriety and waste.	Effective risk management will include a regular assessment of the performance measures, controls, processes and other systems supporting the department's, objectives, programme outputs and delivery of services. In doing so it can help assess their reliability and how they might need to be enhanced.
Innovation Failure to innovate can be a risk in itself if, for example, departments do not keep pace with developments in the use of information technology to the extent that they cannot realise the improvements in efficiency and service delivery which such technological developments make possible.	Risk management requires the assessment of a range of options in terms of the likely opportunities for improved service delivery and programme outcomes, and what needs to be done to manage the risks associated with each option. In doing so it can provide a framework for adopting more innovative approaches and managing the risks associated with them.
Managing change Change is very much a normal feature of the environment in which departments operate - new social and economic problems may require government action; rapid technological changes may require local government officers to develop new skills and new ways of delivering services in response to increases in the public's expectations of the standard of service they should receive.	Risk management can help departments to assess the likelihood of major changes occurring which might impact on resource requirements and how they deliver services. By doing so departments can develop contingency plans to maintain services if things go wrong, and consider ways of responding to the demand for services during periods of change through for example, good communication with citizens.

THE RISK MANAGEMENT PROCESS



Identifying Risks

In order to effectively manage risk, the Council needs to know what risks it faces, and to evaluate them. Identifying risks is the first step in building a risk profile. Firstly we have to consider what it is we are trying to achieve. Once we know that, we can then give thought to what may impact on our ability to achieve our objectives.

What are our objectives?
Within the context of our established corporate priorities, Members and Senior Management establish strategic objectives, select strategy and set objectives cascading through our Authority**.** Our Risk Management framework is therefore geared to achieving our objectives. Objectives must exist before we can identify potential events affecting their achievement (both positive and negative).
There is a direct relationship between objectives, which are what we are striving to achieve and risk management components, which represent what is needed to achieve them.

Risks can then be assessed and prioritised in relation to the objective.

The identification of risk can be separated into two distinct phases. They are:

- Initial risk identification (such as for a new project or activity)

- Continuous risk identification whereby new risks are identified which did not previously arise, or where there are changes in existing risks.

In either case risks should still be related to the objectives.

When a risk is identified it may be relevant to more than one of the organisation’s objectives, and the best way of addressing the risk may be different in relation to different objectives.

If there are any specific risks identified such as a health and safety risk, business continuity risk, environmental or fire risk then you would need to involve the relevant and specialist department to assist in undertaking the risk assessment.

In stating risks, care should be taken to avoid stating impacts which may arise as being the risks themselves, and to avoid stating risks which do not impact on objectives; equally care should be taken to avoid defining risks with statements which are simply the converse of the objectives.

A statement of a risk should encompass the cause of the impact, and its effects to the objective (cause and consequence) which might arise. For example:

Objective – to travel by train from A to B for a meeting at a certain time	
Failure to get from A to B on time for the meeting	**X** This is simply the converse of the objective
Being late and missing the meeting	**X** This is a statement of the impact of the risk, not the risk itself
There is no buffet on the train so I get hungry	**X** This does not impact on achievement of the objective
Missing the train causes me to be late and miss the meeting	✓ This is a risk which can be controlled by making sure I allow plenty of time to get to the station
Severe weather prevents the train from running and me from getting to the meeting	✓ This is a risk which I cannot control, but against which I can make a contingency plan

Risks should be identified at a level where a specific impact can be identified and a specific action or actions to address the risk can be identified.

All risks, once identified, should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time.

A risk owner, in line with their accountability for managing the risk, should have sufficient authority to ensure that the risk is effectively managed; the risk owner may not be the person who actually takes the action to address the risk.

Once I know my objectives how do I identify the risks?

The Council's chosen methodology for the identification of risk is through self-assessment by departments. Each level and part of the Council has to review its activities and to contribute its diagnosis of the risks it faces. A particular strength of this approach is that better ownership of risk tends to be established when the owners themselves identify the risks.

For purposes of self assessment you can use:

- Analysis of loss data (including insurance claims)
- Analysis of complaints
- Analysis of near miss and incidents data
- Judgement based on personal experience
- Brainstorming sessions with staff
- Individual interviews with managers and/or focus groups
- Undertake a SWOT analysis (identify strengths, weaknesses opportunities and threats)
- Risk surveys and questionnaires
- Benchmarking and networking
- Articles in professional or other journals which may flag up potential risk areas
- Client satisfaction surveys
- Employee satisfaction surveys
- Sickness and absence records
- Internal and external audit reports
- External inspection reports (OFSTED, HSE and other professional bodies)
- Horizon scanning (looking forward to tomorrow's threats)

Risk Management is the overall umbrella framework, which encompasses all risks. When looking at your objective you would look at all types and categories of risk that could impact on the achievement of that objective.

Successful delivery of our objectives often depends on our partners and contractors . We must, therefore, look beyond the boundary of our department or even the Council itself to identify risks to our objectives from these relationships and recognise that good risk management requires good stakeholder involvement.

Assessing Risks

How do I analyse and evaluate my risks?

Once you have identified all the possible risks to your service area, it is necessary for you to analyse and evaluate the risks so that you may distinguish between minor acceptable risks and major risks.

This process will also include determining the likelihood of the risk happening and the impact or consequence the risk will have on your service area should the risk occur.

The assessment should avoid confusing an impartial assessment of the risk with judgement about the acceptability of the risk. It is not the absolute value of an assessed risk which is important; rather it is whether or not the risk is regarded as tolerable, or how far the exposure is away from tolerability, which is important.

To assess the risks adequately you should give each risk a score or risk rating using the 5x5 Risk Matrix. Each impact is given a numerical score equivalent to a scale of insignificant / minor / moderate/ major/ catastrophic and likelihood on a scale of rare / unlikely / possible / likely / almost certain.

This process provides a structured way to identify, prioritise and manage the impact of the key risks/opportunities to the achievement of your objectives

Risk Rating/Scoring

We need to be able to compare our risks so that we can concentrate our efforts on addressing those that are most important. To do this we use the standard approach of giving each risk a score, calculated by multiplying the likelihood score by the potential impact score.

The first assessment should be undertaken on the 'Inherent Risk' i.e. the risk before any controls have been put into place. This is to ensure that all significant risks are highlighted and assurance provided that these risks are being managed. If you only assess the risk after controls have been put in place (Residual Risk) then you are assuming that the controls will always be there. The second step is to assess your risks after your existing controls have been evaluated. This will give you a residual risk score and overall risk rating level.

The below is a guide to the appropriate score to allocate to the risk. It is not definitive and is intended only as a guide, as consideration should also be given to the nature of the objective as well as the risk that threatens it.

Guidance on likelihood ratings / scorings

Score	Definition
1 - Rare	The event may occur only in exceptional circumstances
2 - Unlikely	The event is not expected to occur
3 - Possible	The event might occur at some time
4 - Likely	The event will probably occur in most circumstances
5 - Almost Certain	The event is expected to occur in most circumstances

Guidance on impact ratings / scorings

1 Insignificant
- Loss of a service for up to one day
- Objectives of the individual are not met
- No injuries
- Financial loss of less than 1% of budget
- No media attention
- No breaches in Council working practices
- No complaints/litigation

2 Minor
- Loss of a service for one to four weeks
- Objectives of the Section are not met
- Injury to an employee or member of the public requiring onsite first aid
- Financial loss between 1% - 6% of budget
- Adverse local media attention – Local news paper report
- Breaches of local procedures/standards
- Unlikely to cause complaint/litigation

3 Moderate
- Loss of a service for one to six months
- Objectives of the Division are not met
- Injury to an employee or member of the public requiring medical treatment
- Financial loss between 6% - 25% of budget
- Adverse regional media attention – Televised or news paper report
- High potential for a complaint litigation possible
- Breaches of regulations/standards

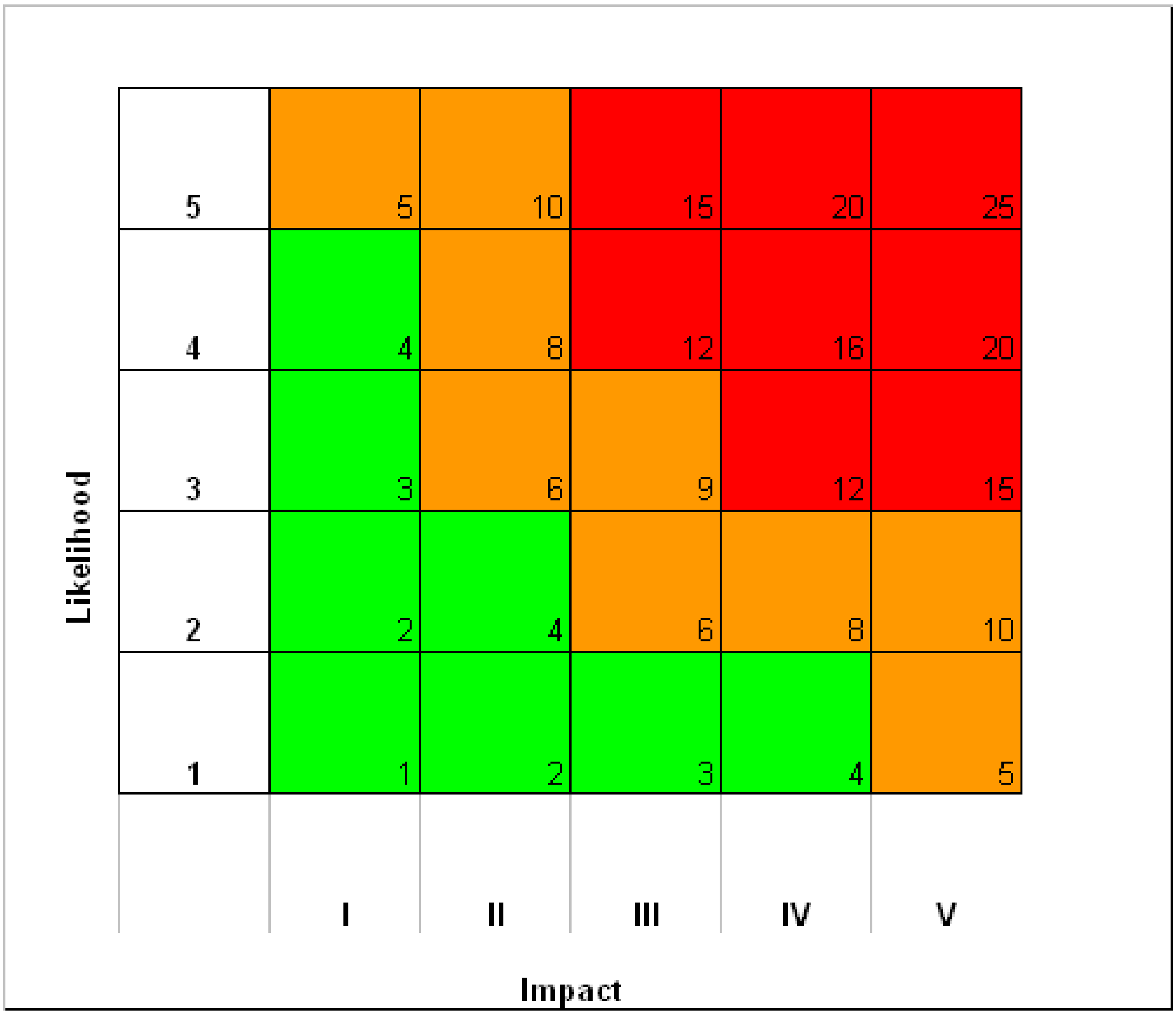
4 Major
- Loss of a service for six months or more
- Objectives of the Department/Directorate are not met
- Non-statutory duties are not achieved
- Permanent injury to an employee or member of the public
- Financial loss between 25% - 50% of budget
- Adverse national media attention – National newspaper report
- Litigation to be expected
- Breaches of law punishable by fine only

5 Catastrophic
- An incident so severe in it effects that a service or project will be unavailable permanently
- Strategic objectives set are not met
- Statutory duties are not achieved
- Death of an Employee or Member of the Public
- Financial loss over 50% of budget

- Adverse national media attention – National televised news report
- Litigation almost certain and difficult to defend
- Breaches of Law punishable by imprisonment

By multiplying the impact rating by the likelihood rating this produces a risk rating score. The risks can then be plotted onto a simple Risk Matrix as shown below and the level of risk determined.

The Risk Matrix



	Likelihood of Risk			Impact of Risk	
5	–	Almost Certain	V	-	Catastrophic
4	–	Likely	IV	-	Major
3	–	Possible	III	-	Moderate
2	–	Unlikely	II	-	Minor
1	–	Rarely	I	-	Insignificant

Addressing / Controlling the Risks

Having identified and analysed the risks, it is necessary to decide what to do and who will do it.

The rating of risk is useful for both the prioritisation of risk and therefore controls. This ensures that risks are brought to the attention of the most appropriate staff, i.e. the most significant risks are notified at the most senior management level. The higher they are in this top corner, the higher their priority should be.

All risks identified should be managed (treated) in accordance with the Council's "risk appetite"

RISK CATEGORY		HOW THE RISK SHOULD BE MANAGED
(12-25)	High Risk	Immediate action required, Senior Management must be involved
(5-10)	Medium Risk	Senior Management attention needed and management responsibility specified
(1-4)	Low Risk	Manage by specific monitoring or response procedures

Controlling Risk

In designing control, it is important that the control put in place is proportional to the risk. Apart from the most extreme undesirable outcome (such as loss of life) it is normally sufficient to design control to give a reasonable assurance of confining likely loss within the Council's risk appetite.

Every control action has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling. Generally speaking the purpose of control is to constrain risk rather than to eliminate it.

There are several ways to control risk:

TOLERATE
The exposure may be tolerable without any further action being taken.

Even if it is not tolerable, ability to do anything about some risks may be limited; the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk. This option, of course, may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

TRANSFER
For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

This option is particularly good for mitigating financial risks or risks to assets.

It is important to note that some risks are not fully transferable – in particular it is generally not possible to transfer reputational risk even if the delivery of a service is contracted out. The relationship with the third party to which the risk is transferred needs to be carefully managed to ensure successful transfer of risk

TERMINATE
Some risks will only be treatable, or containable to acceptable levels, by terminating the activity.

It should be noted that the option of termination of activities may be severely limited in local government when compared to the private sector; a number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.

This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.

TREAT
The purpose of treatment is that whilst continuing with the activity giving rise to the risk, actions are taken to constrain the risk to an acceptable level, by:

- **PREVENTIVE CONTROLS**
  These controls are designed to limit the possibility of an undesirable outcome being realised. The more important it is that an undesirable outcome should not arise; the more important it becomes to implement appropriate preventive controls.

  The majority of controls implemented tend to belong to this category.

  Examples of preventive controls include separation of duty, whereby no one person has authority to act without the consent of another (such as the person who authorises payment of an invoice being separate from the person who ordered goods prevents one person securing goods at public expense for their own benefit), or limitation of action to authorised persons (such as only those suitably trained and authorised being permitted to handle media enquiries prevents inappropriate comment being made to the press).

- **CORRECTIVE CONTROLS**
  These controls are designed to correct undesirable outcomes which have been realised. They provide a route of recourse to achieve some recovery against loss or damage.

  An example of this would be design of contract terms to allow recovery of overpayment. Insurance can also be regarded as a form of corrective control as it facilitates financial recovery against the realisation of a risk.

  Contingency planning is an important element of corrective control as it is the means by which the Council can plan for business continuity / recovery after events which it could not control.

- **DIRECTIVE CONTROLS**
  These controls are designed to ensure that a particular outcome is achieved. They are particularly important when it is critical that an undesirable event is avoided - typically associated with Health and Safety or with security.

  Examples of this type of control would be to include a requirement that protective clothing is worn during the performance of dangerous duties, or that staff be trained with required skills before being allowed to work unsupervised.

- **DETECTIVE CONTROLS**
  These controls are designed to identify occasions of undesirable outcomes having been realised. Their effect is, by definition, 'after the

event' so they are only appropriate when it is possible to accept the loss or damage incurred.

Examples of detective controls include stock or asset checks (which detect whether stocks or assets have been removed without authorisation), reconciliation (which can detect unauthorised transactions), or any other monitoring activities which detect changes that should be responded to.

TAKING OPPORTUNITIES

This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

There are several aspects to this for example: -

Whether or not at the same time as mitigating threats; an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages?

Whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed.

When risks are prioritised and it is shown that some risks are over-controlled or over-regulated then it may be that the reduction in these controls can result in saving that can be used elsewhere

Monitoring & Reviewing Risks

The management of risk has to be reviewed and reported on for two reasons:

- To monitor whether or not the risk profile is changing;
- To gain assurance that risk management is effective, and to identify when further action is necessary.

The Risk Register is a schedule used to collate all risk information. It is not a static document and will need to be reviewed and revised on a regular basis. The frequency of these reviews is dependent on both the intended objective and the nature of the specific risks. Obviously the more significant the risk the more frequently it needs to be reviewed. The risk management section can assist in advising on the best approach for review in each instance.

Processes should be put in place to review whether risks still exist, whether new risks have arisen, whether the likelihood and impact of risks has changed, and report significant changes which adjust risk priorities, and deliver assurance on the effectiveness of control.

In addition, the overall risk management process should be subjected to regular review by Internal Audit to deliver assurance that it remains appropriate and effective. Review of risks and review of the risk management process are distinct from each other and neither is a substitute for the other.

The review processes should:

- Ensure that all aspects of the risk management process are reviewed at least once a year;
- Ensure that risks themselves are subjected to review with appropriate frequency (with appropriate provision for management's own review of risks and for independent review/audit);
- Make provision for alerting the appropriate level of management to new risks or to changes in already identified risks so that the change can be appropriately addressed.

Internal Audit's work provides an important independent and objective assurance about the adequacy of risk management, control and governance.

Internal Audit may also be used by management as an expert internal consultant to assist with the development of a strategic risk management process for the organisation. It will have a wide ranging view of the whole range of activities which the organisation undertakes.

However, Internal Audit is neither a substitute for management ownership of risk nor a substitute for an embedded review system carried out by the various staff that has executive responsibility for the achievement of organisational objectives.

The Audit and Accounts Committee will be charged with approving risk management processes

This Committee will:

- Require assurance that risk, and change in risk, is being monitored;
- Receive the various assurances which are available about risk management and consequently deliver an overall opinion about risk management;
- Comment on whether the risk management and governance processes in place are appropriate.

However it should be noted that the Audit Committee should not itself own or manage risks and is, as with internal audit, not a substitute for the proper role of management in managing risk.

Risk Registers

The risk register can be described as a ‘log of risk’ of all kinds that can threaten or enhance the council’s success in achieving its objectives. It is a ‘living’ document which provides a structure for collecting information about risks and helps both in the analysis of risks and in the decisions of the risks should be treated, managed, monitored and how resources are best allocated.

An example of how to fill in the risk register is found below

Example of Documenting Risk

Risk Ref:	Risk	Treatment & Control Measures (Currently in Place)	Current Risk Assessment			Treatment & Control Measures (Planned)	Target Date	Owner	Risk Assessment Following Actions		
			Impact	Likelihood	Total				Impact	Likelihood	Total
	Missing a train makes me late for the important meeting	Set alarm clock to get up early	4	4	16	Catch train earlier than I actually need		M.Y. Self	4	1	4
	Severe weather prevents the train from running	Cannot Control	4	1	4	Investigate Telephone conferencing to be installed as a contingency		A. N. Other	3	1	3
	Engineering work makes the train late	Check for engineering works and arrange flexibility with people I am meeting	3	3	9	No Further action planned		M.Y. Self	3	3	9

Additional Information

Roles & Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with:

ROLES	RESPONSIBILITIES
Audit & Accounts Committee	Overseeing effective risk management across the Council. Agreeing Derby Council's Risk Management Strategy. Ensuring that risk management is delivered throughout the Council. Ensuring that a Strategic Risk Register, including details of the actions taken to mitigate the risks identified, is established and regularly monitored. Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually. Appointing a Member as risk champion.
Members	Ensuring that business risks are being identified and effectively managed Facilitating a risk management culture across the Council
Chief Officer Group	Leading on risk management across the Council with a member of COG chairing the Strategic Risk Group. Advising Members on effective risk management and ensuring that they receive regular monitoring reports. Identifying and managing the business risks and opportunities facing the Council, (including those highlighted within received reports). Co-ordinating risk management across the Council. Being responsible for ensuring that the Council fully complies with all corporate governance requirements. Appointing a risk champion who is authorised to progress across their directorate effective risk management that adheres to corporate guidelines.
Strategic Risk Group	Co-ordinating risk management across directorates. Identifying and addressing cross-cutting risks / risk management issues. Providing support to risk champions in a blame-free learning environment. Reviewing risk registers and providing a conduit for the dissemination of best practice. Reporting of any appropriate concerns and issues which require Corporate Management Team intervention. Monitoring the effective implementation of the Council's strategic risk and business continuity strategies. Championing implementation of best practice and appropriate standards in risk and business continuity management to promote improved corporate governance that is better substantiated and evidenced. Reporting of information to enable Audit Committee Members to fulfil the roles of ensuring the effectiveness of risk management arrangements.
Directors	Ensuring that risk management within their departments is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management. Identifying and managing risks within their department and ensuring that mitigating actions are regularly reported.

Heads of Service	Ensuring that risk management within their area of responsibility is implemented in line with the Council's risk management strategy and the Minimum Standard for Performance Management. Identifying, analysing, scoring and recording risks arising from their areas of responsibility and prioritising and initiating action on them. Balancing an acceptable level of operational risk against programme and project objectives and business opportunity. Reporting systematically and promptly to the Risk Champion any perceived new risks or failures of existing control measures.
Risk Champions	Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate. Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met. Representing their directorate within the Operational Risk group. Providing support on risk management to directors, heads of service and other managers within their directorate. Promoting the benefits of risk management across their directorate. Maintaining, on behalf of heads of service, a directorate risk database that complies with corporate guidelines.
Managers	Communicating to staff the corporate approach to risk management. Identifying the risk management training needed by staff, and reporting this to the risk champion. Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required.
Individual Employees	Understanding their accountability for individual risks. Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures.
Internal Audit	Auditing the key elements of the Council's Risk Management Process. Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan. Ensuring that internal controls are robust and operating correctly.
Operational Risk Group	Identifying and monitoring service risks.

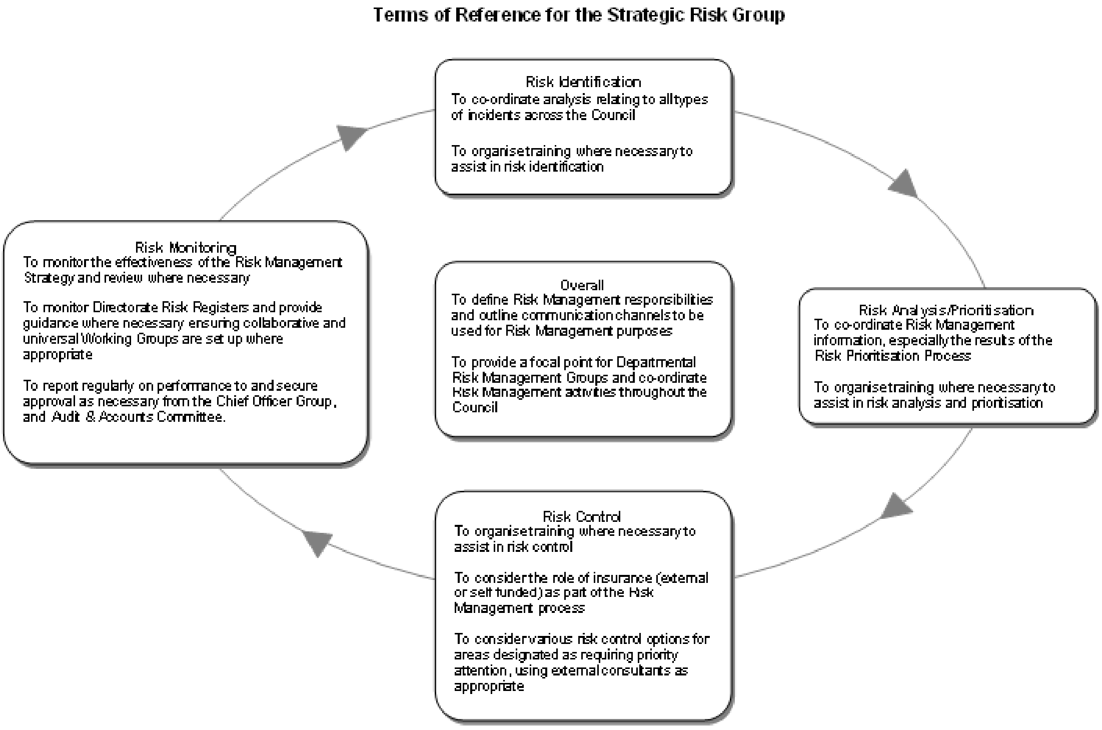
The Strategic Risk Group

The role of the Strategic Risk is crucial to the implementation of a successful risk management programme. The SRG is a facilitating group and will enable and empower all aspects of the programme. Its terms of reference are agreed and reviewed annually by the audit committee. The SRG is the focal point for reviewing all aspects of risk management including Health and Safety, Emergency Planning, and Business Continuity. It concentrates on strategic, not operational issues.

The membership of the SRG is as follows:

Paul Robinson	Strategic Director - Neighbourhoods
Richard Boneham	Head of Audit, Insurance & Risk Management
Chris Salt	Insurance & Risk Technician
Robin Ashton	Senior Emergency Planning Officer
Nigel Parkes-Rolfe	Occupational Health, Safety and Welfare

Terms of Reference for the SRG



Each of the members of the SRG will be responsible for co-ordinating the risk management programmes within their own service areas. This will include;

- Co-ordinating the operational risk assessment programme
- Disseminating risk management information and best practice
- Providing advice on risk management methodology and processes
- Ensuring that work assigned to the group is completed within the agreed timescale and report progress to SRG as required.

There is also co ordination with the emergency planning team: Appropriate representation spans both groups, particularly with regard to Business Continuity Planning.

The SRG will itself, where necessary, make recommendations on key strategic risks (or cross-directorate operational risks) to Council Management Team or Executive Management Team for comment/approval.

Consideration will be given to allocating a risk management budget to carry out appropriate risk reduction projects or training

Links to corporate governance

Governance is the system by which councils direct and control their functions and relate to their communities. In other words, it is the way in which they manage their business, determine strategy and objectives, and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.

This Risk Management Strategy forms part of Derby City Council's corporate governance arrangements.

INTERNAL CONTROL

Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of objectives. Internal financial control systems form part of the wider system of internal controls.

A council's system of internal controls is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. For example, the Council's policy and decision-making processes require all Executive reports to include an option appraisal / risk assessment.

HEALTH AND SAFETY

The Council's Health and Safety Policy is also a key component of the Council's structure of controls contributing to the management and effective control of risk affecting staff, contractors, volunteers, service users and the general public.

INTERNAL AUDIT

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources."

Monitoring and Indicators of Success

The Risk Register will be reviewed annually by the Audit & risk management section. Progress against the actions identified to mitigate risks will be monitored

The ultimate measure of effective risk management is that the Council has the resilience to deliver its services and core objectives and is able to identify, and take maximum advantage of, the occurrence of positive risk.

What are the big issues? - What are our risk priorities?

2011 Strategic Risk List - To be defined

Project Risk Management

Projects can range from the implementation of a new software package on a computer system through to the building and commissioning of a substantial new ‘council house’.

Projects will be undertaken by organisations for a number of reasons. When alterations to strategy are being planned, then a project or series of projects (programme of work) will often be necessary in order to implement the revised strategy. Also, improvements to operational processes will require changes that will be implemented by undertaking a project.

Project risk management should be seen as an extension of conventional project planning. The main requirements for any project are that it is delivered on time, within budget and to specification / performance.

There will be uncertainties within the project related to events, conditions and circumstances. The requirements of project risk management are to identify the events that could give rise to uncertainty and respond to the event appropriately.

As well as managing the risks and uncertainties in a project, the project manager should also be looking for opportunities. Opportunities may arise when certain developments within the project are more favourable than expected. Project risk management should take account of these positive developments and ensure that the structure for managing risks in projects is sufficiently flexible for the opportunities to be recognised and benefits obtained.

Projects and enhancements are fundamentally important to most organisations. Most projects are undertaken either to keep ahead or to catch up with good practice and best value. In the context of risk management, the project itself may be considered to be a risk reduction exercise that is designed to achieve specific management objectives.

The only purpose in spending money on projects is to achieve a business or value for money advantage.

The requirement for all projects is that they are delivered within the appropriate cost, time and quality parameters. Quality is the relationship between specification and performance. Projects must be delivered:

- on time
- within budget
- to specification / performance

Because of the often unique nature of projects, historical loss data may not be available. Accordingly, project risk management needs to be a forward looking discipline that anticipates problems beforehand. If it is available, historical experience of losses within similar projects may be useful. However, by the nature of projects, they tend to be one off activities with no exact historical equivalent.

Hazard, control and opportunity risks need to be considered as part of the successful management of any project or enhancement. There are risks **in** the project (hazards), risks **to** the project (control risks) and risks **of** the project (opportunities).

Projects should be viewed from the following three risk management perspectives:

delivery of the project within budget and on time can be inhibited by hazard risks, or risks **in** the project

ability to deliver the project to specification and to performance relates to control risks, or risks **to** the project

what the project is seeking to achieve is related to opportunity risks, or the risks **of** the project

The above guidance can be used to manage the risks within projects but further assistance and guidance can be arranged by contacting the Head of Audit & Risk or the Risk Management Officer. (Contact details can be found at the back of this handbook)

Partnerships

The guidance set out above can be applied in all circumstances including those centred the creation of and the involvement in partnerships. However, more tailored advice can be found within DCC Risk Management & Partnerships guide.

Climate change

Climate change poses a significant risk to the way that we deliver and manage services in the future. The Council has a Climate Change Strategy and is committed to cut carbon emissions by 25%, both of which have to be addressed across the Council. The Council also falls under the Carbon Reduction Commitment (CRC) which requires the purchase of CO2 allowances for the right to emit. The more CO2 an organisation emits, the more allowances it will need to purchase, so there is a direct incentive to reduce emissions and improve energy efficiency.

To minimise the risks posed by climate change and our commitments action needs to be taken to reduce the causes of climate change, manage energy usage (mitigation), to enable the Council to respond to the challenges and take advantage of any opportunities in the future (adaptation). Failure to mitigate and adapt to climate change could lead to financial losses, damage to assets, failure to meet commitments and damage to reputation.

The Climate Change and Energy Management Unit have produced a Climate Risk Assessment for services, a carbon reduction toolkit and specific guidance for procurement. These and further advice and support are available from the Unit.

Embedding the strategy

The aim of embedding risk management is to ensure that it is not seen as an additional set of layers and processes; rather it becomes part of the ‘way we do things here’.

This strategy along with the risk management policy statement and the risk management methodology provide a framework to be used by all levels of staff and Members in the implementation of risk management as an integral part of good management.

The milestones to be met in embedding risk management are:

Milestone	Target date
Directorates/Departments review risks already identified and new significant risks fed into Departmental risk registers	30 September 31 March
Key strategic risks reviewed and new significant risks fed into the strategic risk register on a half yearly basis.	30 September 31 March
Directorates/Departments to identify existing controls regarding each risk in the risk register, and the degree to which they are consistently applied. Evidence of the application of these controls should be detailed in the action plan for each risk.	30 September 31 March
Directorates/Departments to evaluate existing controls for the degree of mitigation the controls provide and whether further controls are required. (Need to calculate the cost of improving controls to provide greater mitigation to establish if further control would be cost effective.)	Ongoing
COG monitors each agreed corporate action and assesses additions/deletions to strategic risk register on a half yearly basis.	31 October 30 April
Include risk management in staff and member induction training. Introduce awareness training for staff and members.	On-going
Strategic Directors to ensure that risk identification is intrinsically linked to Business Plan objectives.	On-going
Strategic Directors to include performance on managing risks within performance monitoring of Business Plans	In line with Business Planning cycle
Strategic Directors give assurance to Chief Executive regarding internal control, including the management of key risks, within their area of service delivery.	By 30 April each year
Annual governance statement (incorporating risk management) made by Leader and Chief Executive, approved by Members and published in Statement of Accounts.	Signed annually by 30 June

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