Derby City Council

Risk Management Strategy & Policy Statement

Revised September 2006

POLICY STATEMENT

The Council will adopt the principles of risk management in order to protect the health, safety and welfare of its employees and the people it serves, to protect its property, assets and other resources and to maintain its reputation and good standing in the wider community.

The Council provides a wide range of services to the local community, all of which give rise to some level of risk. It is fully committed to regularly identifying and assessing these risks and taking appropriate action to prevent, or minimise their impact on service delivery. In this way the Council will better achieve its corporate objectives and enhance the value of the services it provides to the community.

It is the Council's policy proactively to identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking. Effective risk management optimises the balance between risk and control.

1. Introduction

1.1 Risk management is a central part of any organisation's strategic management and an integral part of corporate governance. The focus of good risk management is the identification and treatment of risk. Risk management should be a continuous and developing process which runs throughout the Council's strategy.

1.2 Corporate governance requires that risk management is embedded into the culture of the organisation. Risk management cuts across all areas of the Council's activities, from the strategic to the operational, and needs to be integral to all activities.

1.3 One essential requirement of corporate governance is maintaining a sound system of internal control. Section G14 of Financial Procedure Rules places responsibility with Chief Officers for risk management and maintaining sound systems of internal control within their area of service delivery.

1.4 The assurance framework in operation within the Council requires Corporate Directors to make an annual assurance statement on corporate governance that includes risk management and internal control. These assurance statements from Corporate Directors form the basis of the annual Statement on Internal Control (SIC) to be made by the Leader of the Council and the Chief Executive.

1.5 The objectives of the Council's risk management strategy are to:

- embed risk management into the culture and operations of the Council

- adopt a systematic approach to risk management as an integral element of business planning and performance management

- manage risk in accordance with best practice

- anticipate and respond to changing social, environmental and legislative requirements

- make sure that departments have clear accountability for both the ownership and cost of risk and the tools to effectively reduce risk

- raise awareness of the need for risk management by all those connected with the council's delivery of services

1.6 These objectives will be achieved by:

- establishing clear roles and responsibilities and reporting lines within the Council for risk management

- incorporating risk management in the Council's decision-making, business planning and performance management processes

- monitoring risk management and internal control arrangements on a regular basis

- developing a framework for allocating resources to identified priority risk areas

- reinforcing the importance of effective risk management through training and providing opportunities for shared learning.

- provide suitable insurance or other arrangements to manage the impact of unavoidable risks.

1.7 In the private sector and other parts of the public sector mandatory codes of governance exist. The CIPFA/SOLACE document, "Corporate Governance in Local Government – A Keystone for Community Governance", which comprises of a framework and guidance notes, was adopted as best practice by the Cabinet in July 2002. Internal control and risk management are recognised as important elements of good corporate governance.

1.8 The revision of Financial Procedure Rules has responded to the need for improved corporate governance and risk management with Section G14 placing responsibility upon Chief Officers to maintain a risk register for services and projects within their department, informed by regular reviews and assessments of risks and to identify and document actions to mitigate those risks.

1.9 External Audit has the financial aspects of corporate governance as one of the three main elements of their work. The Code of audit practice (March 2000) states that:

> *"It is the responsibility of the Audited Body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them including adequate and effective systems of internal control."*

1.10 CIPFA has also published "the Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003". One of the purposes of this publication is to provide guidance on the processes needed for the establishment , maintenance and review of a system of internal control and risk management in local authorities. This guidance expands on dimension 4 (Risk Management and Internal Control) of the CIPFA/SOLACE document. Greater involvement and awareness of risk management regarding the implications of decisions taken by Members is seen as best practice to improve corporate governance and risk management.

1.11 The Comprehensive Performance Assessment (CPA) Use of Resources Key Lines of Enquiry includes risk management arrangements as an important part of the assessment. The Corporate Governance Inspection Key lines of enquiry 2006 has risk management and internal control as one of its themes. The key question is "Does the council have an active system of risk management which staff and councillors understand, use and monitor?"

1.12 The benefits of having a risk management strategy are:

- Risk management processes will alert the Chief Officer Group to the main service and financial issues. This will allow early and proportionate management handling.

- It contributes to better decision making, and the process of achieving objectives. When embedded within existing planning, decision taking and option appraisal processes risk management provides a basis for ensuring implications are thought through, the impact of other decisions, initiatives and projects are considered, and conflicts are balanced. This will influence success and improve service delivery.

- It provides assurance to members and management on the adequacy of arrangements for the conduct of business and the use of resources. It demonstrates openness and accountability to various inspectorate bodies and stakeholders more widely.

- It leads to greater risk awareness and an improved control environment, which should mean fewer incidents and other control failures. In some cases this can result in lower insurance premiums.

1.13 By identifying risks earlier, by making sure processes are not over engineered and are fit for purpose, and achieving a behavioural shift, risk management will be a process that will pay for itself many times over.

1.14 The long term aim is for risk profiles to be carried out at all levels of the organisation with each level feeding up to the next level to ensure that operational risks that could pose greater risks than strategic issues are not missed.

2. The Risk Management Strategy

2.1 The strategy sets out:

- a definition of risk
- what is meant by risk management
- the roles and responsibilities of Members, Officers and reporting lines
- action that needs to be taken to fully embed risk management

2.2 The strategy will be subject to annual review to ensure that it remains up-to-date and continues to reflect the Council's approach to risk management.

2.3 Risk can be defined as:

An event/series of events happening or action(s) taken that will prevent the Council from achieving its planned objectives, in part or in full. A risk can also be the failure to take advantage of opportunities to optimise the Council achieving its planned objectives.

2.4 The SOLACE/Zurich Municipal publication "Chance or Choice? : Risk management and internal control guidance for local government" provides a summary of what risk management aims to achieve.
- It is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made.
- It is achieved through transferring risks, controlling risks and living with risks.
- Risk management is not just about insurance – not least because over 80% of risks faced by organisations are not insurable.
- It requires commitment throughout the organisation, risk management must be top-down meets bottom up.
- Risk transfer is part of risk management, but so to is risk retention and control.

2.5 The roles and responsibilities of individuals and groups to implement the strategy are as follows:

- Audit and Accounts Committee - To review and approve the Council's risk management policy and strategy. To review the content of the strategic risk register, the adequacy of associated risk management arrangements and the arrangements for departmental risk registers.

- Members – involved via Regulatory Committees, and the Overview and Scrutiny process. Also involved in other roles such as their membership of project boards/accountable bodies.

- Strategic Risk Group – To promote understanding of the management of risk in accordance with best practice, throughout the City Council. Ensuring that the identification, analysis and prioritisation of corporate and cross cutting risks take place. Monitoring / reviewing the Corporate Risk process, including the maintenance of the Corporate Risk Register and

reporting to COG, Audit and Accounts Committee and Cabinet as appropriate. Ensuring that there are robust processes in place to implement risk management actions across the City Council. To assist with the ongoing development and review of the corporate risk management strategy and methodology. The SRG will also work closely with the officers identified by Corporate Directors to promote a risk aware culture and embed risk management throughout the Council.

- Chief Executive – leads on the wider corporate governance agenda of which risk management is a part. Receives assurance statements on internal control from Corporate Directors and signs off the annual Statement of Internal Control (SIC) along with the Leader of the Council.

- Corporate Director of Resources and Housing – Lead officer for the Council on risk management. Maintains an effective corporate risk strategy and policy. Prepares reports to Cabinet seeking approval of the strategy and policy which reports on any issues raised by the Audit and Accounts Committee.

- Corporate Directors / Assistant Directors/Heads of Service – integral to the risk management process, providing leadership for the process to achieve the culture change. Corporate, major projects, cross cutting and external environment risk assessment as part of corporate planning. Assessing the wider implications of departmental risk assessments and feeding information to the Strategic Risk Group for consideration as corporate key risks. There is a particular duty for Corporate Directors to reduce the impact of high risks that are likely to occur. Make arrangements for embedding risk management throughout their Department, which will assist them in providing assurance to the Chief Executive.   Reporting, on a regular basis, to Chief Officer Group regarding progress with corporate risks.

- Head of Audit and Risk Management – advises on the corporate process. Develops, in conjunction with colleagues, practical approaches for implementing risk management.

- Departmental and Service Management Teams – carry out service risk assessment as part of the business planning process taking account of corporate key risks. Have responsibility to put in place actions to take advantage of opportunities/reduce risks. Monitor and review the effectiveness of the actions.

- Internal Audit - will review and report on the departmental and corporate risk management processes. Also to feed into the annual assurance statements and provide an opinion based upon the audit work carried out throughout the year. Issue guidance and information.

- All officers – have a responsibility for identifying opportunities as well as hazards/risks in performing their day to day duties and taking appropriate action to take advantage of opportunities or limit the likelihood and impact of risks.

2.6   For the Strategy to be effective there must be commitment throughout the City Council. The Council and its Corporate Directors demonstrate their commitment by identifying, profiling and prioritising corporate and cross-cutting risks.

2.7   This involvement from the top will set the style and tone for a cascade down the organisation. This top-down cascade will then meet the day to day operational control of risk by all involved in service delivery from the bottom-up.

2.8   The action that needs to be taken is as follows:

- Corporate Directors to embed risk management throughout their Department.

- Assistant Directors to ensure that risk management has been explicitly considered in framing Business Plans

- Departmental Management Teams to review and up-date their risk registers on a half yearly basis.

- Heads of Service to feed new key risks identified, such as from new projects arising or new partnership working to the Strategic Risk Group to inform the corporate key risks summary at least quarterly.

- Corporate Directors to report to COG and Members regarding progress on their management of corporate risks assigned to or identified by them.

- Assistant Directors to monitor the effectiveness of risk management actions in place and report on progress to Corporate Director at least quarterly.

- Strategic Risk Group to review the corporate risk register and the effectiveness of actions put in place by Corporate Directors to manage corporate risks on a half yearly basis.

- Corporate Directors to provide an annual assurance statement on risk management and internal control within their service area by 31st March each year by utilising information from their evaluation of the effectiveness of controls in place and the degree to which they have been consistently applied.

3.   Embedding the strategy

3.1   Risk management was defined as a required element in the service planning processes carried out for service plans over the past three years. This will enable strategic, operational and cross cutting risks, as well as the accumulation of risks from a number of areas to be properly considered, however it is going to take several years before the Council can demonstrate that there is a fully embedded process.

3.2   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.

3.3   The milestones to be met in embedding risk management are:

Milestone	Target date
Departments/ Divisions review risks already identified and new significant risks fed into Departmental risk registers	30 September 31 March
Departmental key risks reviewed and new significant risks fed into the corporate risk register on a half yearly basis.	30 September 31 March
Departments / Divisions 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
Departments / Divisions 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 corporate 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
Corporate Directors to ensure that risk identification is intrinsically linked to Business Plan objectives.	On-going
Corporate Directors to include performance on managing risks within performance monitoring of	In line with Business Planning

Milestone	Target date
Business Plans	cycle
Corporate 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
Statement on Internal Control (incorporating risk management) made by Leader and Chief Executive, approved by Members and published in Statement of Accounts.	Signed annually by 30 June