

DERBYSHIRE COUNTY COUNCIL RISK MANAGEMENT AWARENESS TOOLKIT FOR ELECTED MEMBERS

This paper provides an introduction and overview of the strategic/corporate risk management process. It details the processes needed to ensure that risk management is embedded into everyday management activities. Members will find the methodologies set out in this document helpful when:

- Setting strategic aims and objectives
- Considering resource allocation and determining spending priorities
- Considering asset management prioritisation
- Considering reports on key decision or major policy changes

Table of contents

1.	Member involvement in the process
1.1	CPA requirements and expectations
1.2	Getting involved
2.1	Risk management – a definition
2.2	The importance of risk management
2.3	The risk management process
3.1	Strategic risk management at a corporate level
3.2	Categories of strategic risk
3.2	Risk management in Derbyshire County Council
4.1	Risk ranking and the development of risk registers
4.2	Risk probability (likelihood)
4.3	Risk impact (severity)
4.4	Risk ranking – risk matrix
4.5	Example risk register
5.	Managing risks
6.	Monitoring and reporting
6.1	Importance
6.2	Support and advice
6.3	Contacts
	Appendix 1: Derbyshire County Council Risk Management Policy Statement and Strategy

1. Member involvement in the process

1.1 CPA requirements and expectations

The CPA recommends that members are involved in the process in the following ways:

<ul style="list-style-type: none">• The council has adopted a risk management strategy/policy that has been approved by members.	Compliant ✓
<ul style="list-style-type: none">• There is a member committee with specific responsibility included in its terms of reference to consider corporate risk management.	Compliant ✓
<ul style="list-style-type: none">• Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.	Compliant ✓
<ul style="list-style-type: none">• The member committee with responsibility for risk management receives reports at least quarterly and takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually	Compliant ✓
<ul style="list-style-type: none">• The members with specific responsibility for risk management have received risk management awareness training.	Compliant ✓
<ul style="list-style-type: none">• All members have received risk management awareness training.	Partially compliant – this toolkit is part of the process
<ul style="list-style-type: none">• A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.	Compliant ✓ Chair of Audit Committee and Chief Executive

1.2 Getting involved

- Make yourself aware of the risks relating to the council's policies and activities
- Discuss risks with chief officers and their departmental management teams. They understand the risks to the services that they manage
- Identify risks when undertaking your duties and discuss them with colleagues, chief officers and the member risk champion
- Use this toolkit and attend risk awareness events and training when offered

2.1 Risk management – a definition

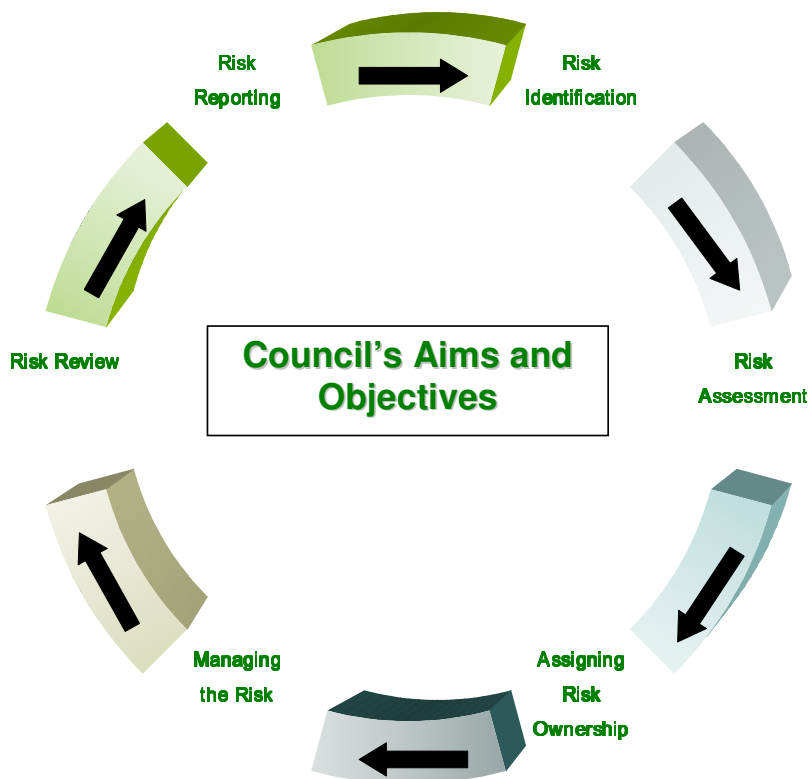
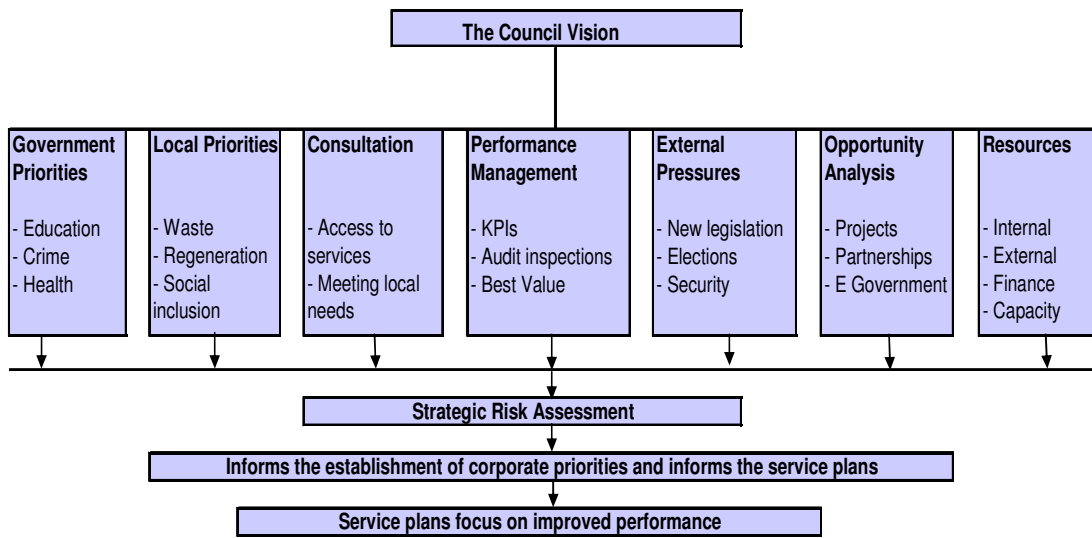
There are many definitions of risk management but the following is comprehensive and concise.

Risk management is the practice of identifying, analysing, and controlling *in the most effective manner* all threats to the achievement of the strategies, objectives and operational activities of the organisation.

2.2 The importance of risk management

- To comply with best practice in Corporate Governance
- It is a Key Performance Indicator for the council in external assessments of its performance
- It helps us deliver the objectives in the Council Plan by ensuring that risks are managed effectively
- It encourages innovation and helps us manage change because we can move forward with confidence knowing that the risks have been identified, measured and managed
- Good risk management arrangements are integral to sound and effective financial management
- Well managed risks means we deliver best value
- It helps us make effective and efficient use of resources – Gershon
- To protect the council's assets - people and property and ensure service continuity
- The visible "cost of risk" to Derbyshire CC is in the region of £6.8m. This includes premiums paid to insurers, premiums set aside to fund claims internally and claims costs
- Examples of insurable risks faced by the council include:
 - Fire, Weather, Theft, Motor Accidents.
 - Accident/illness to employees.
 - Claims by members of the public
- The Health and Safety Executive calculate that the invisible cost of an personal injury claim is 8 to 32 times the cost of settlement
- It helps us to manage uninsured risks such as adverse publicity that could damage the image and reputation of the authority.

2.3 The risk management process



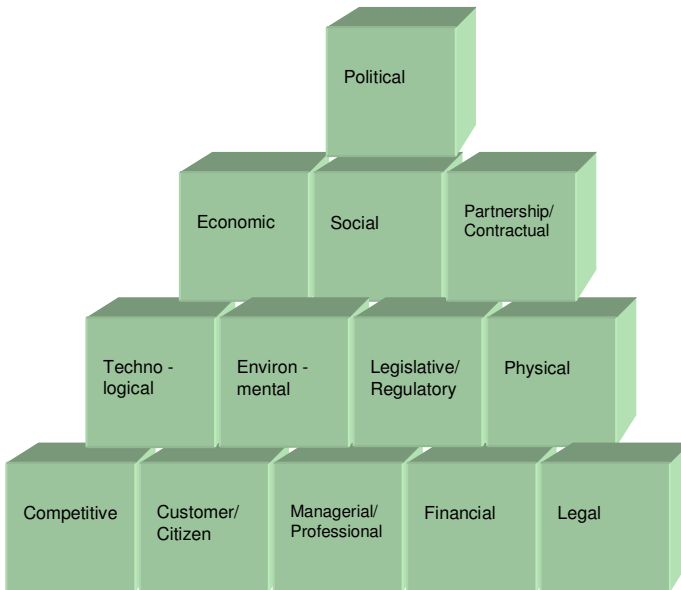
3.1 Risk management at the corporate level

At a corporate level risk management involves the

- Identification, management and control of strategic risks
- Catastrophe risk financing e.g. insurance or reserves
- Risk management facilitation – systems and structures

The Council's Risk Management Policy Statement and Strategy is attached as Appendix 1.

3.2 Categories of strategic risk

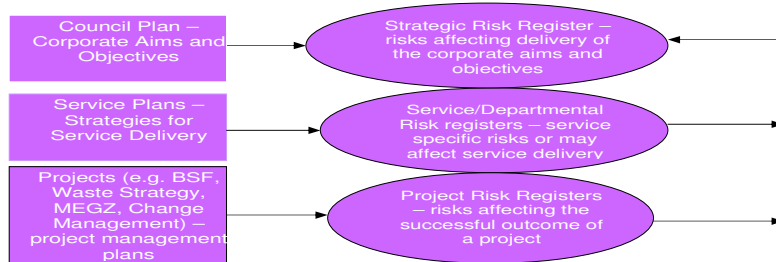


3.3 Strategic risk management in Derbyshire County Council

Risk Management is incorporated into the following areas of the Council's business

- **The COUNCIL PLAN** where the council sets out its corporate aims and objectives
- **The Risk Management Policy/Strategy** which sets out the roles and responsibilities of members and officers and outlines the way in which the council will manage its risks
- **The Corporate Risk Register** which details the significant corporate risks affecting the authority and includes service specific risks that have a corporate dimension or impact
- Quarterly in depth and light touch reviews are reported to Audit Committee

- The in depth annual review is also taken to Cabinet and Full Council
- Details of major risks are taken into account by members when they are formulating the budget and determining spending priorities
- **Departmental Risk Registers** detail the risks specific to a department, function or service. Details are incorporated into the Service/Business Plans and funding for major risks is included in budget bids
- **Project Risk Registers** for major projects e.g. Waste Management; BSF, MEGZ
This can all be represented diagrammatically as follows:



4.1 Risk ranking and the development of risk registers

- Risks are ranked according to their **PROBABILITY** (likelihood) and their **IMPACT** (severity). Both elements should be given a score between 1 and 5 using the definitions/guidance below. The scoring should take into account any risk management measures already in place.
- The council has set criteria for the levels of probability and impact (see 4.3 and 4.4 below)
- The definitions for probability of occurrence are quite short.
- The impact of the risk can be much wider so we have a more comprehensive set of definitions.

4.2 Guidance to help you determine the **PROBABILITY** (likelihood) of a risk occurring

Occurrence	Description of the Probability	Scale / Level
Rare	May occur only in exceptional circumstances	1
Unlikely	Unlikely to occur, but could, at some time	2
Moderate	Fairly likely to occur at some time, or in some circumstances	3
Likely	Will probably occur at some time, or in most circumstances	4
Almost certain	Is expected to occur in most circumstances	5

4.3 Guidance to help you determine the IMPACT (severity) of a risk

Impact can be considered in various categories, for example financial, safety, service delivery, reputation, legal, political environmental. It may even be a combination of factors. In assessing the level it is important to recognise the relevant appetite for risk i.e. a financial impact of £50,000 at corporate level would be described as having a minor or moderate effect whilst the impact at a cost centre level could be catastrophic for that budget.

Description	Descriptor	Level/scale
<ul style="list-style-type: none"> • Insignificant disruption to internal business – no loss of customer service • No injuries • No damage to reputation • No or insignificant environmental damage • Low financial loss 	Insignificant	1
<ul style="list-style-type: none"> • Some disruption to internal business only – no loss of customer service • Minor injuries (first aid treatment) • Requires disciplinary action against the staff responsible • Minimal damage to reputation (minimal coverage in local press) • Minor environmental damage locally • Medium financial loss say less than £50,000 	Minor	2
<ul style="list-style-type: none"> • Noticeable disruption to the Authority affecting customers (loss of service less than 48 hours) • Violence or threat or serious injury (medical treatment required) • Coverage in national tabloid press and/or extensive front page coverage in local press and or radio/TV • Moderate damage or local environmental damage • High Financial loss say more than £50,000 	Moderate	3
<ul style="list-style-type: none"> • Major disruption to the authority and serious affect on service delivery (loss of service > 48 hours but < 7 days) • Coverage in national press and or national TV reporting • Extensive/multiple injuries • Major impact on local environment • Major financial loss greater than £100,000 	Major	4
<ul style="list-style-type: none"> • Council severely affected with loss of service(s) exceeding 7 days • Extensive national press and TV coverage with the incident being a lead item • Significant local, national and/or international damage to the environment • Huge financial loss greater than £10,000,000 	Catastrophic	5

4.4 Risk ranking – risk matrix

Having determined the **probability** and **impact** scores they can be plotted on the following table to determine the combined risk score i.e. the **risk ranking**. Multiplying the likelihood x impact achieves the same thing. But, by actually plotting them on the matrix, it is possible to identify clusters of high ranking risks and then identify interdependencies.

		Rare	Unlikely	Possible	Likely	Almost Certain
IMPACT	Catastrophic	5 ↑	10 ↑	15 ↑ ↑	20 ↑ ↑ ↑	25 ↑ ↑ ↑
	Major	4 =	8 ↑	12 ↑ ↑	16 ↑ ↑	20 ↑ ↑ ↑
	Moderate	3 =	6 ↑	9 ↑	12 ↑ ↑	15 ↑ ↑
	Minor	2 =	4 =	6 ↑	8 ↑	10 ↑
	Insignificant	1 =	2 =	3 =	4 =	5 ↑
		PROBABILITY				

4.6 Example risk register

The following provides an example of a risk register. This details the risks identified, the ranking/score, and the existing and planned risk management measures. In addition it identifies the manager responsible for ensuring that the risks are managed properly and the date by which these actions must be implemented. Finally the register indicates the “target score” for the risk i.e. the optimum level to which the council aspires to manage the risk.

Risk No.	Identification Risk Description	Existing Score			Risk Mitigation				Target Score		
		Impact (1-5)	Probability (1-5)	Score (1-25)	Existing Risk Mitigation Procedures/Controls In Place	Planned Risk Mitigation Procedures/Controls	Action Manager	Action Date	Impact (1-5)	Probability (1-5)	Score (1-25)
1	<ul style="list-style-type: none"> *Funding Availability *Overspend *Pressure on Services *Economic Downturn *There is continued uncertainty over inflation and interest rates. <p>Continued emphasis on the need to meet savings targets which may need to be lowered in future planning.</p> <p>CSR 07</p>	4	4	16	<ul style="list-style-type: none"> *Careful budget monitoring and Financial forecasting *Adding to reserves *Exit strategy for loss of grant income to be in place. *VR/VER Budget *Frequent Corporate Gershon Review Meetings led by Chief Executive and also departmental review meetings *Fina 	Continue and monitor existing strategies.	A manager	Ongoing	4	3	12
2	Major Fraud	4	2	8	<ul style="list-style-type: none"> *Audit Committee in place *Member scrutiny of the accounts & control procedures *Continue effective financial controls/audit systems *Corporate Fraud Strategy *Assess Auditors judgement under CPA *Change Management Project Appraisal, including risk manage 		A Manager	Ongoing	3	2	6

5. Managing risks

Identifying and ranking risks is important but the key element is to determine the strategy to for managing them. The following table provides guidance on the level of management intervention that is likely to be necessary or appropriate.

Level of Risk	Indicated by	Management action required
Very high (20-25)	Red ↑↑↑	Requires active management High impact and high probability means risks require active management to manage down and maintain exposure to an acceptable level
High	Amber ↑↑	Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect deviations from profile
Medium	Blue ↑	Good Housekeeping May require risk mitigation to reduce the likelihood, if this can be done cost effectively. But good housekeeping should ensure that the impact remains low. Reassess frequently.
Low	Green	Review Periodically Risks are unlikely to require active management but they should be reviewed frequently to ensure they have not escalated

6. Monitoring and reporting

6.1 Importance

Monitoring and Reporting are important to:

- ensure that the risk is still current and relevant
- ensure that controls are still relevant and effective i.e. they are achieving the desired outcomes

Every risk register is a live document that changes during the year as existing risks and the business environment change. New risks are also identified and added to the register and others removed because they are no longer relevant or they have been managed to a level below which they cease to be of concern.

Senior management teams are required to review their registers on a monthly basis and risk management is a standing item on their meeting agendas.

The council's Risk and Insurance Manager undertakes quarterly reviews of the registers in conjunction with senior management teams and the outcomes are reported to:

- Chief Officer Group
- Members when they are setting the budget
- Audit Committee
- Cabinet

- The in depth review is also reported to full Council.

6.2 Support and advice

- The risk and insurance manager is able to provide advice and guidance
- Chief Officers and their departmental management teams understand the risks to the services that they manage and review them regularly
- The councils insurers and broker are able to provide other specialist advice

6.3 Contacts

Members of the Audit Committee

- [Cllr Stuart Bradford](#)– Chairman and Member Risk Champion
- [Cllr Garry Hickton](#)
- [Cllr Stuart Ellis](#)
- [Cllr Clive Moesby](#)
- [Cllr Mark Higginbottom](#)

Officers

- Peter Handford – Director of Finance Ext. 38700
- Chrystal Wallage – Assistant Director of Finance (Audit) Ext. 38708
- Adela Green – Risk and Insurance Manager Ext. 39988

APPENDIX 1

Derbyshire County Council **Risk Management Policy Statement**

The Authority adopts a proactive approach to Risk Management to achieve Best Value and continuous improvement and is committed to the effective management of risk in order to:-

- Safeguard its employees, service users, members, pupils, tenants and all other persons to whom the Council has a duty of care
- Ensure compliance with statutory obligations
- Preserve and enhance service delivery
- Protect the budget
- Protect its physical assets and resources
- Maintain effective control of public funds
- Promote the image and reputation of the Council
- Support the quality of the environment

It is the responsibility of all members, employees and partners to be aware of risk in carrying out their duties, recognising that such risk, if uncontrolled, can result in a drain on resources that could be better directed to service provision and achieving the Council's objectives. Effective risk management encourages innovation by ensuring that risks are taken in a structured and well managed manner.

The Authority recognises that well managed risk taking is desirable where it presents opportunities to provide services in a more cost effective manner.

The Risk Management strategy sets out the framework that the Council has established.

The Policy has the full support of the Council Members and Chief Executive, who are committed to embedding a culture of risk management awareness throughout the County Council.

July 2011

APPENDIX 1

Risk Management Strategy

Contents

- 1.0 Introduction
 - 1.1 What is Risk Management?
 - 1.2 The Risk Management Process
 - 2.0 Objectives
 - 3.0 Framework
 - 3.1 Corporate, Strategic and Cross Cutting Risks
 - 3.2 Departmental Risks
 - 3.3 Project and Partnership Risks
 - 3.4 Monitoring
 - 3.5 Embedding
 - 4.0 Roles, Responsibilities and Resources
 - 4.1 Chair of Audit Committee
 - 4.2 Elected Members – Council, Cabinet, Audit and Scrutiny Committees
 - 4.3 Chief Executive
 - 4.4 Director of Finance
 - 4.5 Chief Officer Group
 - 4.6 Chief Officers and Senior Management Teams
 - 4.7 Operational Managers
 - 4.8 All employees, contractors and partners
 - 4.9 Risk and Insurance Manager
 - 4.10 Risk Management Group
 - 4.11 Strategic Risk Review Team
 - 4.12 Project/Partnership Boards
 - 4.13 Internal Audit
 - 5.0 Funding
- Appendices:
- A: Definitions
 - B: References and further reading
 - C: Strategic and Operational Risks
 - D: Risk Management Assurance and Communications Framework

APPENDIX 1

1.0 Introduction

1.1 What is Risk Management?

The Council recognises that all aspects of business risk must be effectively managed. As part of the Council's Corporate Governance arrangements, risk management provides for a planned and systematic approach to the identification and quantification of risks and the appraisal of options for managing and controlling such risks.

The Risk Management Policy Statement and Strategy document aim to provide a framework within which these risks can be managed.

Effective Risk Management will help to ensure that the Council achieves its corporate aims and objectives by managing effectively the risks inherent in implementing the Council's strategies; delivering services; ensuring best use of resources; and continuity of service.

Risk Management is a process that provides assurance that:

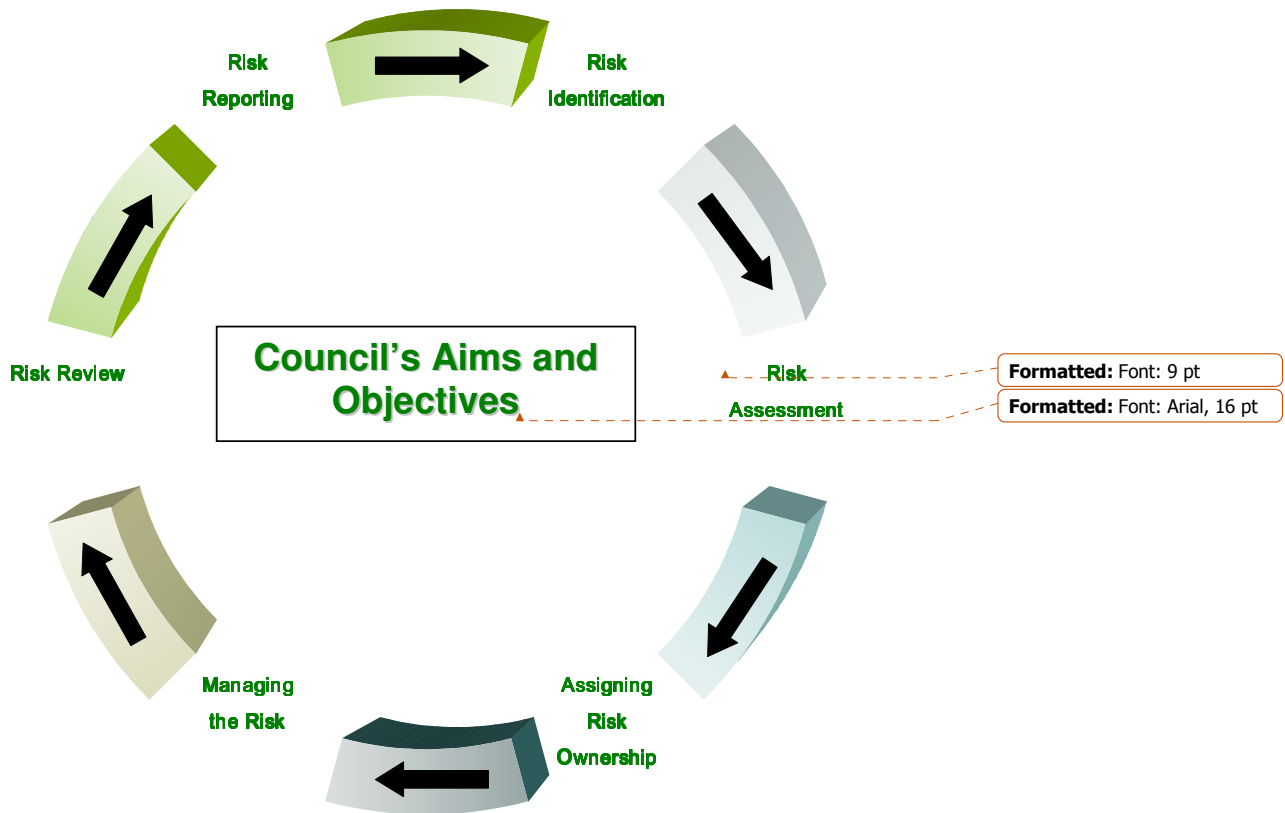
- The Council's strategic and operational objectives are more likely to be achieved
- Damaging things will not happen or are less likely to happen
- Beneficial things will be achieved, or are more likely to be achieved

It is not a process for avoiding or eliminating risk although that may be the effect of the risk mitigation measures deployed. Risk management aims to maximise opportunities and minimise adverse effects.

More specifically, it is a business process that is used to identify risks and opportunities across the Council and to assess their potential impact. And to then provide a method for addressing these impacts to either reduce the threats to an acceptable level or to achieve the opportunities presented. It is recognised that a certain level of risk is necessary if the Council is to move forward. A structured and systematic approach to risk will enable it to be accepted within the context of sound financial management whilst encouraging innovation.

APPENDIX 1

1.2 The Risk Management Process



The risk management process involves:

Risk Identification

For a risk to be managed it must first be identified. All managers have a responsibility to identify the opportunities and risks associated with service planning decisions, significant partnerships and projects. For senior management teams the process will form part of their regular meetings and discussions as they plan the future of the service. For partnerships and projects the most effective way may be by holding risk workshops that involve the most significant stakeholders.

Risk Assessment

The process aims to distinguish key risks and prioritise them into those requiring significant management and those where the impact is minimal or the impact can be more easily contained. The process includes:

APPENDIX 1

- Understanding the controls and measures that are already in place and whether they are effective
- Determining the impact and probability of the risk i.e. the risk ranking. (The risk management toolkit which is available on Dnet includes guidance on how to undertake this process.)
- Identification of the risk owner

Managing the Risks

Accountability for the overall management of a risk lies with the risk owner. These responsibilities include:

- Assessing the implications of the risk and determining the level at which the risk can be tolerated
- Determining the effect of the risk on the delivery of the service and the impact on key performance indicators
- Developing a plan to contain the risk by managing it through a combination of risk mitigation, risk transfer or risk avoidance.
- Ensuring that the targets within the plan are met
- Continually reassessing the risk to ensure that the planned risk mitigations remain effective and taking corrective action as necessary
- Continually assessing the risk to identify when a risk may need to be escalated to a higher level
- Regularly updating the risk register to ensure that it reflects the current status of each risk with regard to risk ranking and risk management measures deployed.

Risk Monitoring and Review

In addition to the reviews undertaken by senior management teams, project officers and officers working on significant partnerships, reports will be taken regularly to Chief Officer Group, Audit Committee, Cabinet, Full Council, and Project and Partnership Boards.

APPENDIX 1

2.0 Objectives

The objectives of the risk management strategy are to;

- Embed risk management into the culture of the Council.
- Improve Strategic and Operational Management
- Improve the quality and reliability of services, leading to more satisfied citizens and fewer complaints
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements
- Manage change effectively
- Encourage innovation
- Prevent injury, damage and losses, reducing the cost of risk
- Prevent disruption to services
- Protect the Council's reputation
- Raise awareness of the need for risk management

These objectives will be achieved by;

- Ownership of risk by members, departments, individuals and partners
- Establishing clear roles and responsibilities and reporting lines within the Council
- Providing relevant training on risk management to Members and employees of the authority, that supports the development of wider management competencies
- Use of the risk management toolkit by managers
- Seeking best practice through inter-authority groups and other professional bodies e.g. the Association of Local Authority Risk Managers (ALARM).
- Disseminating published risk management information to members and employees as appropriate
- Incorporating risk management into strategic and local partnership working, corporate, service and business planning
- Integrating into budget process
- Maintaining the risk management framework to ensure the process is cyclical
- Monitoring effectiveness on an ongoing basis
- Producing reports to Members on risk management activities.

APPENDIX 1

3.0 Framework

3.1 Corporate, Strategic and Cross-cutting risks

Strategic and operational risks are set out diagrammatically in Appendix C.

An exercise will be undertaken quarterly, co-ordinated by the Strategic Risk Review team (see 4.11), using the Council's scoring methodology. The aim will be to identify the "key" risks and critical success factors, from the departmental risk registers. The key risks will be detailed in the strategic risk register.

This exercise will provide members and chief officers with a central record of Corporate Risks, to ensure financial and political consideration is given to risks in the service planning and budget process, reserves planning and the long term financial plan.

3.2 Departmental Risks

Departments will undertake a risk profiling exercise at least annually, as part of service planning and use risk assessment matrices to assess probability and consequences to;

- Review Corporate Risks in context of their service
- Identify Service Specific Risks
- Identify New and Emerging Risks
- Rank all their risks in context of delivery of service
- Prioritise risks for management action
- Monitor previous mitigation strategies
- Identify Risk Mitigation Strategies
- Assign Responsibilities
- Set Time-scales
- Evaluate Budget implications and factor them into budget process
- Integrate Risk Management implications into Service Plans
- Feedback progress to the Strategic Risk Review team for inclusion in Corporate Risk Register

3.3 Project and Partnership Risks

Risk registers for all major project and significant partnership risks will be developed and up-dated at planning, development and implementation stages.

Departments will also consider the risk implications relating to other projects and partnerships and include them in departmental registers, as appropriate. The Risk Management Toolkit (part of the corporate Project Appraisal Toolkit) and the Partnership Toolkit are available to assist managers in undertaking these appraisals.

3.4 Monitoring

Progress of actions in the risk registers will be monitored by the Strategic Risk Review team and reported to Chief Officers and Members annually.

APPENDIX 1

3.5 Embedding

Risk management will be embedded into the culture of the Council by:

- Chief Officers including risk management as a regular item on Departmental Management Team agendas, to ensure the risk registers are reviewed monthly and record the changes in the minutes of the meetings
- Chief Officers including risk considerations in Cabinet and CABCO reports in respect of strategic policy decisions and project initiation documents
- The Risk and Insurance Manager inducts new senior officers into the risk management structure during the risk review process.
- Workshops and facilitation sessions for partnership and projects trains the officers and equips them with knowledge and transferable skills to be used in general management of the service and other partnerships and projects in which they become involved.
- Risk awareness toolkits for Members and officers that can be accessed by Dnet
- Awareness and training sessions for members and employees
- Risk Management section on Dnet which is accessible to members and employees
- Articles in workforce and payslip enclosures to raise awareness of risk management and the role of all employees

APPENDIX 1

4.0 Roles, Responsibilities and Resources

4.1 Chair of Audit Committee

- Member Risk Champion for risk management taking responsibility with the Chief Executive for embedding risk management throughout the Council

4.2 Elected Members - Council, Cabinet, Audit and Scrutiny Committees

- Approve the risk management strategy, framework and process
- Help to identify strategic, corporate and cross-cutting risks
- Consider the risks included in the corporate risk register and be aware of how they are being managed
- Consider risk management priorities as part of the budget process
- Monitor progress on managing all risks included in the corporate risk register
- Receive reports on risk management activity
- Approve expenditure on risk management projects as required by financial regulations
- Agree the levels of risk the authority is willing to accept in the context of sound financial management, whilst recognising that a certain level of risk is necessary to encourage innovation

4.3 Chief Executive

- Officer Risk Champion for risk management taking responsibility with the Chair of Audit Committee for embedding risk management throughout the Council

4.4 Director of Finance

- Ensure that significant risks and their financial implications are considered by Elected Members as part of the budget setting process
- Report to Chief Officer Group and Elected Members the outcome of the quarterly risk reviews
- Lead officer of the Strategic Review Team (see 4.11)
- Chair of the risk management group

4.5 Chief Officer Group

- Provide a strategic overview of the risk management arrangements
- Recommend to members a corporate risk management strategy, framework and process
- Identify and quantify the risks that may impact adversely on the delivery of corporate and service objectives

4.6 Chief Officers and Senior Management Teams

- Consider departmental risks in service delivery planning and agree risks to form the corporate risk register

APPENDIX 1

- Agree risk mitigation actions for all risks to which the department is exposed, with defined time scales and responsibilities.
- Maintain and update corporate and departmental risk registers
- Review risks monthly and record the changes in the minutes of the meetings
- Monitor progress on managing risks and linkages to performance management
- Ensure that risk management considerations are included in all service/business plans
- Ensure that risk management considerations are included in all Cabinet and CABCO reports in respect of strategic policy decisions and project initiation documents
- Identify new and emerging risks
- Embed risk management within their operations and awareness amongst employees, assisted by the Risk and Insurance Manager
- Receive reports on risk management activity

4.7 Operational Managers

- Identify the opportunities and risks associated with service planning decisions, significant partnerships and projects.
- Identify new and emerging risks, or problems with managing known risks, and report them to their line manager.
- Continually assess known risks to identify when they may need to be escalated to a higher level
- Manage risk in the context of their service delivery
- Implement the approved programme of risk mitigation
- Use the risk management toolkit as appropriate
- Receive training in risk management

4.8 All employees, contractors and partners

- Identify new and emerging risks, or problems with managing known risks, and report them to their line manager.
- Maintain risk awareness in carrying out their duties and raise issues with managers/supervisors
- Contribute to the risk management process
- Manage risk effectively in their job
- Identify and share best practice

4.9 Risk and Insurance Manager

- Promote the council's risk management strategy and ensure that it is implemented at all levels of the Authority
- Work with Chief Officers to;
 - Identify the principal risks facing the authority and agree a corporate risk ranking
 - Identify existing risk mitigation strategies

APPENDIX 1

- Formulate and agree future mitigation strategies, define time-scales and identify officers responsible for implementation of strategies
 - Review progress at agreed intervals and report to chief officers and members as required
 - Maintain and update the corporate risk register
 - Prepare reports for Chief Officer group and Elected Members
-
- Facilitate the development of risk registers for major corporate projects and significant partnerships and ensure that they are reviewed and up-dated at the planning, development and implementation stages of the project/partnership
 - Be part of the Strategic Risk Review Team (see 4.11)
 - Co-ordinate the work of the Risk Management Group
 - Identify best risk management practice through contact with other risk management professionals and membership of external bodies, such as the Association of Local Authority Risk Managers. To share experiences and good practice on risk across the council
 - Identify new and emerging risks
 - Produce good practice risk management guidelines and advice for members and officers of the authority
 - Support the delivery of training programmes
 - Induct new senior officers into the risk management structure during the risk review process.
 - Facilitate and lead workshops and risk sessions for partnership and projects to train the officers and equip them with knowledge and transferable skills to be used in general management of the service and other partnerships and projects in which they become involved.

4.10 Risk Management Group

The group meets as required to deal with council wide issues and formulate draft corporate policies and procedures. It is chaired by the Director of Finance and comprises representatives from the relevant services departments and the Risk and Insurance Manager. Officers from Derbyshire Constabulary and Derbyshire Fire and Rescue will be invited to join the group as required.

Members of the group will be consulted on proposals for significant expenditure.

4.11 Strategic Risk Review Team (Director of Finance and Risk and Insurance Manager)

- Review the Risk Management policy and strategy at least annually to reflect best practice and initiate improvements
- Review and up-date the Annual Governance Statement
- Meet with departments as necessary to review risk registers
- Collate the changes to the departmental registers and ensure that the corporate risk register is amended to reflect these changes

APPENDIX 1

- Report the outcomes to Chief Officer Group and Members

4.12 Project/Partnership Boards

- Receive reports on risk management activity
- Review and monitor the risks identified on the relevant project/partnership risk registers, ensuring that suitable controls are in place and working, or that plans are being drawn up to bring in further controls
- Ensuring the active management of key stakeholders in the management of risk where appropriate.

4.13 Internal Audit

- Prepare Strategic and Operational Audit Plans taking account of those risks identified in Corporate/Departmental Risk Registers together with underlying financial, operational and reputational risks resulting from the Authority's activities
- Monitor changing risk profiles based on audit work undertaken, adapt future audit work to reflect these changes and inform Chief Officers and the Risk and Insurance Manager accordingly
- Evaluate compliance with the corporate risk management strategy
- Review the Authority's risk management arrangements and associated systems

APPENDIX 1

5.0 Funding

The Corporate Risk Register will inform the annual budget setting process and long term financial plan.

The Council will determine annually the budget to support risk management capital and revenue expenditure.

Requests from departments and establishments, for financial support for risk management measures will be considered in accordance with Financial Regulations.

Departments and establishments will be expected to evidence their commitment to the measures they are proposing through contributions from their capital and/or revenue budgets.

Definitions

Consequence/ Impact	The direct effect of an event, incident or accident. Examples include death, injury, damage to property, damage to reputation, financial loss
Corporate Risk Register	The central register of risks that score above the Council's risk tolerance score (currently 12) that are reported to Chief Officers and Elected Members.
Likelihood	The frequency or probability of something occurring. Frequency is a measure of the rate that events occur over time e.g. events per year, incidents per month etc. Probability is a measure of a possible event expressed as a fraction of the total number of events e.g. one in a million, one in a hundred, 25% chance etc.
Operational Risk	A risk affecting a particular service or area. The impact or likelihood of an operational risk can place it above the risk tolerance so that it also appears in the corporate risk register. They tend to be more immediate in their impact and more susceptible to treatment in shorter time frames. They will usually link to service level objectives and plans.
Operational Risk Register	A register of risks relating to a service or department. Some of the risks will score above the risk tolerance line and be incorporated into the corporate risk register.
Risk	The chance of something happening that will have an impact on the Council's aims and objectives. It is measured in terms of impact and likelihood. Importantly, risk can be positive and negative, although most positive risks are known as opportunities and negative risks are simply called risks.
Risk Analysis	The assessment of risk, the management of risk, and the process of communicating about risks. A systematic use of available information to determine how often specific events may occur and the magnitude of the consequences (impact)
Risk Appetite	The risks below the risk tolerance score (currently 12) that are accepted as being managed down to a level that the Council can tolerate. The Council seeks to manage risks scoring above 12 down to a score below 12.
Risk Assessment	The identification of risk, the measurement of risk, and the process of communicating about risks. A systematic process for assessing and integrating professional judgements and probably adverse conditions and/or events. The assessment process measures risk by two factors: consequences (impact) and likelihood
Risk Avoidance	Removing a risk by taking a different course of action or ceasing an activity. This is not always easy in the public sector where the organisation will have statutory duties and responsibilities that cannot be avoided.
Risk Classification	Part of the risk assessment process that categorises risks, typically into high, medium and low values.

Risk Evaluation	The estimation of the likelihood and consequences/impact of identified risks and the determination of whether the score puts the risk inside or outside the Council's risk tolerance. See Risk Measurement
Risk Identification	The method of identifying and classifying risks. See risk classification
Risk Management Strategy	The structure for linking the Council's risk management activities to the achievement of the corporate aims and objectives
Risk Measurement	The evaluation of the magnitude of risk which usually involves developing a set of risk factors that are observed and measured to detect the presence of risk. See Risk Evaluation.
Risk Mitigations	Management actions taken/put in place to control a negative risk or maximise an opportunity.
Risk Owner	The senior officer responsible for managing a specific risk
Risk Prioritisation	Ability to measure risks into a logical order by establishing how significant they are in comparison to the achievement of corporate aims and objectives. The relation of acceptable levels of risks among alternatives.
Risk Ranking	The multiplication of the consequences (impact) and likelihood scores that gives an overall score. It is used to compare identified risks and aid prioritisation
Risk Reduction	The application of appropriate techniques and management principles to reduce either the likelihood of an occurrence or its consequences (impact) or both.
Risk Register	A centrally held register detailing the risks, that includes details of the risk owner, the risk score and the risk reduction measures in place or planned
Risk Tolerance	The amount of risk the Council is prepared to tolerate before executive action is required. Risks above the tolerance level are incorporated into the Corporate Risk Register and reported to Chief Officers and Elected Members. The tolerance level is exceeded when the risk ranking exceeds a certain score – currently 12. The term also applies to the level at which an organisation is prepared to tolerate an individual risk. The level will vary from very high to very low depending on a number of factors.
Risk Transfer	Reducing the effects a risk on the organisation by transferring it to another organisation. This is usually done through contract or insurance.
Strategic Risk	A risk that impacts on the achievement of the Council's Aims and Objectives. These risks generally affect the medium to long term goals and link to the strategic objectives and the Council's priorities.

References and further reading

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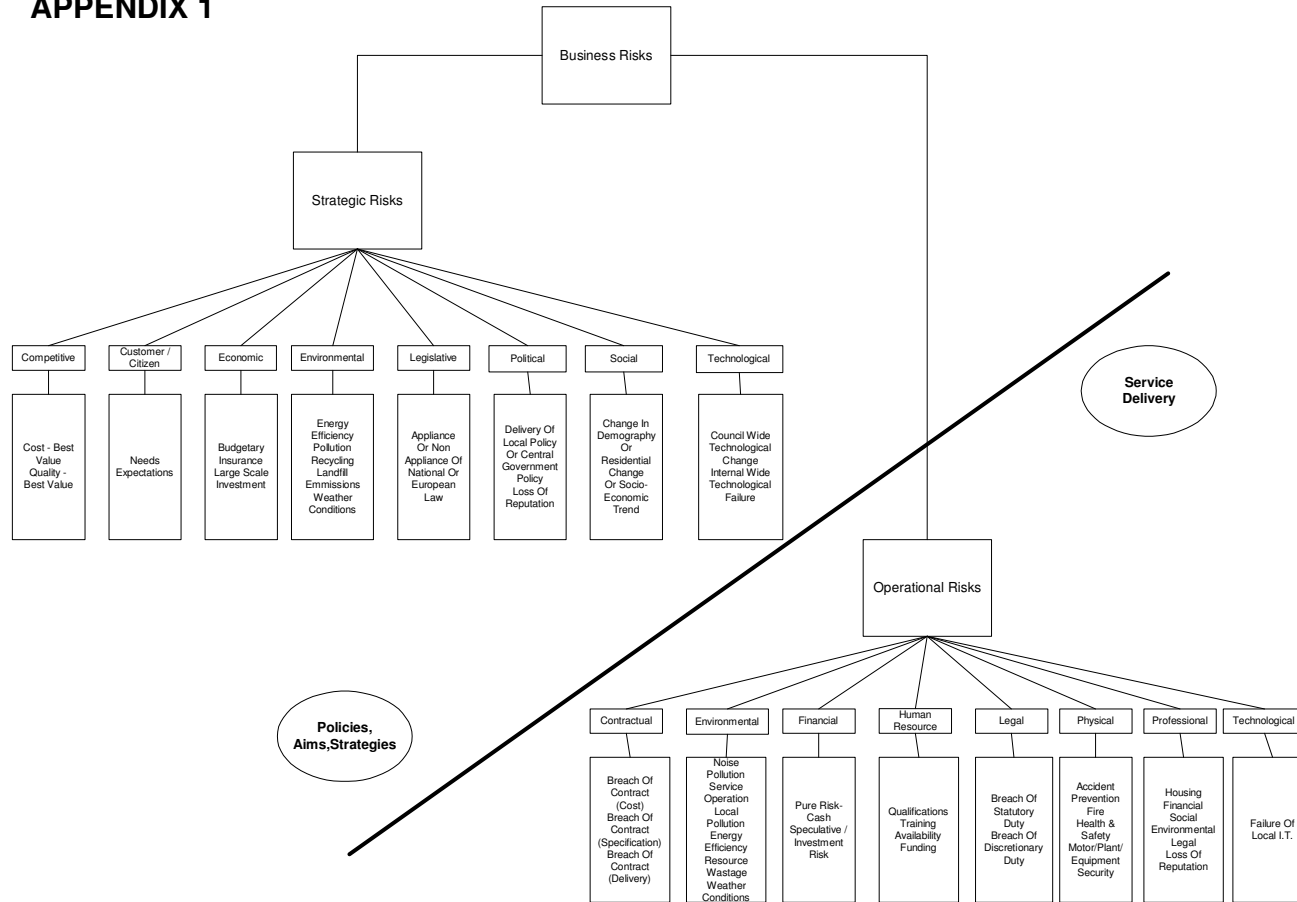
Websites

The Accounts Commission for Scotland <http://www.accounts-commission.gov.uk>

The Association of Local Authority Risk Managers <http://www.alarm-uk.com>

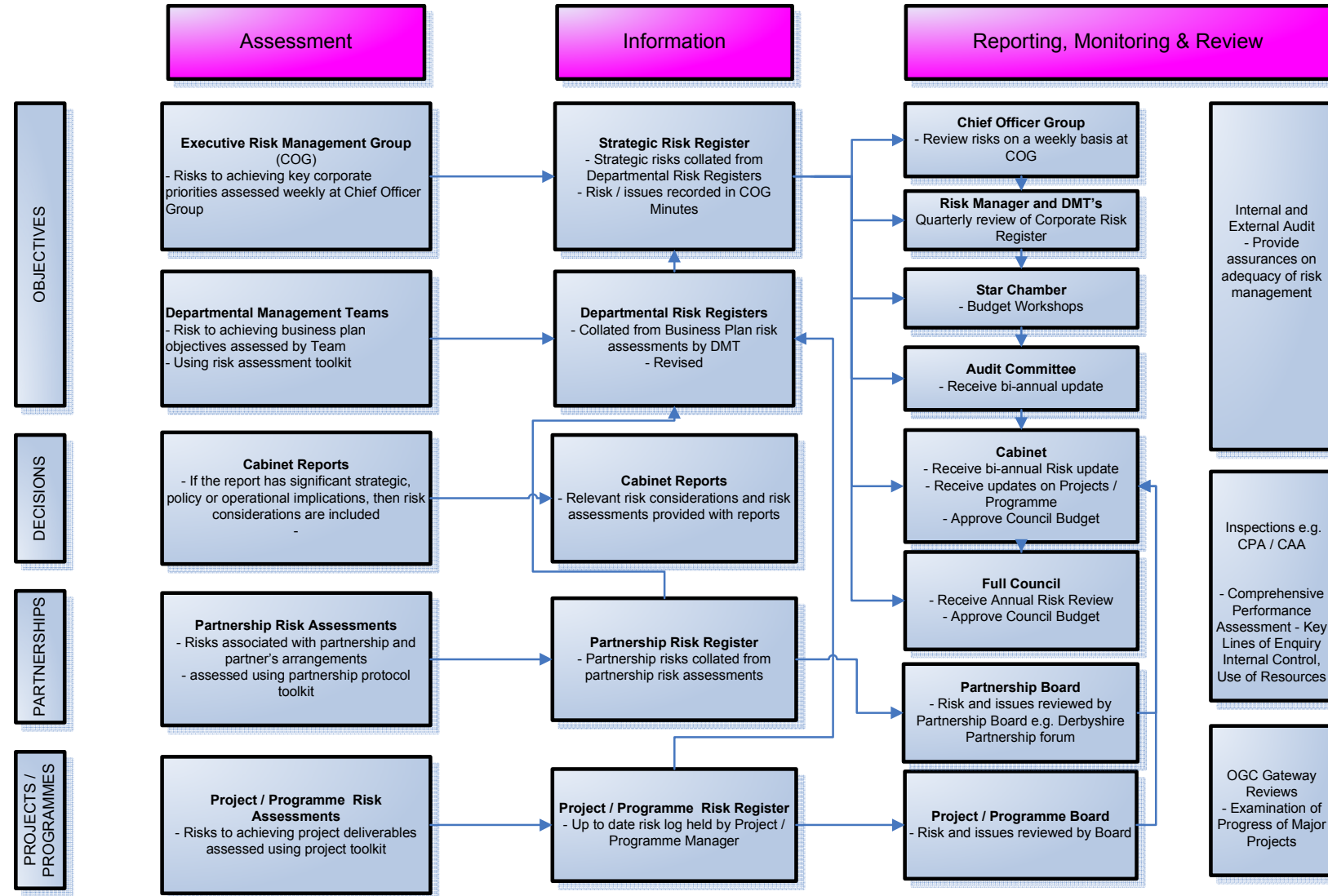
Terms used to categorise business risk in Local Government

APPENDIX 1



Appendix C Terms used to categorise business risk in Local Government

APPENDIX 1



Appendix D – Risk Management Assurance and Communications Framework

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