Derbyshire County Council

Risk Management Toolkit

2019-2021

Version Control

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1. Introduction

The Council Plan 2017-2021 is clear in its ambitions for Derbyshire County Council to be efficient and high performing, delivering value for money services as well as becoming an Enterprising Council transforming its traditional service delivery models.

New service models will necessitate closer working arrangements with new and existing partners including public and private sector organisations, the voluntary and community sector in providing cost effective public services.

Using this toolkit will underpin the Councils objectives by assisting Departments and Councillors to identify existing and changing risks as well as opportunities presented to enable the Council to make sound business decisions based on a robust framework.

The Council's Risk Management Strategy document is available separately and provides more detail on employee and member's individual responsibilities, the framework of and the aims and objectives of Risk Management within Derbyshire County Council.

2. Purpose

This toolkit is for those involved in:

- Setting aims and objectives
- Formulating Service Plans
- Considering resource allocation and determining spending priorities
- Considering asset management prioritisation
- Establishing and running programmes, projects and partnerships
- Considering option appraisal within key decision reports or policy changes

The guidance and templates included will help you identify, assess and manage risks facing your area and to embed the practice of Risk Management within the organisation.

The Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles.

The Council recognises the value of maintaining an effective risk management culture which will seek to identify, analyse, manage and control the risks it faces.

The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

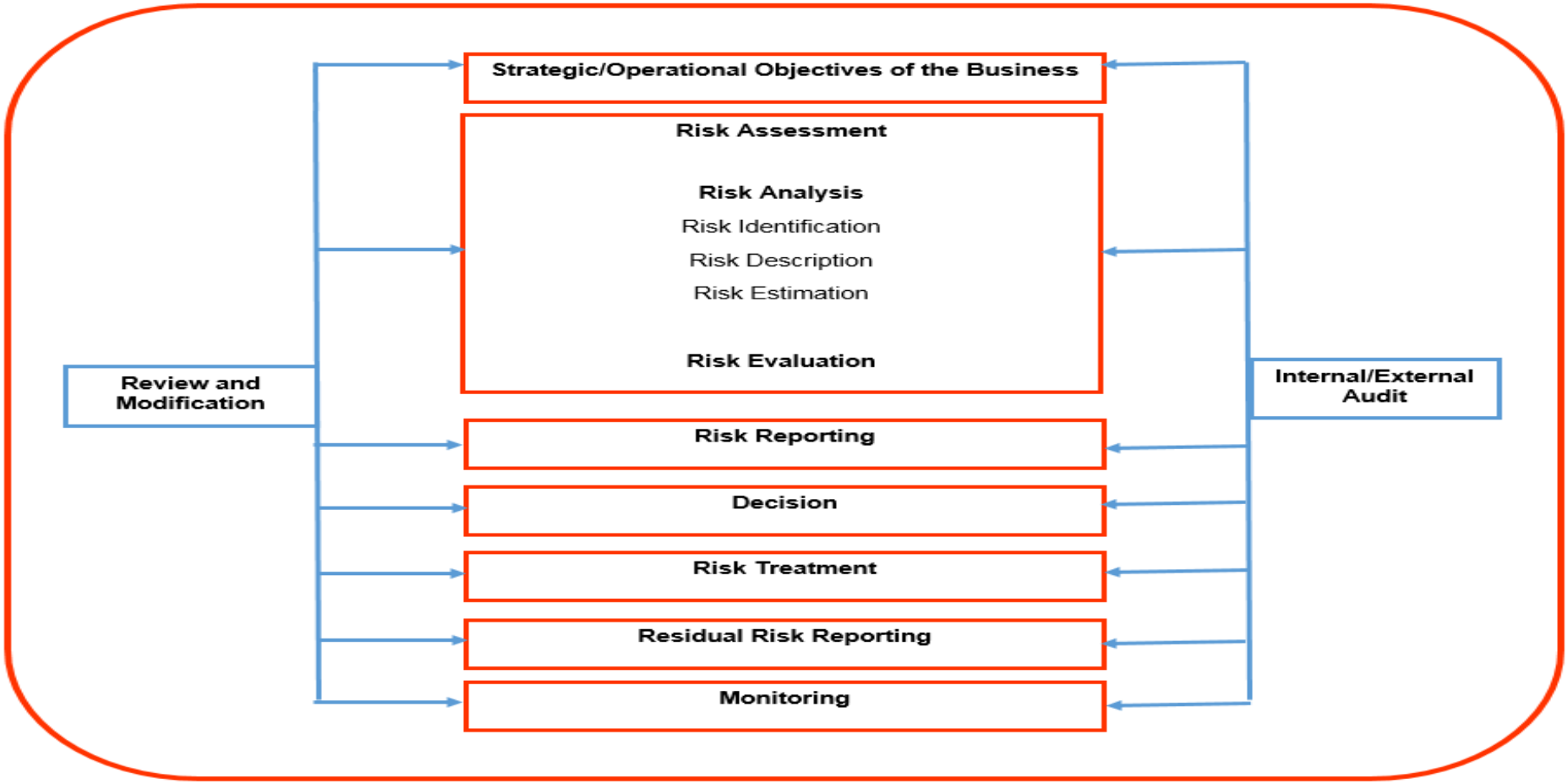
The Council is, within the above context, committed to the management of risk in order to:

- Ensure that statutory obligations and policy objectives are met;
- Prioritise areas for improvement in service provision and encourage meeting or exceeding customer and stakeholder expectations;
- Safeguard its employees, clients or service users, members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Protect its property including buildings, equipment, vehicles, knowledge and all other assets and resources;
- Identify and manage potential liabilities;
- Maintain effective control of public funds and efficient deployment and use of resources achieving VfM;
- Preserve and promote the reputation of the Council;
- Support the quality of the environment;
- Learn from previous threats, opportunities, successes and failures to inform future management of risks.

3. The Risk Management Process

The Council has closely followed the ISO31000 Standard to tackle Risk management Procedures, framework, guiding controls and processes with Plan, Do, Check, Act, Review at the core.

The risk management process outlined above is broken down into several steps which are explained in more detail in the following sections.



Strategic/Operational Objectives of the Business

You will need to understand the objectives of the business; operationally, strategically or both to understand what impact the risk could have on the Council's objectives.

Risk Analysis - Identification

The purpose of risk identification is to generate a comprehensive inventory of risks based on those events that might create, prevent, accelerate or delay the achievement of your objectives. These objectives might include your Service Plan, Programme/Project objectives or Council Objectives.

Risks should be identified at all levels of the organisation including those relating to joint ventures, partnerships and projects.

When identifying risks we should consider the "big picture" of the environment within which the Council works.

This involves considering the organisation, department, service or project from the point of view of the following factors:

- Financial
- Reputational
- Physical Injury/Health and Safety
- Environmental Damage
- Service/Operational disruption/Key Targets/Objectives
- Statutory Duties/Legal Obligations
- Partnership Implications
- Stakeholder Implications

Appendices A&B contain a more extensive listing and examples of risks that may be identified for the Council. These are not exhaustive lists and you should not feel restricted by the examples.

Recording Risks

A Risk Register is used for recording risk information. A template document is available separately in excel

Each Department must have a Risk Register and every business area should consider the need for individual Risk Registers. The Council has a Strategic Risk Register that contains the top risks that could impact on a Council wide basis.

During the Risk Identification Stage you should complete the following columns in the Risk Register:

Category – the category that the risk fits into which is used to code risk descriptions. These are:

- Financial
- Reputational
- Physical Injury/Health and Safety
- Environmental Damage
- Service/Operational disruption/Key Targets/Objectives
- Statutory Duties/Legal Obligations
- Partnership Implications
- Stakeholder Implications

Risk Identifier Number – unique risk number that will follow the risk for the duration of the process to enable mentoring and reporting. The Strategic Register uses the Year followed by incremental numbering.

Risk Description – Your description of the risk. This should be brief but incorporate the elements outlined in the Risk Description section above.

Division – The relevant service area, division or department of the organisation within which the risk sits, for example “Corporate Finance” or “Trading Standards”.

Existing Risk Mitigation Procedures/Controls – a list of the current controls that are in place to deal with the risks. These should be specific and auditable. A control should either reduce the likelihood of the risk materialising and/or reduce the impact should the risk materialise.

Link to Council Plan – Each risk should link back to the organisation’s objectives.

Risk Description – How to Express a Risk

It is important to ensure risk descriptions are brief but fully communicate the risk in question. The description should incorporate the Risk, its' Consequence and the Cause:

An example is shown below:

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	✗ this is simply the converse of the objective
Being late and missing the meeting	✗ 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	✗ 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

Some useful phrase beginnings when articulating risk could be:

Failure to…..	Leads to a….	Reduction of….
Loss of…….		Disruption to….
Inability to……	Could mean…	Increase in……
Inappropriate…		Lack of……
Exploitation of….	Will have an impact on…	Realisation that….
Enhancement of….		Empowerment of…..

Risk Estimation

It is important that the Council as a whole uses the same methodology to calculate risk to ensure that DCC has an accurate overview of the risks that are posed.

The risks are scored using two criteria scales that are then multiplied together to produce a total score by which the risk is assessed as to the impact to the Department and then to the Council.

The two criteria used are the *Likelihood* of an event occurring and the Impact that event could have.

Likelihood Scale

The scale for assessing likelihood is as follows:

Likelihood Assessment Criteria	
Scale	**Description**
5	ALMOST CERTAIN: The event is expected to occur or occurs regularly (monthly, quarterly or biannual)
4	PROBABLE: The event will probably occur (annually)
3	POSSIBLE: The event may occur (1 incident in 2 years)
2	UNLIKELY: The event could occur (1 incident in 5 years)
1	RARE: The event may occur in certain extreme circumstances (1 Incident in 10 years or above)

Impact Risk Scale

The Corporate scale for assessing risk is shown in the following page with an example description for each score for each area of risk from 1-5 with 1 being the least impact and 5 being the greatest to the Council.

When assessing each risk, the category that scores the highest impact should be used if a number of categories could be used.

Corporate Impact Assessment Criteria of Risk Category

Scale	Financial (Cost per annum)	Reputational	Physical Injury/Health and Safety	Environmental Damage	Service/Operational Disruption/Key Targets/Objectives	Statutory Duties/ legal Implications	Partnership Implications	Stakeholder Implications
5 Very High	>£25,000,000	Lasting or permanent brand damage resulting from adverse comments in national press and media. Members/Officers forced to resign	Death or severe life-changing injuries	Major national or international	Severe disruption/loss of service more than 7 days	Multiple Litigation	Complete failure / breakdown of partnership	Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences
4 High	£10,000,000 to <£25,000,000	Temporary brand damage from coverage in national press/media	Extensive or multiple injuries/ Incidents reportable to HSE	Major local impact	Disruption/Loss of service less than 7 days	Litigation	Significant impact on partnership or most of expected benefits fail	Stakeholders would experience considerable difficulty in pursuing rights and entitlements
3 Medium	£5,000,000 to <£10,000,000	Extensive coverage in regional press/radio/TV/social media	Serious injuries/ incidents reportable to HSE	Moderate locally	Disruption/Loss of service less than 48 hours	Ombudsman	Adverse effect on partnering arrangements	Some minor effects on the ability of stakeholders to pursue rights and entitlements, eg other sources or avenues would not be available to stakeholders
2 Low	£2,5000,000 to <£5,000,000	Minor adverse comments in regional press/social media	Minor (i.e. first aid treatment)/ No time lost from work	Minor locally	Internal disruption only, no loss of service	Individual Claims	Minimal Impact on Partnership	Minimal impact without needing to look at other sources or avenues
1 Negligible	<£2,500,000	Minimal adverse comments with minimal press/social media	None	None/ Insignificant	No loss of service	No impact	No Impact	No impact

Risk Evaluation

Below is the risk scoring matrix DCC uses to determine the risk score from project, operational and strategic risks once the Likelihood and Impact of the risk have been scored.

Risk Score Matrix (Impact x Likelihood)

Likelihood					
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
	Impact				

Risk Treatment

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

Colour	Score	Action	Risk Control
Green	Low	Review Periodically	Tolerate/Accept or Treat and Control
Yellow	Moderate	Mitigate, Control and Review Frequently	Tolerate/Accept or Treat and Control
Amber	High	Seek cost effective management action, control, evaluation or improvements with continued proactive monitoring	Treat, Tolerate or Transfer
Red	Extreme	Significant management action, control, evaluation or improvements with continued proactive monitoring	All options can and should be considered

During the Risk Evaluation Stage you should complete the following columns in your Risk Register:

New Score (Probability) – Using the scale below this is the likelihood of the risk actually occurring (taking into account any controls contained in the existing controls section).

New Score (Impact) - Using the scale below this is the effect of the risk if it occurs (taking into account any controls or mitigations contained in the existing controls section). Impact can be considered in various categories and may not be restricted to financial. In assessing the level it is important to recognise the relevant appetite for risk. 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.

New Score (Score) – Multiply New Score (Probability) by New Score (Impact). This will calculate automatically in the Departmental Risk Register Excel Template.

Risk Decision

Once you have scored the risk, if the risk is not something that you are able to control within your business area or has further reaching effects (ie. Department or Council wide) you need to **escalate** it through your **Departmental Risk Register** and if relevant for consideration onto the Council's **Strategic Risk Register**.

Colour	Risk Register Decision Matrix
Green	No referral
Yellow	No referral
Amber	Referral to Departmental Risk Register (DRR) for possible inclusion
Green	Referral to DRR/Strategic Risk Register (SRR) for possible inclusion

During this stage you should complete the following columns of the Risk Register:

Planned Risk Mitigation Procedures/Controls – Where risks are considered not to be of sufficient importance to require further action this can be reflected here and the remaining columns (apart from Action Manager) left blank. Where the risk requires additional action this column should include what actions will be taken to manage the risk.

Target Score (Probability) – The probability of the risk occurring that will be achieved once the planned risk mitigation procedures/controls have been completed.

Target Score (Impact) – The impact of the risk occurring that will be achieved once the planned risk mitigation procedures/controls have been completed.

Target Score (Score) - Multiply Target Score (Probability) by Target Score (Impact). This will calculate automatically in the Departmental Risk Register Excel Template.

Action Manager/Risk Owner – Initials of the individual who is nominated and responsible for the monitoring, reporting and directing mitigation actions for the risk. This should be someone with knowledge of the area and sufficient influence to progress the actions identified.

Action Date – The target date by which actions are expected to be progressed.

The Risk Register can now form the basis of your Action Plan.

Residual Risk Reporting and Monitoring

Monitoring and Reporting are important to:

- Ensure that the risk is still current and relevant
- Ensure that controls are still relevant, effective and that they are achieving the desired outcomes.

At this stage the following columns should be completed on the risk register

Comments, Progress & Budget Implications – This column should be used to comment on the progress of mitigations and relevant factors (including budget implications). It should be added to/completed each time the Register is reviewed. This information is used for reporting progress on Strategic Risks to Audit Committee and Chief Officer Group.

Previous Score – When reviewing the risks it is likely that some of the proposed risk mitigations will have been completed. The new Risk Score should always reflect the current position. When reviews are considered the old ***New Risk Scores*** should be transferred to the ***Previous Score*** columns and the revised ***New Risk Score*** entered. This allows an at glance tracking of progress when reporting.

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.

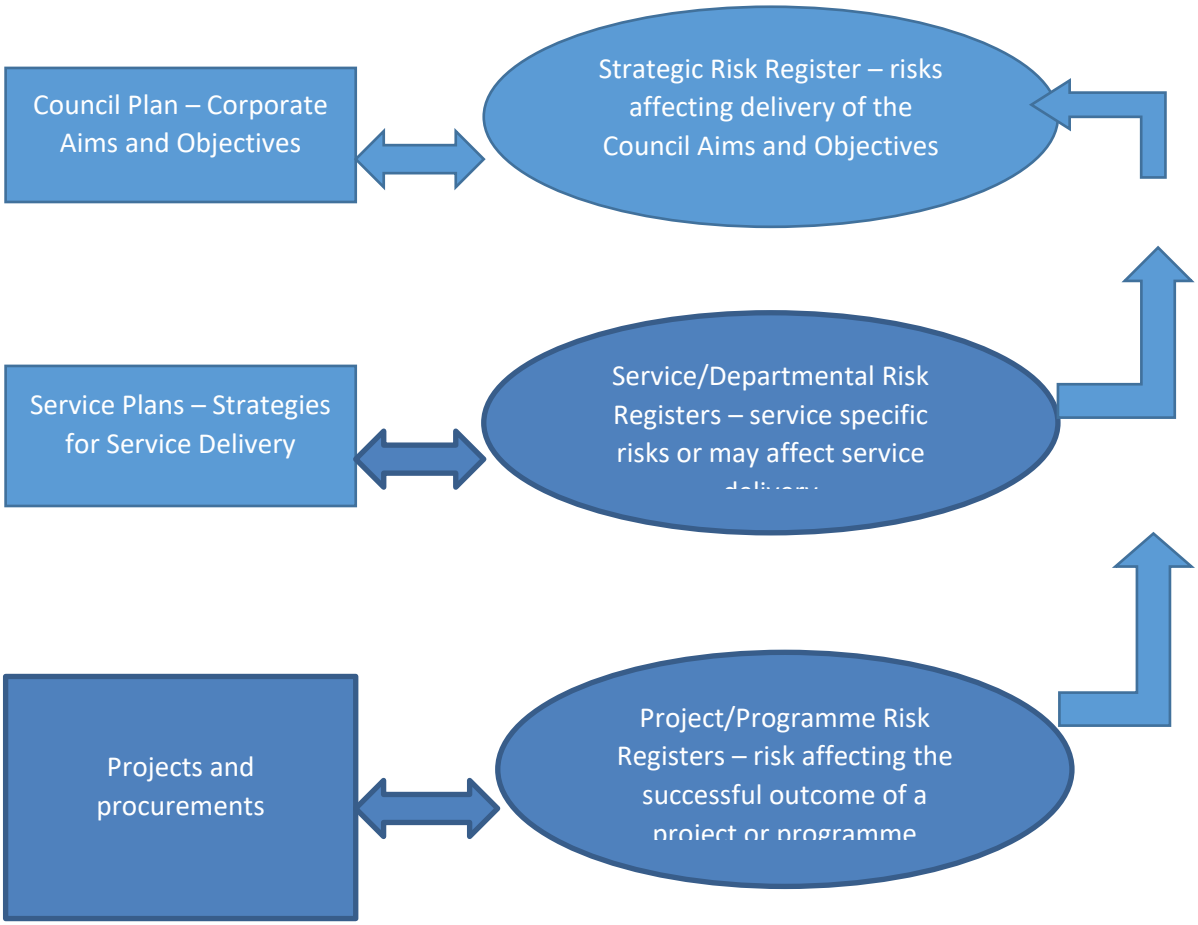
Senior management teams are required to review their registers on a at least a monthly basis and risk management should be a standing item on their meeting agendas.

The Council's Risk and Insurance Manager undertakes regular reviews (at least quarterly) of the departmental and strategic risk 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
- Annually to full council

Aggregate Results, integrate with Council and Service Plans

Using the risk management process during the strategic planning process will identify what risks will prevent strategic risks being met. We can then concentrate risk management actions and investment on those key areas.



4. Where to go for help

Contacts

Those working in a particular business area are the best people to identify and manage risks. However, if you need further help working through the process or just have a Risk Management question please do not hesitate to contact us.

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5. Appendix A – Categories of Risk in Local Government

Appendix A – Categories of Risk in Local Government (continued)

6. Appendix B – Risk Universe

This Risk Universe supports the risk identification stage of the risk management process. It provides you with a guide to the risks you should be considering during the risk identification process.

The list is not exhaustive, you should think beyond these examples as our organisation has its own unique risk profile/footprint and this source data is provided by the generic ALARM (Association of Local Authority Risk Managers) Toolkit.

Strategic Risks – uncertain future events that could negatively impact the achievement of the Council's vision and strategic objectives
Heavy snow fall leads to major transport disruption
A change in government policy diverts funding focus away from the Council's activities
Change of Government
An event leads to dissatisfied citizens, users, central/regional government or other stakeholders
Failure to establish and implement an effective marketing campaign
Failure to adapt to changes in social trends prevents the achievement of strategic objectives
Failure to align agendas and objectives with key partners
Inability to take advantage of a key funding opportunity
Loss of key supplier/contractor, especially if there is a dependence on it for delivery of a service
Cabinet do not receive sufficient information to make a robust and informed decision
A conflict of interest emerges between the Council and one of its partners
Inaccurate financial forecasting and reporting is used to make a strategic decision
Loss of a key delivery partner
Failure to deliver key stakeholder expectations
A major environmental incident
Operational Risks – uncertain future events that could negatively impact the day to day operations of the Council
Failure of a key contractor to deliver a service, entirely or within the pre agreed timescale
Loss of critical IT systems
Loss of confidential information
Loss of insurance cover for key operations
Failure to react appropriately in the event of a disaster (e.g. to follow appropriate business continuity arrangements)
A significant increase in the costs associated with the maintenance of the Council's buildings

People – uncertain future events that could negatively impact the staff
Inadequate training and development is provided to staff
Loss of a key member of staff
Inability to recruit and train suitable employees, volunteers or trustees

7. Appendix C – Glossary

	Definition
Accept	A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives of it does.
Action Manager/ Owner	Risks are assigned to a lead person and department with responsibility for ensuring that they are adequately controlled and monitored.
Actual Cost of Risk	The overall impact to an organization from undertaking activities with an uncertain outcome and includes such factors as the cost of managing those risks, financially transferring the liabilities, sustaining any uninsured losses, lost production/goodwill, adverse publicity, and fines.
Cause	A person or thing that gives rise to an action, phenomenon, or condition.
Claims Handling Costs	Expenses incurred in handling and settling claims.
Consequence	A result or effect of an action or condition.
Corporate Governance	The ongoing activity of maintaining a sound system of internal control by which the directors and officers of an organization ensure that effective management systems, including financial monitoring and control systems, have been put in place to protect assets, earnings capacity and the reputation of the organisation.
Impact (Severity)	The effect or influence of one person, thing, or action, on another should the risk materialise.
Insurance Fund	Monies set aside to meet the cost of claims that are not commercially insured, or within the policy excess.
Operational Risk	Failure to achieve business/organizational objectives due to human error, system failures and/or inadequate procedure and controls.
Partnership (Third parties)	Contractual relationship between two or more persons carrying out a joint venture, each incurring liability for losses and the right to share in the outcome.
Premiums	The money paid to an insurance company in return for insurance cover.
Previous Score	This is the last score assigned to a particular risk before re-evaluation of the risk.
Probability (likelihood)	A measure of how likely it is that some event will occur in a given time.
Risk	A probability or threat of a damage, injury, liability, loss or other negative occurrence that is caused by external or internal vulnerabilities.
Risk Analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of the impact.
Risk Appetite	The amount of risk the organisation, or department/service, is willing to accept.
Risk Assessment	The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of an acceptable level of risk.
Risk Description	Description of the uncertain event or set of events and what will happen if they occur

Risk Identification	Determination of what could pose a risk; a process to describe and list sources of risk (threats and opportunities).
Risk Management	Practice of identifying, analysing, and controlling in the most effective manner all threats or opportunities to the achievement of the strategies, objectives and operational activities of the organisation.
Risk Matrix	Sometimes referred to as a Risk Map. A model which visually displays the relationship between the probability and impact of specific risks.
Risk Mitigation	The process by which an organization introduces specific measures to minimize or eliminate unacceptable risks associated with its operations.
Risk Ranking	Risks can be given a ranking, to assist with prioritisation, based on a combination of consequence and likelihood of the risk.
Risk Register	A basic ongoing working document that records the risk identification, assessment and sometimes action planning process.
Stakeholder	Any individual, group or oganisation that can affect, be affected by, or perceive itself to be affected by a risk.
Strategic Risk Register	A Risk Register to support the risk framework that captures strategic organisational risks.
Target Score	This is the desired score to be achieved after risk mitigation procedures/controls have taken place.
Terminate (Avoidance)	A risk response that seeks to eliminate a threat by ceasing to carry out the activity concerned.
Tolerate	A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives of it does.
Transfer	A risk response whereby a third party takes on responsibility for an aspect of the risk.
Treat (Reduce)	A risk response for a threat that seeks to reduce the probability and/or impact.
Visible Cost of Risk	The easily identifiable financial aspects of claims, excess payments, insurance premiums and amounts retained in the insurance fund to finance losses.

8. Appendix D - Sources

ALARM Risk Management Toolkit – An Essential Guide and Toolkit for Managing Risk in Public Sector Organisations – ALARM/MARSH 2012

OGC Management of Risk: Guidance for Practitioners

ISO 31000:2018 Risk Management - Principles and Guidelines

HM Treasury – Orange Book on Risk Management