



Derby City Council

# **Derby City Council Risk Management Strategy 2018**



Derby City Council

## Foreward

Welcome to the Risk Management Strategy for Derby City Council, revised in December 2017. This Strategy aims to improve the effectiveness of risk management across the Council. Effective risk management allows us to:

- have increased confidence in achieving our priorities and outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- improve partnership working arrangements and corporate governance.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against the council and damage to its reputation.

This Risk Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that our Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully. Detailed information on how to implement this policy and tools to assist in the implementation are provided in Derby City Council's Risk Management Practical Guide available via i-Derby.



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## Introduction

Whilst risk management is a statutory requirement it is not simply a compliance exercise but an indispensable element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals.

Risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals and its implementation is crucial to the Council and essential to its ability to discharge its various functions: as a partner within the Local Strategic Partnership, a deliverer and commissioner of public services, a custodian of public funds and a significant employer.

The Risk Management Process outlined within this Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities, operational activities (e.g. delivery of actions identified in team plans) and delivery of projects or programmes.

Derby City Council defines a risk as:

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

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.

## Risk management

Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing 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 can also include risks as diverse as those associated with public image (reputation), the environment, technology, breach of confidentiality etc.

The benefits of successful risk management include:

- **Improved service delivery** – fewer disruptions, efficient processes, improved controls.
- **Improved financial performance and value for money** – increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks.
- **Improved corporate governance and compliance systems** – fewer legal challenges, robust corporate governance, fewer regulatory visits.
- **Improve insurance management** – lower number of level of claims, lower impact of uninsured losses and reduced insurance premiums.



## Risk Management Process

Derby City Council's risk management process has 5 key steps as outlined below. Further information on the process and its use is outlined within the Risk Management Guidance Document available on i-Derby.



| Process Step                               | Description   |
|--|---|
| Risk Identification                        | Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.  |
| Risk Analysis                              | Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against Derby City Council's risk matrix                    |
| Risk Treatment                             | Treat; Tolerate; Transfer; Terminate; Exploit – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)                            |
| Completing the Risk Register               | Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting. |
| Monitoring, Reporting, Reviewing the risks | Review risks against agreed reporting structure to ensure they remain current and on target with what is expected or manageable.  |

## Derby Council Risk Matrix

|   |        |           |                    |               |                      |                 |
|---|--------|-----------|--------------------|---------------|----------------------|-----------------|
| Objectives cannot be delivered. Statutory duties not achieved, death, financial loss over £5million, adverse national media attention, litigation almost certain, breaches of law, inspection highlights inadequate service, council unable to work with partner organisation | Impact | Very High |                    |               |                      |                 |
| Significant threat to council objectives. Non-statutory duties not achieved, permanent injury, financial loss over £1million, negative national media attention, litigation expected, serious issues raised through inspection, breakdown of confidence of partners.          |        | High      |                    |               |                      |                 |
| Slight delay in achievement of service objectives, minor injuries, financial loss over £500k, adverse local media attention, breaches of local procedures   |        | Medium    |                    |               |                      |                 |
| Limited impact on service objectives if any, section objectives unlikely to be met, financial loss less than £500k, no media attention  |        | Low       |                    |               |                      |                 |
|   |        |           | Remote             | Possible      | Probable             | Highly probable |
|   |        |           | Likelihood         |               |                      |                 |
|   |        |           | Extremely unlikely | Fairly likely | More likely than not | Almost certain  |

## Roles and Responsibilities

| Group / Individual                  | Roles and Responsibilities   |
|-------------------------------------|--|
| <b>Audit and Accounts Committee</b> | <ul style="list-style-type: none"> <li>To review and approve the Council's risk management policy and strategy.</li> <li>To review and challenge the content of the strategic risk register report and the adequacy of associated risk management arrangements.</li> <li>Promote risk management within the authority</li> <li>Approve risk tolerance levels or the "risk appetite" of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk as recommended by Management Team</li> </ul> |
| <b>Chief Officers Group (COG)</b>   | <ul style="list-style-type: none"> <li>To promote understanding of the management of risk in accordance with best practice, throughout the City Council</li> <li>Preparing and recommending changes to the risk management strategy</li> <li>Reporting key risks to the Council's Audit and Accounts Committee</li> <li>Approving the report on Risk Management provided by Corporate Risk Group</li> </ul>  |
| <b>Chief Executive</b>              | <ul style="list-style-type: none"> <li>Overall responsibility for ensuring that strategic risks are effectively managed within the Council'</li> <li>To provide an annual statement of assurance on strategic risks.</li> </ul>  |



|  |   |
|--|---|
| <b>Elected Members</b>                           | <ul style="list-style-type: none"> <li>• <b>Members are responsible for governing the delivery of services to the local community and have a responsibility to understand the risks that their Council faces and be aware of how these risks are being managed. One way of gaining assurance that identified risks are being effectively managed is by robust, constructive challenge and scrutiny.</b></li> <li>• <b>Be aware of the key risks within their portfolio services, and within any projects and/or partnership working they represent the Councils interests on.</b></li> <li>• <b>Requesting sight of risk registers as appropriate, and challenging the robustness of risk assessments in Committee Reports.</b></li> </ul>  |
| <b>Strategic Director of Corporate Resources</b> | <ul style="list-style-type: none"> <li>• Champion and take overall responsibility for implementing the Risk Management Framework and embedding risk management throughout the Council.</li> </ul>   |
| <b>Corporate Risk Group</b>                      | <ul style="list-style-type: none"> <li>• Chaired by Strategic Director of Corporate Resources</li> <li>• Attended by Risk Champions for each Directorate and Corporate Risk Manager</li> <li>• Consider escalated operational risks and recommend actions to mitigate.</li> <li>• Promote a risk aware culture and embed risk management throughout the Council</li> <li>• Preparing, monitoring and reviewing the strategic risk register</li> <li>• The Corporate Risk Management Group has overall responsibility for identifying, analysing and scoring strategic and service risks.</li> </ul>   |
| <b>Risk Management Team</b>                      | <p>The Risk Management Team are pivotal in the promotion and embedding of risk management by managing a culture change within the Council. They are responsible for managing strategic risks, as well as supporting services in their individual areas of responsibility. Risk Management Team key tasks are to:</p> <ul style="list-style-type: none"> <li>• Review the Council's approach to risk management and supporting processes and recommend for approval any subsequent changes;</li> <li>• Recommend any appropriate changes to the Risk Management Strategy to members;</li> <li>• Support and promote risk management throughout the Council – ensuring that it works effectively;</li> <li>• Actively identify, analyse and profile strategic risks on a quarterly basis;</li> <li>• Determine and prioritise action on strategic risks, allocating individual ownership of the key risks to appropriate members of the Chief Officers Group;</li> <li>• Receive escalated service risks and consider their inclusion onto the strategic risk register;</li> <li>• Propose the “risk appetite” of the Council i.e. the definition of high (red) risk, medium (amber) risk and low (green) risk;</li> <li>• Monitor progress of risk arrangement activities as part of existing performance management approach;</li> <li>• Report quarterly to the Audit and Accounts Committee on the key risks and their management;</li> <li>• Ensure that (where appropriate) “key decision” reports include a section to demonstrate that arrangements are in place to manage any</li> </ul> |



|                         |   |
|-------------------------|---|
|                         | <p>risks;</p> <ul style="list-style-type: none"> <li>• Ensure that the Council has robust processes and procedures in place that are consistently applied, for the management of operational risks, including health &amp; safety risks;</li> </ul>   |
| <b>Risk Champions</b>   | <ul style="list-style-type: none"> <li>• Individuals identified within each directorate with responsibility to support risk management process within their directorate.</li> <li>• Act as point of contact for officers within the directorate to assist in the application of Risk Management.</li> <li>• Attend Corporate Risk Management Group and provide update on Strategic and Operational risks from within their Directorate</li> <li>• Responsibility for supporting authority aim of embedding risk management across the organisation</li> <li>• Identifying areas of non-compliance with Risk Management strategy.</li> </ul>                                       |
| <b>Heads of Service</b> | <p>Their primary role is to:</p> <ul style="list-style-type: none"> <li>• Contribute towards the identification and management of operational risks for their service;</li> <li>• Maintain awareness of and help promote the approved risk management strategy to all staff;</li> <li>• Ensure that risks which have been identified are addressed and mitigated and that any high risks are addressed urgently; and</li> <li>• Ensure that risk management is incorporated into service plans and project plans.</li> </ul>  |
| <b>All Employees</b>    | <p>All employees have a responsibility to:</p> <ul style="list-style-type: none"> <li>• Manage risk effectively in their job and report opportunities and risks to their service managers;</li> <li>• Participate in risk assessment and action planning where appropriate;</li> <li>• Adhere to Council policies and procedures; and</li> <li>• Attend training and development sessions as appropriate.</li> </ul>  |
| <b>Project Leaders</b>  | <p>Project leaders have a responsibility to ensure that the risks associated with their projects are identified, recorded and regularly reviewed as part of the project management process.</p>   |
| <b>Internal Audit</b>   | <p>Internal Audit's role is to maintain independence and objectivity. Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:</p> <ul style="list-style-type: none"> <li>• Audit the risk management process;</li> <li>• Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks;</li> <li>• Provide assurance to officers and Members on the effectiveness of controls; and</li> <li>• The Risk Register will drive the Internal Audit Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest.</li> </ul> |

