



DACORUM BOROUGH COUNCIL

REVISED GUIDE TO MANAGING RISK

AUTHOR	Linda Dargue, Insurance & Risk Manager
RESPONSIBLE OFFICER	Linda Dargue, Insurance & Risk Manager

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Committing to Excellence	Promoting Civic Pride & An Active Community	Creating a Clean, Tidy & Safe Environment	Providing Affordable Housing while Protecting Green Space	Ensuring a Sustainable Local Economy & Jobs
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1. Guidance

Introduction

This guide is intended to help you carry out a risk assessment for your service or for project risks. Further information concerning the Council's approach to Risk Management can be found in the Risk Management Strategy on DBC Intranet, Document centre, Strategies and Frameworks, Risk Management Strategy May 2013.

Risk Management can be defined as:

'The process of identifying risks, evaluating their probability, impact and potential consequences and determining the most cost effective methods of controlling and /or responding to them. It is not an end in itself. Rather, risk management is a means of maximising opportunities and minimising the costs and disruption to an organisation caused by undesired events.'

Traditionally 'risk' is viewed as a negative thing. However opportunities for improving services and efficiency can flow from a carefully considered approach to risk taking.

Risk Management is not about totally eliminating risk – this is simply not possible. Rather it is concerned with encouraging innovation but in an environment where due consideration has been given to all aspects of risks: both opportunities and threats. In this way good risk management assists the decision making process, encouraging a more informed approach to risk taking and strengthens considerably the chances of objectives being achieved.

Operational or service based risk assessments are usually developed as part of the annual Service and Financial Planning process. The information from these assessments is held within a risk register. The risk register needs to be reviewed frequently and amendments made as appropriate.

Risk Assessment exercise

A risk assessment can be broken down into 4 stages:

1. Identify the risks that may prevent the achievement of your objectives
2. Assess the risk in terms of impact and likelihood
3. Complete the risk register template –
 - see Annex B for the template for operational and strategic risks
 - for project risks use the template at Annex E – this includes worked examples as a guide. Further information relating to project risk can be found in the DBC Transformation Programme Project Guidance
4. Manage the risk as appropriate

1.1 Identifying risk

- Look at your key aims and objectives – think about what could prevent you from successfully achieving them.
- In addition consider whether your objectives present any opportunities
- List all the risks/opportunities you identify and, using the examples in section to guide you, identify which category each risk falls under. It is useful to give each risk a unique number – e.g. F1 = First financial risk identified
- It is important to get the wording of the risk right – remember risk registers may be looked at by people who were not involved in the risk assessment exercise. The wording needs to be clear and concise. It may be useful to use the following tip:



Tip: Complete a sentence describing the risk –

Loss/failure ofleads to resulting in ... = risk
Lack ofleads to resulting in... = risk
Partnership withleads toresulting in... = opportunity
Development of leads toresulting in.... =opportunity

If you require assistance with this please contact Linda Dargue, Insurance & Risk Manager

1.2 Assessing risk

Next you will need to assess the identified risks in terms of impact and likelihood

- Consider the consequences of the risk occurring and list them
- Using the attached impact and likelihood charts (3.1 and 3.2) to guide you, calculate the risk score (3.3). This is done as if there are no controls in place – giving an inherent risk score – the level of risk that exists before any action is taken to manage it.



Tip: Try to achieve a broad consensus

It doesn't matter whether a significant risk is scored 12 or 16 – the action you will need to take will be the same

- Identify the person responsible for managing the risk
- List the control procedures that currently exist. Controls are those things that can reduce the likelihood of the risk occurring and they can sometimes reduce the impact as well.
- Control measures can include policies, procedures, please see examples given at Annex A. **Please remember that you must be very clear what the measure is and how it acts as a control.**

- Recalculate the impact and likelihood, taking into account the effect of the control measures. This figure represents the residual risk – the risk score.

1.3 Managing risk

Once the risks have been identified and assessed consideration needs to be given as to the best way to manage them.

Level of Risk / (Inherent Risk Score)	How the risk should be managed
High Risk (12-16)	High impact / High likelihood: risk requires urgent attention - consider whether it is possible to take preventative action, or introduce new controls to reduce the risk. If this is not possible then a contingency plan should be considered, to mitigate the effects of the risk if it should occur.
Medium Risk (6-10)	Consider whether any further risk mitigations can be put in place to further reduce the risk score. Any such mitigation must be cost effective. Reassess at regular intervals to ensure conditions remain same. Consider whether a contingency plan is required.
Low Risk (1-4)	Review periodically. Only put mitigations in place if it's cost effective to do so.

Concentrate on the highest scoring risks first and ask the following questions:

- Can we reduce the likelihood?
- Can we reduce the impact?
- Can we change the consequences?

The answers to these questions enable you to identify options for additional controls/procedures. Again, you must be very clear what the measure is and how it acts as a control.

Where an additional control is identified the risk score should be recalculated as if the additional control is already in place – does the risk score reduce with this additional control in place? Additional controls should be scored on an individual basis as this will show whether or not they are cost effective.

Consideration should be given to the cost/resource implications of any additional controls. Any benefit must be considered in the light of potential cost – there's no point spending £10 to save £1.

Note: Where it isn't possible to reduce the risk rating by additional controls or by transferring the risk, then the reason for this must be recorded in the Risk Register under "Options for additional controls/replacement control procedures". The entry should include the name of the responsible person together with the date the decision was made and the reason.

For example:

- For low rated risks where the risk score is 4 and below then the entry would read – ‘No further controls required – review periodically.’
- For medium and high rated risks with a score of 6 and above then the entry could read – ‘Not possible to implement additional cost effective controls –review periodically.’ In addition you should consider whether a contingency plan is required to mitigate the effects of the risk should it occur.

Any additional controls should be fed into the Risk Management Action Plan (see Annex C). Responsibility for progressing improvements should be allocated to a named person and must have specific target dates. This will assist in the effective monitoring of progress on risk mitigations.

Progress on Risk Management Action Plans must be reported in the quarterly performance management reports using CorVu. When updating risks on CorVu details of any relevant reports or documents should be added to the Assurance Column. Similarly the Risk Owner comments box should be updated to explain any changes in risk score.

In addition CMT, ROSC and Cabinet will receive specific progress reports on all risk management action plans on a quarterly cycle.



Tip: Include a risk review slot into your regular meetings

Use it to assess the progress of any risk improvement Plans and to consider any new risks

There are 4 ways of dealing with risk:

- Tolerating the risk
- Treating the risk
- Transferring the risk
- Terminating the activity from which the risk arises.
- **Tolerating the risk** – live with it – take an informed decision to retain the risk and monitor the situation. Record this decision in the risk register. Remember to include the reason, the responsible officer and the date of the decision.

The Council will tolerate risks that it considers acceptable, for example:

- Where the overall benefits afforded by taking the risk outweigh the potential threat
- Where the risk is effectively mitigated by an internal control, even if the risk rating is high
- Where it is not possible to cost effectively mitigate the risk

These risks should be monitored and contingency plans put in place as per the

chart on page 5.

- **Terminating the risk** – stop doing the activity or find another way of doing it and introduce alternative systems/practices
- **Treating the risk** – take action, put procedures in place to reduce the chance, the frequency or the impact of an event occurring
- **Transfer** – by insurance, indemnity clauses in contracts, outsourcing – please note it may not be possible to transfer all the risk – some residual risk may remain.

Complete the relevant column on the risk register confirming whether you are tolerating, terminating, treating or transferring the risk.

2. Risk Categories

The risks facing the Council can come from both inside and outside the organisation. Very often risks do not appear in isolation but rather as the result of a combination of internal and external factors.

The following chart gives examples of key risks that may face the Council – these have been classified into 4 risk categories. The classification will enable the identification of accumulations of similar risks.

Risk Category	Externally driven	Internally Driven
Financial Risks	Accounting standards Interest rates Funds & Credit	Internal Control Fraud Historical liabilities Investments Liquidity and Cash flow
Infrastructure Risks	Communications Transport Links Supply chain Terrorism Natural Disasters Pandemic	Recruitment People Skills Health & Safety Premises ICT systems
Marketplace Risks	Economic Environment Technology Developments Competition Customer Demand Regulatory requirements	Shared Services Intellectual Property Contracts Partnership working
Reputational Risks	Public Perception Government intervention Customer Service Relationship	Internal regulations Organisational culture Composition of Council Delivery of the Council's

		priorities
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3. Scoring the Risk

3.1 Impact Score

The following descriptions and definitions of impact are indicative and not exhaustive. They are a guide to assist you in assessing the impact of the risk should it occur.

Description	Factor	Score
<ul style="list-style-type: none"> Brief disruption of service area – up to 1 day No or insignificant environmental damage Financial loss < £5,000 Minor injury (first aid treatment) to an individual or several people Complaint from member of public Litigation/claims/fines up to £5,000 No reputational damage – little or no local press interest 	Minor	1
<ul style="list-style-type: none"> Service disruption 2-3 days Adverse effect on services in one or more areas for a period of several weeks Financial loss < £25,000 Adverse local publicity Significant injury to an individual or several people – medical treatment required Litigation/claims/fines up to £25,000 	Significant	2
<ul style="list-style-type: none"> Service disruption 3-5 days Complete loss of service area for 3-5 days Financial loss up to £50,000 Adverse publicity in professional/municipal press Adverse local publicity of a persistent nature Major injury to an individual or several people Litigation/claims/fines up to £50,000 	Serious	3
<ul style="list-style-type: none"> Service disruption 5+ days Major loss of service, including several important areas, and/or for a protracted period Financial loss >£50,000 Adverse and persistent national media coverage Adverse central government response, involving 	Major	4

(threat of) removal of delegated powers • Officers and/or Members forced to resign • Loss of life • Litigation/claims/fines >£50,000		
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3.2 Likelihood Score

The following descriptions and definitions of likelihood of the risk occurring are intended as a guide to assist you in arriving at your risk score.

Description	Indicators	Factor	Score
Less than 10% chance of occurrence	Has happened rarely/never before	Very unlikely	1
10 – 40% chance of occurrence	Only likely to happen every 3 or more years	Unlikely	2
40-75% chance of occurrence	Likely to happen at some point within the next 1–2 years. Circumstances occasionally encountered – few times a year	Likely	3
More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily, weekly, monthly	Very likely	4

3.3 Scoring the risk

The charts at 3.1 and 3.2 are designed to help you score the risks in terms of likelihood and impact. This is carried out in two stages:

- Multiply the likelihood and impact scores together, as if there were no controls in place. This will give you an inherent risk score.
- With the list of controls that are currently in place, re-score the risk, taking into account the effect of these controls. **Try not to become too bogged down in detail – you should try to reach a consensus on the final risk score.**

These final scores will give you a risk profile of those risks that need more immediate attention.

Risk Score	Overall Rating
12 - 16	HIGH
6 - 10	MEDIUM
1 - 4	LOW

Level of Risk / (Inherent Risk Score)	How the risk should be managed
High Risk (12-16)	<p>Requires active management High impact / High likelihood: risk requires active management to manage down and maintain exposure at an acceptable level</p> <p>Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Medium Risk (6-10)	<p>Good Housekeeping May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain same</p> <p>Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Low Risk (1-4)	<p>Review Periodically Only put mitigations in place if it's cost effective to do so</p>

4. Opportunity Risk Management

The National Audit Office has previously defined opportunity risk as ‘The risk of missing chances to improve on achievement of objectives or delivery of services. Opportunity risk is the chance of something happening that will have a **positive** impact on objectives – the upside of risk. This means that risk also includes the potential for better than expected outcomes. An opportunity is likely to involve doing something new or working in a different way. Opportunity risk management is therefore the process of identifying and considering how to take full advantage of unplanned/unexpected options or benefits.

The same principles that are used to identify risks (negatives) are used to identify opportunities. Charts are provided on pages 12 and 13 to assist in the scoring on terms of likelihood and impact.

Look for opportunities when:

- Setting strategic aims
- Setting business objectives
- Early stages of project planning and key stages thereafter
- Service planning

Ask:

- Can we do it - is it legal (ultra vires)?
- Should we do it – can we deliver?

The assessment should clearly indicate the possible benefits of seizing the opportunity and what is required to achieve it – this could be plans or resources or a combination of the two. These requirements should form the basis of an action plan that will be used to monitor and review progress.

Remember:

- Concentrate on those opportunities that offer the best outcome for the effort needed to deliver – the most cost effective option.
-
- Is there anything else that can be done to improve the likelihood of success, maximise the impact or expand on the consequences to increase the benefits?

It would be helpful if a note was placed on the risk register template just to identify an opportunity risk.

4.1 Scoring the opportunity – Criteria for Impact score

Factor	Score	Effect on service	Financial Risks	Infrastructure	Marketplace	Reputational	Effect on objectives/scheduled deadlines
Exceptional	4	<p>Extensive or wide ranging improvement to services generally , or across a broad range (eg quality , level speed, cost) & /or delivery of corporate priorities</p> <p>National partnership initiative/arrangement</p>	Producing more than £50,000 savings or increase in revenue generation	<p>Extensive improvement to service delivery with benefits to the community</p> <p>Extensive benefits to staff in the workplace</p>	DBC supports new development which results in investment into the area by an extensive amount over a period of years	<p>Extensive positive national press & /or TV coverage</p> <p>National award from a professional body or recognition by national government</p>	Successfully completed more than 3 months ahead of schedule
Substantial	3	<p>Noticeable improvement to service (s) or large improvement to a critical service area, (eg quality, level , speed ,cost) & /or delivery of corporate priority</p> <p>Regional partnership initiative /arrangement</p>	Producing up to £50,000 savings or increase in revenue generation	<p>Significant improvement to service delivery with benefits to the community</p> <p>Significant benefits to staff in the workplace</p>	<p>DBC supports plan to attract more businesses to the area resulting in increased occupation rates and additional commercial revenue generation</p> <p>Major improvement to local environment</p>	<p>Recognition of a successful initiative by an external organisation or central government body</p> <p>Sustained positive recognition in national press & /or low coverage on national TV</p>	Successfully completed up to 3 months ahead of schedule

4.2 Opportunities – Likelihood scoring

Likelihood Score	1	2	3	4
Descriptor	Very unlikely	Unlikely	Likely	Very likely
Frequency	<p>Has happened rarely/never before</p> <p>Less than 10% chance of occurrence</p>	<p>Only likely to happen every 3 or more years</p> <p>Opportunity for which the likelihood is low on the basis of management resources currently being applied</p> <p>10% - 40% chance of occurrence</p>	<p>Possible opportunity which has yet to be fully investigated by management</p> <p>Opportunities that may be achievable but which require careful management</p>	<p>Clear opportunity which can be relied on with reasonable certainty.</p>

5. Performance monitoring of Risk Registers

Progress on risk/ opportunity management action plans will be reported through the quarterly performance management process using the CorVu system.

Cabinet will receive a quarterly report detailing changes in risk scores.

Significant risks and progress on all risk management action plans will be reported to Resources Overview & Scrutiny Committee and Cabinet on a quarterly cycle.

In addition Operational Risk Registers will be reported to the relevant Overview and Scrutiny committee on a quarterly basis alongside the Performance Management reports

A review of the Risk Management Strategy and key outcomes for the year will be reported to Council annually in September.

6. Risk Review

The management of risk is an ongoing process; as such current risk registers should be reviewed on a quarterly basis and updated as required. Where amendments are made the date of the amendment should be recorded on the risk register, providing a clear audit trail. All amendments must be notified to John Gordon, Improving Performance Team, as he will need to upload the changes into the CorVu system.

When reviewing risk registers you may find it helpful to consider the following:

- Have the target dates on the Risk Improvement Action Plans been met? If not, why not?
- Have any of the previously identified risks changed?
- Are the controls still effective?
- Are there any new risks that should be recorded?

These reviews could take place within Departmental Team Meetings, and be noted within the minutes.

7. Risk Registers

All risk registers, together with associated documents will now be stored on CorVu .

ANNEX A

EXAMPLES OF CONTROL MEASURES

Typical measures to reduce the likelihood of risk occurring

- Audit & compliance programmes
- Contract Terms
- Process controls and inspections
- Project Management
- Preventative Maintenance
- Effective Internal Control
- Supervision
- Quality Assurance & Controls

Typical measures to reduce impact

- Contingency/continuity plans
- Contract Terms
- Design Features, including engineering & structural barriers
- Fraud Control
- Good public relations
- Money Laundering controls
- Structured training and other development programmes

DACORUM BOROUGH COUNCIL – OPERATIONAL RISK REGISTER

RESPONSIBLE OFFICER	JOB TITLE:	SERVICE	DATE:
Corporate Priority:			
Category of risk:			

Risk Ref	Risk Title/ Description	Consequence	Likelihood (4 = high 1 = low)	Impact (4 = high 1 = low)	Risk Score	Responsibility (Individual)	Existing Control Procedures	Likelihood (4 = high 1 = low)	Impact (4 = high 1 = low)	Risk Score

Risk Ref	Risk Owner Update	Responsibility Individual or Corporate)	Cost/ Resources	Are you Tolerating, Treating or Transferring the risk	Likelihood (4 = high 1 = low)	Impact (4 = high 1 = low)	Target Risk Score

ANNEX C

RISK MANAGEMENT ACTION PLAN

RESPONSIBLE OFFICER:	JOB TITLE:	DIVISION/UNIT	DATE:
SERVICE:			
Corporate Priority:			
Business Activity/Objective:			
Category of risk:			

Tasks/Milestones						Costs/Resources	Outcomes (Achievement of residual risk score)
Action/Improvement	By Whom	1 st Quarter April-June 2013	2 nd Quarter July-Sept 2013	3 rd Quarter October – December 2013	4 th Quarter January – March 2014		

I confirm that the above have been achieved and the major risks have been identified.

Signed: Director/Assistant Director Date:

VISION AND PRIORITIES 2010 - 2014

Working in partnership to create a Borough which enables the communities of Dacorum to thrive and prosper through:	
	Linkage ref
AFFORDABLE HOUSING <ul style="list-style-type: none"> • Achieve good social housing • Develop the private rented sector • Design and enable a more varied housing offer 	AH
REGENERATION <ul style="list-style-type: none"> • Deliver a Regeneration Plan for Dacorum • Attract investment • Drive value from Council owned assets 	R
DACORUM DELIVERS – internal operations <ul style="list-style-type: none"> • Efficiencies • Value For Money • Performance Excellence • Reputation and profile delivery 	DD
BUILDING COMMUNITY CAPACITY <ul style="list-style-type: none"> • Enable all wards to move out of the lowest quartile of the indices of deprivation • Support social enterprise • Empower local community action and delivery 	BC
SAFE AND CLEAN ENVIRONMENT <ul style="list-style-type: none"> • Support the creation of a high quality, low carbon environment • Maintain a clean and safe environment • Protect our green spaces 	SC

This document is used as the basis for linking the risks to the Council's Vision and objectives – illustrating how risk management contributes to the achievement of the Council's objectives



Risk Register - [INSERT PROJECT NAME]

Last Updated: [INSERT DATE]

Updated By: [INSERT NAME]

Current Risk Status: **AMBER**

Risk Trend: **IMPROVING**

Risk No	Risk Description: "There is a risk that....."	Risk Consequence: "Which will result in....."	Risk Owner	CURRENT RISK STATUS					Risk Status	Risk Tren	Mitigating Action	Action Owner	Action Date	Comments
				Risk Status	Impact	Likelihood	Overall	Risk Status						
1	e.g Delays to securing external funding will delay the start of construction	A delay to the programme and possible cost increases	Joe Bloggs	Open	4	2	8	Amber	↔	Work with external funders to ensure that funding applications are completed and submitted on time. Develop alternative options to take forward if funding is not approved as expected	Joe Bloggs	01/01/2014		
2	e.g Archaeological remains will be discovered on the site	A delay to the programme whilst excavations take place and increased costs	Joe Bloggs	Open	3	1	3	Green	↑	Archaeological desktop study to be conducted at an early stage	Joe Bloggs	01/01/2014		
3				Open			0		↔					
4				Open			0		↔					
5				Open			0		↔					
6				Open			0		↔					
7				Open			0		↔					



Issue Log - [INSERT PROJECT NAME]

Last Updated: [INSERT DATE]

Updated By: [INSERT NAME]

Current Overall Status Red

#	Issue	Impact of Issue	Issue Owner	Date Raised	Issue status	Impact	Agreed Actions	Action Owner	Date Required	Date Completed	Comments
1	e.g Planning Permission Has Been Refused	Delay whilst designs are revisited and planning re-submitted	Joe Bloggs	01/01/2014	Open	High	Liaise with Planning Authority to discuss changes to designs	Joe Bloggs	01/02/2014		
2					Open	Medium	Revise Project Programme				
3					Open	Low					
4					Open	Low					
5					Open	Low					
6					Open	Low					
7					Open	Low					
8					Open	Low					
9					Open	Low					
10					Open	Low					
11					Open	Low					
12					Open	Low					
13					Open	Low					
14					Open	Low					
15					Open	Low					
16					Open	Low					

Opportunity Register - [INSERT PROJECT NAME]

Last Updated: [INSERT DATE]
Updated By: [INSERT NAME]



#	Opportunity	Impact of the Opportunity	Opportunity Owner	Date Raised	Status	Agreed Actions	Action Owner	Date Required	Date Complete	Comments
1	e.g Costs could be reduced by using an alternative IT equipment supplier	Reduction in costs of 25%	Joe Bloggs	01/01/2014	Open	Look at options for procuring alternative supplier	Joe Bloggs	28/02/2014		
2					Open					
3					Open					
4					Open					
5					Open					
6					Open					
7					Open					
8					Open					
9					Open					
10					Open					