DACORUM BOROUGH COUNCIL

REVISED RISK MANAGEMENT STRATEGY

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Affordable Housing	Regeneration	Dacorum Delivers	Building Community Capacity	Safe and Clean Environment

1. Introduction

a) The purpose of this document is to set out Dacorum Borough Council's Risk Management Strategy. This follows a review by the Corporate Risk Group of the Risk Management Strategy that the Council previously adopted In September 2011.

b) The Strategy provides details of the Council's approach to, and methodology for, the management of risk and provides guidance to all employees and Members on their roles and responsibilities in respect of risk management.

c) The management of risk is not a new concept; it is simply one element of the overall management of the Council. Over recent years a number of high profile business collapses/disasters, coupled with public unease over the management arrangements of large organisations, have caused the regulatory spotlight to fall on governance arrangements.

d) Things have now progressed further in that, for local authorities, there is a legal requirement to demonstrate good governance. One element of this is to show that risk is appropriately managed. The Civil Contingencies Act places a statutory duty on certain public organisations to be resilient in respect of the risks they may face.

e) 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 risk: both opportunities and threats. In this way good risk management assists in the decision making process, encourages a more informed approach to risk taking, and helps to ensure that the Council is able to achieve its objectives by addressing the barriers that may stand in the way.

The effective management of risk contributes to the following:

- Improved performance and achievement of the Council's priorities and objectives
- A more informed decision making process
- Improved prioritisation of resources
- Encouraging a risk aware culture, which in turn increases everyone's confidence in taking risks and making the most of new opportunities.

1.1 Definition of Risk Management

1.1a *"Risk management is the process of identifying risks, evaluating their probability 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"*[1]

1.2 The Council's Risk Management Policy Statement

1.2a   "*The Council is committed to the reduction and control of risks which threaten its ability to deliver its strategic and operational objectives. In addition the Council seeks to take advantage of those risks which provide opportunities for improvement.*

   While risk cannot be totally eliminated from human activity the Council recognises that risk can be reduced and controlled by adopting and supporting a proactive approach to the management of risk throughout the Council." [2]

1.2b   The Council's risk management programme will provide the framework to:
   - Use effective risk management practices as a tool to achieve the Council's objectives, and to secure improvements
   - Increase awareness and understanding throughout the Council of the nature and extent of the risks that it faces and the risks that it can take
   - Identify and assess on an ongoing basis the risks to which it is exposed and the opportunities that it can secure
   - Implement the most appropriate economic measures to avoid, minimise and effectively manage those risks and to take advantage of those opportunities
   - Provide regular reports on the progress of risk mitigation.

1.2c   This enables the Council to manage effectively strategic decision making, service planning and delivery to safeguard the well being of all interested parties and increase the likelihood of achieving its objectives.

1.2d   The aim is to manage risk rather than to eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance. An over zealous approach to risk control can stifle creativity and service delivery and may mean that opportunities for improvement are missed. Successful risk management means getting the balance right, thereby making the best use of available resources. This is illustrated in the chart below:

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[1] '*Risk Management – A Key to Success,*' published by ALARM – Association of Local Authority Risk Managers, February 2001)
[2] *(Risk Management Strategy adopted by Cabinet 4 March 2003)*

Figure 1: An effective approach to risk management

1.2e The management of risk should not be viewed in isolation; it forms an integral part of the Council's business. The risk management process forms part of the service planning framework. In addition risk management techniques must be used when considering new service delivery methods or policy options. Much risk management already takes place intuitively, but it is important to be able to demonstrate a documented approach. This helps officers and Members feel empowered to take certain risks within an agreed framework of acceptable decision-making.

Approach to Risk
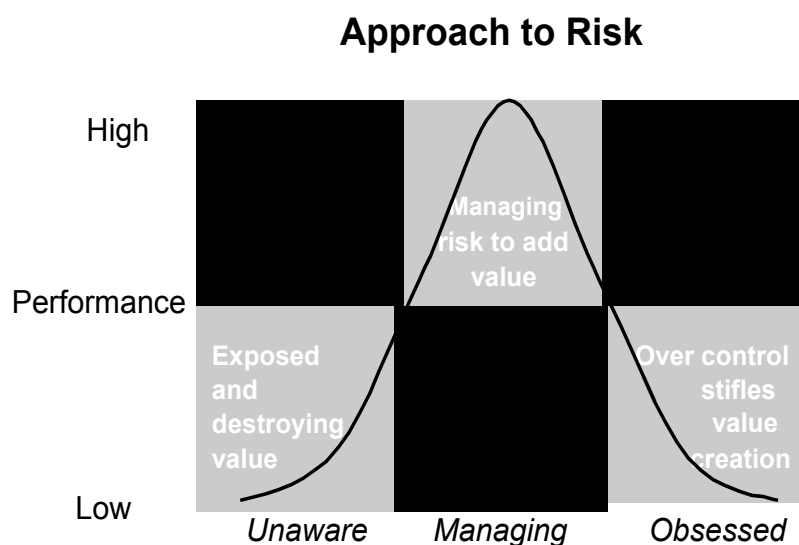
1.3 Risk appetite

1.3a The Council recognises the importance of establishing the degree to which the Council is willing to accept and/or tolerate risk. This is reflected in the scoring mechanism used in the Council's methodology for risk assessment. Details of this can be found in the DBC Guide to Managing Risk. Those risks with a residual risk score of 12 and above are regarded as being high risk to the Council, in that if they were to occur the consequences may have a significant impact. In view of this consideration must be given as to whether additional steps are needed to further improve the management of the risk.

2. Roles and responsibilities

2a The successful management of risk is a collective responsibility for all Members and employees. In addition, the question of managing risks within partnerships needs to be addressed. The council has a duty to the community to manage its resources economically, efficiently and effectively.

2.1 All Members

Responsibilities:

- To be aware of the risk management implications of their actions, decisions and public statements.

2.2 Cabinet

Responsibilities:

- To agree an effective strategy to manage risks within the Council
- To consider formally risk management implications when making decisions
- To agree the Council's response to its highest risks. In other words, to set the Council's appetite for risk – this means doing what is practicable to reduce the risk, whilst not using a disproportionate amount of resource
- To receive and address the annual report reviewing risk management activity from the Corporate Director (Finance and Governance) – see section 4.5
- To approve an annual statement on the effectiveness of the Council's internal risk management arrangements as part of the Annual Governance Statement
- Portfolio Holder Finance and Resources is the Cabinet lead on risk management issues.

2.3 Portfolio Holders

Responsibilities:

- To ensure that quarterly performance reports reflect the management of risk for their individual portfolios
- To consider formally risk management implications when making decisions.

The Corporate Director (Finance and Governance) will liaise on a regular basis with the Portfolio Holder Finance and Resources on risk management.

2.4 Resources Overview & Scrutiny Committee

Responsibilities:

- To provide an independent review of the Council's management of risk
- To receive quarterly reports as to progress on Risk Management
- To request review of specific areas of risk management activity or initiatives
- To consider the annual risk management report prior to it going to Cabinet.

2.5 Other Overview & Scrutiny Committees

Responsibilities:

To receive quarterly reports as to progress on Operational Risk Management relevant to their specific area
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2.6 Corporate Management Team

Responsibilities:

- To propose an effective framework for the management of risks throughout the Council
- To manage strategic risks and ensure that all other risks are appropriately managed
- To review the annual risk management report before submission to members
- To advise elected members of the risk management implications of their decisions.

The Corporate Director (Finance and Governance) is responsible for the following:
- To be the strategic champion of risk management
- The annual review of the Risk Management Strategy
- Liaison with the Portfolio Holder Finance and Resources on the Council's Risk Management Strategy and performance.

2.7 Corporate Risk Group

2.7a   The Director of Finance and Corporate Services is the strategic lead on risk management issues. The Corporate Risk Group will be made up of the Assistant Directors working with the Insurance and Risk Manager.

Responsibilities:

- To periodically review the Risk Management Strategy and Guide to Managing Risk
- To ensure that risk management is integral to Service and Financial Planning and Performance
- To quality assure adherence to risk management process
- To provide training, as appropriate
- To identify linkages to other corporate strategies, policies and procedures

2.8 Directorate Management Teams
Responsibilities:

- To ensure that the Council's risk management framework is applied in their service areas

- To ensure that key contracts and partnerships have arrangements in place to effectively identify and manage risks – see section 3.4.

2.9 All Employees

Responsibilities:

- To have an understanding of the risks that arise within their area of work
- To participate in risk management training as appropriate.

2.10 Internal Audit

Responsibilities:

- To provide an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance
- To objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economical, efficient and effective use of resources.

3.   Areas of Risk

3.a   The Council faces risks from both internal and external sources. Understanding these helps to assess the potential influence the Council may have over the risks.

3.b   The Council has split risk into the following categories along with responsibility for the implementation of the Council's Risk Management Strategy:

- Strategic Risks – CMT
- Operational Risks – Assistant Directors
- Project Risks – Lead DBC Officer
- Partnership Risks – Lead DBC Officer

3.c   These areas are not mutually exclusive; they are influenced by a variety of factors. It is important not to get too constrained by the categorisation; a risk may escalate from operational to strategic. The most important thing is that the risk is identified and assessed and that consideration is given to what can be done to manage it effectively, thereby reducing the likelihood of it occurring and/or its impact.

3.1 Strategic Risks

3.1a   Strategic risks are those things that could prevent the Council from successfully achieving its medium to long term corporate objectives for the organisation and the community.

3.2 Operational Risks

3.2a   Operational risks are those things that may prevent an individual service delivering its service effectively to the community. Operational risks will be identified as part of the service planning process. In addition, risk management must be used where improvements to services are planned and in options appraisals. Where operational risks are common to a number of services, they will be reported to CMT for consideration in the review of the Strategic Risk Register.

3.3 Project Risks

3.3a   Project risk management must be undertaken in accordance with the following:

- Dacorum Borough Council's Risk Management Strategy
- Dacorum Guide to Managing Risk
- Transformation Programme Project Guidance

3.3b   Project risks are defined as those events which, if they happen, could prevent the successful completion of the project, lead to delays, increase costs or diminish the overall effectiveness of the project.

3.3c   A project is defined as:
- A task of limited duration with a defined required outcome, which is not a repeated process
- A task that uses a level of resource such as:
  - Staff have to be seconded to it
  - Capital finance is necessary
  - It is not covered by the annual service revenue budget
  - A task that requires Member approval or periodic reporting to Members

3.4 Partnership Risks

3.4a   The definition of a partnership is a joint working arrangement between otherwise independent bodies that:
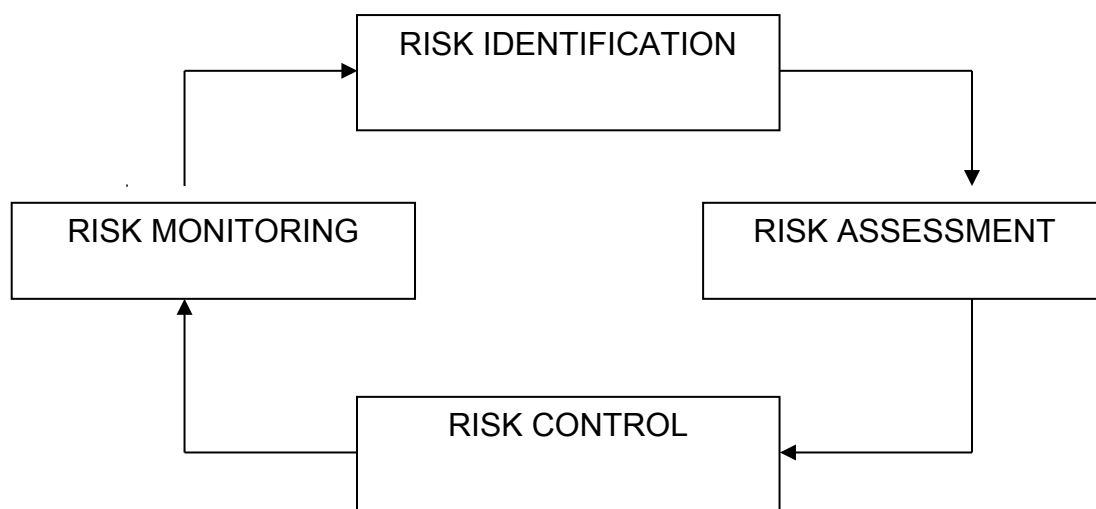
- Agree to co-operate to achieve a common goal
- Create new organisational structures or processes to achieve this goal separate from their own organisations
- Plan and implement a jointly agreed programme often with joint staff or resources
- Share relevant information
- Pool risks and rewards.

3.4b   Service contracts that are described colloquially as "partnerships" are not partnerships for this purpose, but are regarded as operational risks.

3.4c   Partnership risks are those events that could prevent the partnership achieving its objectives. Governance arrangements for partnerships are detailed within the Partnership Governance Framework policy.

3.4d   Risks that the Council is exposed to by virtue of being in the partnership can be dealt with as strategic, operational or project risks as appropriate.

4.   The Council's Risk Management Framework

Risk management is a cyclical process made up of four stages:

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        ┌──────────────────────┐
        │  RISK IDENTIFICATION │
        └──────────────────────┘

┌──────────────────┐        ┌──────────────────┐
│  RISK MONITORING │        │  RISK ASSESSMENT │
└──────────────────┘        └──────────────────┘

        ┌──────────────────────┐
        │     RISK CONTROL     │
        └──────────────────────┘
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4a   A brief summary of the four stages is provided here – however full guidance on how to carry out a risk assessment can be found in Dacorum's Guide to Managing Risk, which can be found in Appendix 1.

4.1   **Risk Identification:** The means by which threats or opportunities are identified. This can be achieved through workshops, discussions in team meetings or by individuals working alone.

4.2   **Risk Assessment:** Estimating the potential effect that the threat or opportunity may have on the achievement of objectives. This enables resources to be effectively targeted to achieve the maximum value/benefit.

4.3   **Managing and Controlling:** Developing and putting in place actions and control measures to treat or manage risk or to maximise opportunities.

4.4   **Monitoring and Reporting:** The risk management process does not finish when the risk control measures have been identified. There must be monitoring and review of:

- The implementation of the agreed control action

- The effectiveness of the action in controlling the risk

- How the risk has changed over time and whether the controls currently in place continue to be adequate.

4.4a   To help with the integration of risk management across the Council a range of co-ordinated reporting and monitoring arrangements have been put in place in the following areas:

- Council
- Cabinet
- Resources Overview and Scrutiny Committee
- CMT
- Assistant Directors
- Performance Board – for project risks

4.5 Reporting timescales and expected content:

- **Council**
  Annual report covering:
  - Review of Risk Management Strategy
  - How the framework is working
  - Key outcomes for the year

- **Cabinet**
  Quarterly *(one of which will be the annual report to Council)* covering:
  - Review of Risk Management Strategy, the framework and the key outcomes for the year
  - Significant risks from the Strategic and Project Risk Registers
  - Progress report on all risk management action plans
  - How the framework is working
  - Key outcomes for the year

  Quarterly covering:
  - Exception report on risk management progress will be delivered via the CORVU performance management system

- **Resources Overview and Scrutiny Committee**
  Quarterly *(one of which will be the annual report to Council)* covering:

  - Significant risks from the Strategic and Project Risk Registers
  - Progress report on all risk management action plans via the CORVU performance management system

- **Portfolio Holders**
  Quarterly covering:

  - Progress on risk management action plans via CORVU performance management system

- **CMT**
  Quarterly *(one of which will be the annual report to Council)* covering:

  - Significant risks from Strategic and Project risk registers
  - Progress on risk management activity via CORVU performance management system

- **Performance Board – project risks**
Monthly

  - Monthly reporting via Corvu by the accountable officer
  - Reports reviewed at monthly Programme Review Boards
  - Overview of top risk for each project reported to the Performance Board

- **Committee Report Summaries**

In addition to the current reports on financial and legal implications, all summaries contain a section on risk implications.

- **Annual Governance Statement**

Risk management is an important element that needs to be recognised and included in the Annual Governance Statement.