



# DACORUM BOROUGH COUNCIL

## RISK MANAGEMENT POLICY 2023-2024

<b>AUTHOR</b>	Linda Dargue, Lead Officer Insurance & Risk
<b>RESPONSIBLE OFFICER</b>	Councillor Graeme Elliot, Portfolio Holder Corporate Services Nigel Howcutt, Chief Finance Officer

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## 1. Introduction

Risk management supports our ambition to be an outstanding Council serving an outstanding borough. It is at the heart of good management and corporate governance. Risk management is essential to the Council's ability to deliver public services and to act as a custodian of public money.

We are legally required to have risk management arrangements in place. This new Risk Management Strategy details those arrangements. It explains how Dacorum Borough Council manages risk in a way that not only supports our decision-making process, but also helps us meet our objectives, and increases our ability to respond to new pressures and opportunities.

When done well, risk management can improve strategic, operational, and financial management. This strategy explains how that happens, emphasising that the management of risk is an ongoing process, one that is regularly refreshed and extensively embedded across the authority. Risk management is a key part of how Dacorum Borough Council, will continue to improve how we help the residents and businesses the Council exists to serve.

- a) The purpose of this document is to set out Dacorum Borough Council's Risk Management Strategy.
- 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 and the CIPFA/SOLACE "Delivering good governance in local government Framework" has been reflected in our approach. 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, to increase everyone's confidence in taking risks and making the most of new opportunities.

## 1.1 What is Risk Management?

Risk can be positive or negative. It is simply uncertainty of outcome. As such, risk is unavoidable. Risk management looks to respond to this unavoidable uncertainty, based on a robust assessment of the risk, its potential impact, and its likelihood of happening.

Risk management sees risks identified, evaluated, responded to and monitored at regular intervals. It helps the Council, *inter alia*, manage resources wisely; evaluate potential actions; protect residents from harm; and protect the Council's reputation.

The resources available for managing risk are finite. That means that risk management must look to achieve an optimum response by managing risk to tolerable levels. Regardless of whether risks are transferred, controlled, or managed, tolerable levels of risk will change over time, depending upon the Council's risk appetite.

### Risk Management Definition

1.1 *"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"*<sup>1</sup>

## 1.2 The Council's Risk Management Principles & Approach

Risk management in Dacorum:

- is part of a suite of good governance, supported by Corporate and Service planning, performance, and programme delivery;
- supports a culture of appropriate risk-taking across all the Council's work, informed by our organisational risk appetite;
- has risk managed at the right organisational level and focuses on material, rather than all possible risks;
- identifies and documents risk across the Council, allowing DBC to understand and manage key risks across the Council;
- ensures each risk is assessed with existing controls identified and further actions proposed to reduce risk if necessary and where possible to achieve acceptable risk levels;
- sees that low-level risks, or those that have been managed down to a low level, become part of our day-to-day activity; and

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<sup>1</sup> 'Risk Management – A Key to Success,' published by ALARM – Association of Local Authority Risk Managers, February 2001)

- Is complemented by robust, relevant business continuity plans to ensure a focus on delivering core business.

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.

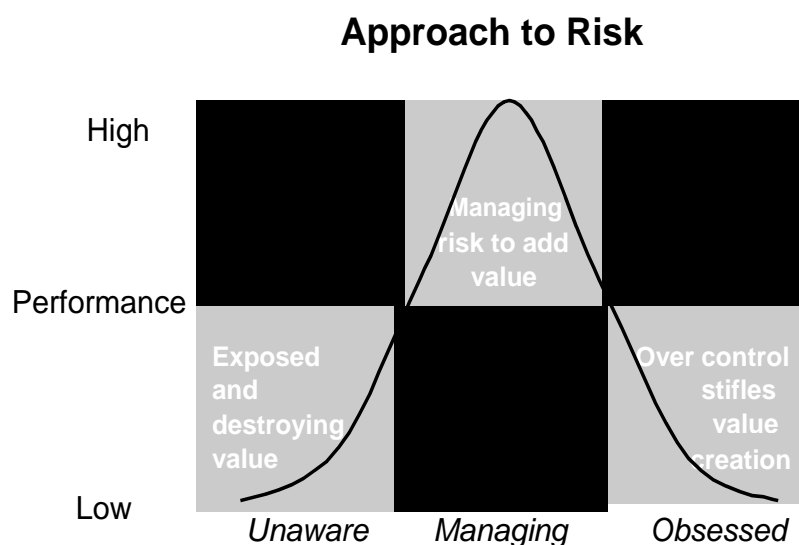
1.2c This enables the Council to manage effectively strategic decision making, service planning and delivery to safeguard the well-being of all interested parties and increase the likelihood of achieving its objectives.

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:

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.

1.3



**Risk appetite & Risk Targets**

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.

1.3b Risk targets will be set for each strategic risk based on the nature of the risk and the risk appetite of the council.

**2. Roles and responsibilities**

2a The successful management of risk is a collective responsibility for all Members and employees. Risk management is not the responsibility of a single team. It is a collective endeavour and can only be truly effective when the organisation as a

whole considers risk management to be part of their business. Risk management should permeate the organisation. This means there are roles for everyone within the authority to address risk effectively.

## **2.1 All Members**

Responsibilities:

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

## **2.2 Cabinet**

Responsibilities:

- To approve the risk management strategy and policy.
- Approve and have oversight of the Strategic Risks
- 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 approve an annual statement on the effectiveness of the Council's internal risk management arrangements as part of the Annual Governance Statement
- Portfolio Holder for Corporate Services is the Cabinet lead on risk management issues.

## **2.3 Portfolio Holders**

Responsibilities:

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

The Chief Finance Officer will liaise on a regular basis with the Portfolio Holder Corporate Services on risk management.

## **2.4 Audit Committee**

Responsibilities:

- To provide an independent review of the Council's management of risk
- Monitor the development and operation of risk management and governance in the Council
- Oversee the Council's risk management policy and strategy
- To receive periodic updates on threats and opportunities which impact on the council's objectives and outcomes.

- To request to review specific areas of risk management activity or initiatives

## **2.5 Overview & Scrutiny Committees**

Responsibilities:

To receive quarterly reports as to progress on Performance and Operational Risk Register relevant to their specific areas.

## **2.6 Strategic Leadership Team**

Responsibilities:

- To propose an effective framework for the management of risks throughout the Council
- To have responsibility for oversight of Strategic Risks and to ensure other risks are appropriately managed
- Ensure risk implications are considered in decisions
- To advise elected members of the risk management implications of their decisions.

The CFO is responsible for the following:

- To be the strategic champion of risk management
- To undertake an annual review of the Risk Management Strategy
- Liaison with the Portfolio Holder Corporate Services on the Council's Risk Management Strategy and performance.

## **2.8 Corporate Leadership Team (CLT)**

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.
- Review and challenge the risks involved in decision making and ensure appropriate resources are allocated to the process of risk management

## **2.9 Programme/Project Managers**

Responsibilities:

- Manage risk in their area of responsibility
- Identify, assess and document significant risks and opportunities
- Identify risk ownership
- Escalate risks where appropriate

## **2.10 Risk Owners**

Responsibilities:

- Address specific risks and be accountable for their management;



- Responsible for ensuring that risks are recorded, reviewed, and updated
- Ensure Business Continuity Plans are updated where necessary.

## **2.11 All Employees**

Responsibilities:

- To have an understanding of the risks that are integral to their areas of work
- Identify, record and seek to mitigate risks relating to service delivery in their area
- To participate in risk management training as appropriate.

## **2.12 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 – SLT
  - Operational Risks – CLT
  - Project/Programme/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 the identification and assessment of the risk and consideration is given to its effective management , 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 are 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 SLT 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 (This document)
- Dacorum Guide to Managing Risk

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

3.3d A project lead would be expected to report project risks to the relevant project oversight board.

### **3.4 Partnership Risks**

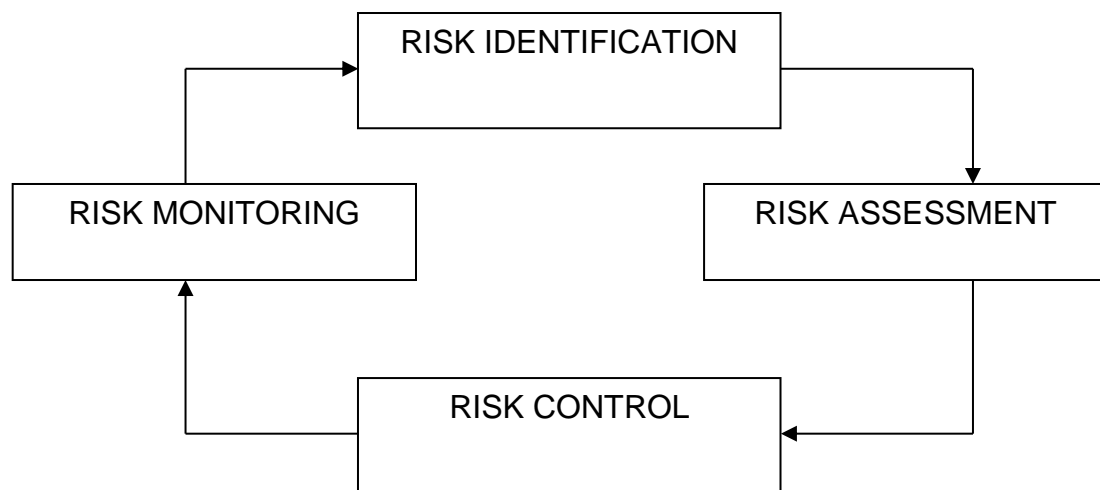
3.4a The definition of a partnership is a joint working arrangement between otherwise independent bodies that:

- 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.
- 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:



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;

- 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 this section to guide you, identify which category each risk falls into, 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:

**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 Mitigation and Control:** Developing and putting in place actions and control measures to treat or manage risk or to maximise opportunities.

***Mitigate***

Not all risks can be managed away. Some risk is unavoidable. Like all organisations DBC accepts that there are risks arising from factors – such as, for example, severe weather; global pandemics; or climate change – which will always remain outside of our direct control. Where it cannot manage a risk to a tolerable level, the Council would (and does) make contingency plans.

For those risks where the Council can exert control, our approach focuses on mitigating risks in various ways. These internal controls can be considered as one, or more, of five categories of addressing risk;

- **Tolerate** – Recognise the risk is tolerable without further action.
- **Treat** – Constrain risk with acceptable levels by means of various treatments
- **Transfer** – Transferring responsibility to others e.g. Insurance
- **Terminate** – Stop doing an activity, this options is usually very limited
- **Take Opportunity** - Existing alongside the tolerating, treating, and transferring of risk, is there a means by which advantage can be gained to exploit impact or positive 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
- Audit Committee
- Other Scrutiny Committees
- SLT

#### 4.5 Reporting timescales and expected content:

- **Cabinet**

- Quarterly:

- Review of Risk Management Strategy, the framework and the key outcomes for the year
    - Quarterly review of the Strategic Risks performance including feedback from the Audit Committee.
    - Exception report on risk management progress will be delivered via the InPhase performance management system

- **Audit Committee**

- Quarterly covering:

- Significant risks from the Strategic Risk Register
    - Regular deep dives into specific Strategic Risk performance, controls and mitigation
    - Progress report on all risk management action plans via the Rocket performance management system

- **Portfolio Holders**

- Quarterly covering:

- Updates on operational risks as part of the performance board, produced via the In Phase system.

- **SLT**

- Quarterly:

- Significant risks from Strategic risk register reported
    - Progress on risk management activity via InPhase performance management system

- **Corporate Projects Delivery Board – project risks**

- Monthly

- Monthly reporting via In Phase by the accountable officer
    - Reports reviewed at monthly Programme Review Boards

- **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.