



## RISK MANAGEMENT STRATEGY

### INTRODUCTION

1. The effective management of risk is an important principle for all businesses to properly address. For local authorities such as Chesterfield, managing risk is a key element of our Corporate Governance responsibilities.
2. Risk Management has become an important discipline across all sectors of the economy since the turn of the decade. The Audit Commission have previously highlighted Risk Management as one of the key elements to having effective governance arrangements in place to meet corporate objectives.
3. This risk management strategy seeks to promote the identification, assessment and response to key risks that may adversely impact upon the achievement of the Council's stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk.
4. Risk Management is not new; the Council has been doing it effectively for many years. However, to comply with the Corporate Governance requirements the Council must ensure that its procedures are sufficiently formalised and reviewed at regular intervals to identify areas for improvement.
5. This strategy has been updated to clarify the arrangements for managing strategic and to further embed Risk Management within the thinking of all Council employees and members.

### THE SCOPE OF RISK MANAGEMENT

6. Risk is anything that may prevent the Council from achieving its stated objectives.

Risk management is the process of identifying what can:

- a) Go wrong, and then doing something about it; and/or
  - b) Be an opportunity, and then trying to take advantage of it.
7. Risk Management covers a number of areas, just one of which is financial risk. Accordingly, it is not just the impact of an event happening in financial terms that need to be evaluated but also the potential damage that such an event could have upon other things such as the reputation of the Council.

8. In practice, risks within the Council exist at many different levels (e.g., high level corporate risks to lower level everyday service based risks). For the purpose of this strategy, risks are split into two levels as follows:

**Strategic Risks** – high level risks that may impact on the Council’s ability to meet its objectives

**Operational Risks** – service based risks that may prevent individual service aims and objectives being met (and therefore impact upon the attainment of corporate objectives)

## **POLICY STATEMENT**

9. The aims & objectives of Chesterfield’s Risk Management strategy are:
- ◆ Ensure that risk management becomes an integral part of corporate and service planning, decision making & project management.
  - ◆ Enable the Council to deliver its priorities and services economically, efficiently & effectively.
  - ◆ Protect the council’s position when entering into new partnerships and/or evaluating existing partnerships.
  - ◆ Align risk management and performance management to drive improvement and achieve better outcomes.
  - ◆ Guard against impropriety, malpractice, waste and poor value for money
  - ◆ That risk management training forms part of the normal training / induction programmes that are given to officers and members on an ongoing basis.
  - ◆ Ensure compliance with legislation, such as that covering the environment, health and safety, employment practice, equalities and human rights
  - ◆ Minimise the prospects of any damage to the Council’s reputation and/or undermining of public confidence in the organisation.
  - ◆ To have a performance framework that continues to allow managers to proactively track performance, and assess / deal with risk in a timely fashion.

## MANAGEMENT STRUCTURE

10. The reporting structure for risk management is summarised below:



11. Overall responsibility for ensuring that the Council has the appropriate systems in place to manage business risk lies with the Council's Strategic Risk Management Group (SRMG). In effect, SRMG are the sponsors for Risk Management within the Authority. Responsibility for managing specific business risks at an operational level lies with Service Heads and their dedicated Officers. The Head of Finance will 'champion / coordinate' the process on behalf of SRMG (in consultation with Executive Members as appropriate).
12. A number of Operational Risk Sub groups (ORMG) will be established to report to the SRMG on areas of risk that the group feels are required for monitoring and control purposes.
13. In accordance with best practice, Risk management at the Council is a 'top down' process, starting with the identification and control of strategic risks and then rolling the process down to an operational level (hence embedding the process throughout the Council).

## ROLES & RESPONSIBILITIES

15. In order to ensure the successful implementation of the strategy, roles and responsibilities have been reviewed and are updated in the following table;

Group/Individuals	Role/Responsibilities
<b>Full Council -</b>	<ul style="list-style-type: none"> <li>• Formal approve and adoption of the Risk Management Strategy and Policy (annually or as required);</li> <li>• Approve the Strategic Risk Register (annually);</li> <li>• Receive monitoring reports (mid and end of year);</li> <li>• Contribute to the identification of strategic risks.</li> </ul>
<b>Standards &amp; Audit Committee</b>	<ul style="list-style-type: none"> <li>• To review the effectiveness of the Risk Management arrangements (Strategy and monitoring reports before going to the Full Council).</li> <li>• Receive reports including the annual statement of Internal Control / external audit reports / effectiveness of internal audit.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• To review the Strategy and monitoring reports before going to the Full Council.</li> </ul>
<b>Strategic Risk Management Group (SRMG) – CMT plus Lead Member</b>	<ul style="list-style-type: none"> <li>• Overall responsibility for ensuring that processes are in place to effectively manage risks within the Council;</li> <li>• Increase awareness of RM –cascade to service management teams and other team meetings;</li> <li>• Produce the Strategy and monitoring reports for members;</li> <li>• Identify and commission projects for the Operational sub-groups;</li> <li>• Receive and consider reports from the Operational sub-groups;</li> <li>• Formulate monitor and update the strategic risks register.</li> </ul>
<b>Operation Risk Management Group (ORMG) – Senior Officers from major service areas.</b>	<ul style="list-style-type: none"> <li>• Identify good practice and share learning;</li> <li>• Review Insurance claims analysis in order to identify ways of reducing or eliminating future claims;</li> <li>• Identify new and emerging risks for inclusion in the Strategic Risk Register or Operational Risk Registers;</li> <li>• Approve the use of the RM budget and Training days;</li> <li>• Manage the programme of work for the sub-groups:               <ul style="list-style-type: none"> <li>Identify projects – specify objectives and outcomes</li> <li>Monitor Progress</li> <li>Consider the review’s findings and implement the recommendations.</li> </ul> </li> <li>• Report to the SRMG as necessary.</li> </ul>
<b>Corporate Management Team (CMT)</b>	<ul style="list-style-type: none"> <li>• Monitor the strategic risks</li> <li>• Identify new and emerging risks (e.g. from reports) for inclusion in the SRR</li> <li>• To maintain awareness of and promote effective risk management techniques (incl. awareness of the</li> </ul>

	<p>strategy and policy) to all relevant staff;</p> <ul style="list-style-type: none"> <li>• Consider reports from the ORMG.</li> </ul>
<b>Heads of Service</b>	<ul style="list-style-type: none"> <li>• Identify, analyse and profile operational risks through their individual monthly performance clinic. The role of the performance clinic is pivotal to challenging and understanding the risk view as well as gaining confidence that the risks will be managed.</li> <li>• To provide annual assurance on the effectiveness of controls in place to identify and mitigate risks within their service through the annual service planning process</li> <li>• To maintain awareness of and promote effective risk management techniques (incl. awareness of the strategy and policy) to all relevant staff;</li> <li>• Ensure that risk issues are highlighted in reports to Members.</li> </ul>
Internal Audit (Consortium Audit)	<ul style="list-style-type: none"> <li>• Provide independent review of corporate approach to risk management and compliance therewith;</li> <li>• To contribute to the accuracy and integrity of the strategic risk register (as part of the risk based approach to audit).</li> <li>• To follow best practice / code of practice in their work at all times.</li> </ul>
All Employees	<ul style="list-style-type: none"> <li>• Maintain awareness of risks and contribute to the control process where appropriate.</li> </ul>

## RISK MANAGEMENT PROCESS

17. The basic risk process is the same for the management of both strategic and operational risks. The process comprises of the following four basic steps;

- **Identify** existing and emerging risks
- **Assess** the risk
- **Manage** the risk (treat, tolerate, transfer or terminate)
- **Review** the risk at appropriate intervals

18. Examples of the different types of risk within each category are provided below;

<b>Strategic risks</b>	
Political	Local or national political issues that may impact on the Council meeting its objectives
Economic	Affecting the ability of the Council to achieve its commitments
Social	Relating to the Council's ability to meet the effects of changes in demographic, residential or social/economic trends
Technological	The ability to identify technological changes and using technology to meet changing demands
Legislative	The ability to meet the legislative demands affecting the Council
Environmental	Relating to the environmental impact of the Council's service delivery
VFM / Best Value	The need to demonstrate 'Value for Money' in service delivery
Customers	The ability to understand the changing needs of our customers

<b>Operational risks</b>	
Professional	Associated with the professional status of Council officers and the recruitment and retention of staff
Financial	Associated with the financial resources and related controls
Legal	Relating to potential breaches of legislation
Physical	Related to physical damage, security, accident prevention and health & safety
Contractual	Associated with issues that may impact on the Council's contractors to deliver services or products to the agreed cost and specification
Technological	Associated with reliance on operational equipment
Environmental	Associated with pollution, noise, energy efficiency and community safety
VFM / Best Value	The need to demonstrate VFM in "service delivery"
Customers	Associated with the ability to engage all our customers and the identification of their changing needs and related issues of equality.

19. The risk management process for strategic and operational risks is as follows;

### **Strategic Risk**

When the Corporate objectives are completely refreshed each year, the Council updates its Strategic Risk register. This is augmented by quarterly reviews of the main risks.

At the quarterly review the key risks from Heads of Service assessments will be considered so that emerging themes or risks with a corporate significance can be considered.

The details of the main risks will be recorded in a risk register which will contain

- Risk Number and description
- Cause
- Effect
- Actions Taken to mitigate the Risk
- Current Likelihood/ Impact
- Further Action Required
- Target Likelihood/Impact
- Risk Lead

### **Operational Risk**

Heads of Service are responsible for managing operational risk within their respective service areas. As part of the annual service/team planning process a risk register for each service/team will be produced to record key operational risks. The risks will then be managed throughout the year through at:

- a) **Performance Clinics** – On a monthly basis, Heads of Service prepare a performance clinic that is discussed at CMT. The performance clinic is an essential management tool at the authority and discusses seven key areas – operational performance, finance, customer experience, workforce development, equalities, sustainability and risk management.
- b) **Team Meetings** – Heads of Service discuss key operational risks at their respective management/team meetings.

20. Having identified a risk there are four basic choices about how to deal with it – the 4T's:

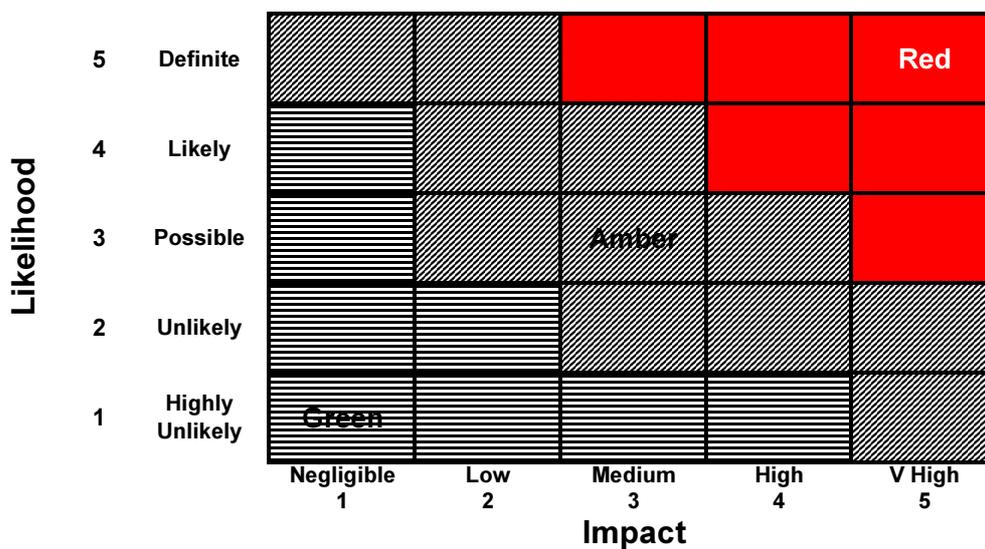
- **Treat** the risk (i.e. do something about it)
- **Tolerate** the risk – (i.e. accept it as it is)
- **Transfer** the risk – (i.e. pass it to someone else, for example insurance)
- **Terminate** the risk – (i.e. cease the activity that gives rise to the risk)

## EFFECTIVE RISK MANAGEMENT

21. It is important that risk management techniques remain an important element of the Councils overall management and performance arrangements.
22. The Council believes that it has effective arrangements in place to manage the business risks that it faces.

## RISK MATRIX AND REGISTER

23. A Risk Matrix is used to assess risks in terms of their likelihood of occurring and the impact they could have. The scores for each factor (likelihood and impact) are plotted on a matrix (see below) to identify those that require management action i.e. focus on the 'red' area. The objective is to devise mitigating actions that will reduce the risk and ideally move the assessment into a safer area of the matrix (green or amber).



The Risk Scoring Model is shown below:

**Risk Likelihood Key – Risk meets at least one of the criteria from the columns below**

<b>Score -1 Highly Unlikely</b>	<b>Score - 2 Unlikely</b>	<b>Score - 3 Possible</b>	<b>Score – 4 Likely</b>	<b>Score - 5 Definite</b>
Previous experience at this and other similar organisations makes this outcome highly unlikely to occur.	Previous experience discounts this risk as being unlikely to occur but other organisations have experienced problems.	The Council has in the past experienced problems in this area but not in the past three years.	The Council has experienced problems in this area in the last three years.	The council is currently experiencing problems in this area or expects to within the next 12 months.
There are effective, tested and verifiable control measures in place that prevent occurrence of this risk.	There are controls in place which are effective.	Some controls are in place but there have been occasions when they have failed and problems have arisen.	Controls are in place but can be ineffective.	No controls are in place or controls are ineffective.

**Risk Impact Key - Risk meets at least one of the criteria from the columns below**

<b>Score -1 Negligible</b>	<b>Score - 2 Low</b>	<b>Score - 3 Medium</b>	<b>Score – 4 High</b>	<b>Score - 5 Very High</b>
Little or no financial impact. (Less than £5k).	The financial impact would be no greater than £25k.	The financial impact would be no greater than £100k.	The financial impact would be no greater than £500k.	The financial impact would be greater than £500k.
Council services are not disrupted.	Some temporary disruption of activities of one Council service.	Regular disruption to the activities of one or more Council service.	Severe service disruption or regular disruption affecting more than one service.	Severe disruption to the activities of all Council services.
No impact on the delivery of the Council's corporate objectives.	It may cost more or delay in delivery of one of the Councils priorities.	A number of Council priorities would be delayed or not delivered.	The majority of Council priorities would be delayed or not delivered.	Unable to deliver all Council priorities.
No loss of confidence and trust in the Council.	Some loss of confidence and trust in Council felt by a certain group or within a small geographical area.	A general loss of confidence and trust in the Council within the local community.	A major loss of confidence and trust in the Council within the Local Community.	A disastrous loss of confidence and trust in the Council both locally and nationally.

**Total Risk Score = Likelihood x Impact. Rating: 0-4Green, 5-14 Amber, 15+ Red**