



DERBYSHIRE COUNTY COUNCIL

Risk Management Toolkit

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Introduction

Who should use this Toolkit?

This toolkit is for those involved in:

1. Setting aims and objectives
2. Formulating Service Plans
3. Considering resource allocation and determining spending priorities
4. Considering asset management prioritisation
5. Establishing and running programmes, projects and partnerships
6. Considering option appraisal within key decision reports or policy changes

The guidance and templates included will help you identify, assess and manage risks facing your area and to embed the practice of Risk Management within the organisation.

The Council's [Risk Management Policy and Strategy](#) document is available separately and provides more detail on employee and member's individual responsibilities, the framework of and the aims and objectives of Risk Management within Derbyshire County Council.

What is Risk Management?

There are many definitions of Risk Management but in its simplest terms:

Risk Management is the practice of identifying, analysing, and controlling in the most effective manner all threats or opportunities to the achievement of the strategies, objectives and operational activities of the organisation.

Why is Risk Management Important?

- It helps us to comply with Corporate Governance best practice.
- It helps us to deliver Council Plan objectives by ensuring risks are managed effectively.
- Well managed risks mean we deliver best value and maintain service continuity.
- The visible “**cost of risk**” to Derbyshire County Council exceeds £5m per annum. This includes premiums paid to insurers, premiums set aside in the council's insurance fund and claims handling costs.
- By helping to reduce the number and value of incidents it can reduce the “cost of risk”.
- The actual cost of risk extends beyond the visible costs and can impact on areas such as reputation and staff time to deal with claims. The Health and Safety Executive calculate that the invisible cost of a personal injury claim is 8 to 32 times the cost of settlement.

The Risk Management Process



The risk management process is a continuous process involving the identification of risks, prioritisation of these risks and the implementation of actions to further mitigate top risks.

The risk management process outlined above is broken down into several steps which are explained in more detail in the following sections.

1. Risk Identification

The purpose of risk identification is to generate a comprehensive inventory of risks based on those events that might create, prevent, accelerate or delay the achievement of your objectives. These objectives might include your Service Plan, Programme/Project objectives or Council Objectives.

Risks should be identified at all levels of the organisation including those relating to joint ventures, partnerships and projects.

When identifying risks we should consider the “big picture” of the environment within which the Council works. A common technique is that of **PESTLEC Analysis**.

This involves considering the organisation, department, service or project from the point of view of the following factors:

- **P**olitical
- **E**conomic
- **S**ocial
- **T**echnological
- **L**egal/Regulatory

- **E**nvironmental
- **C**ultural
- **C**ustomer

Appendices A&B contain a more extensive listing and examples of risks that may be identified for the Council. These are not exhaustive lists and you should not feel restricted by the examples.

Risk Description - How to express a risk

It is important to ensure risk descriptions are brief but fully communicate the risk in question.

The description should incorporate the **Risk**, its' **Consequence** and the **Cause**:

An example is shown below:

Objective – to travel by train from A to B for a meeting at a certain time	
Failure to get from A to B on time for the meeting	X this is simply the converse of the objective
Being late and missing the meeting	X This is a statement of the impact of the risk, not the risk itself
There is no buffet on the train so I get hungry	X this does not impact on achievement of the objective
Missing the train causes me to be late and miss the meeting	✓ This is a risk which can be controlled by making sure I allow plenty of time to get to the station
Severe weather prevents the train from running and me from getting to the meeting	✓ This is a risk which I cannot control, but against which I can make a contingency plan

Some useful phrase beginnings when articulating risk could be:

Failure to....	Reduction of....
Loss of.....	Disruption to....
Inability to.....	Increase in.....
Inappropriate...	Lack of.....
Exploitation of....	Realisation that....
Enhancement of....	Empowerment of.....

Recording Risks

We use a **Risk Register** for recording risk information. A template document is available separately in excel spread sheet format ([<Risk Management Templates>](#)).

Each Department must have a Risk Register and every business area should consider the need for individual Risk Registers. The Council has a Strategic Risk Register that contains the top risks that could impact on a Council wide basis.

During the Risk Identification Stage you should complete the following columns in the Risk Register:

- **Category** – the category that the risk fits into which is used to code risk descriptions. These are **Government Modernisation Agenda, Organisational Change, Emergency Response & Service Continuity, Financial or Regulatory & Legislative Failures**.
- **Risk Identifier Number** – unique risk number that will follow the risk for the duration of the process to enable mentoring and reporting. The Strategic Register uses the Year followed by incremental numbering.
- **Risk Description** – Your description of the risk. This should be brief but incorporate the elements outlined in the Risk Description section above.
- **Division** – The relevant service area, division or department of the organisation within which the risk sits, for example “Corporate Finance” or “Trading Standards”.
- **Existing Risk Mitigation Procedures/Controls** – a list of the current controls that are in place to deal with the risks. These should be specific and auditable. A control should either reduce the likelihood of the risk materialising and/or reduce the impact should the risk materialise.
- **Link to Council Plan** – Each risk should link back to the organisation’s objectives. You may find it useful to add a column linking the risk back to your service or division plan/objectives.

More specific templates for Project Risk Registers can be found in the separate Project Toolkit on dnet [<Project Management Toolkit>](#)

2. Risk Analysis, assessment & evaluation

Once you have identified the risks you need to assess them so that you can prioritise actions which will best preserve achievement of your service plans and objectives.

The method we use for assessing risks involves looking at their **Probability (likelihood)** and their **Impact (severity)**. Both elements are given a score between 1 and 5 using the definitions/guidance below.

During the Risk Assessment Stage you should complete the following columns in your Risk Register:

- **New Score (Probability)** – Using the scale below this is the likelihood of the risk actually occurring (taking into account any controls contained in the existing controls section).
- **New Score (Impact)** - Using the scale below this is the effect of the risk if it occurs (taking into account any controls or mitigations contained in the existing controls section). Impact can be considered in various categories

and may not be restricted to financial. In assessing the level it is important to recognise the relevant appetite for risk. A financial impact of £50,000 at corporate level would be described as having a minor or moderate effect whilst the impact at a cost centre level could be catastrophic for that budget.

- **New Score (Score)** – Multiply New Score (Probability) by New Score (Impact). This will calculate automatically in the Departmental Risk Register Excel Template.

Probability (Likelihood)

Guidance to help you determine the **Probability (likelihood)** of a risk occurring. Select the one that most fits your risk.

Occurrence	Description of the Probability	Scale/Level
Rare	May occur only in exceptional circumstances (ie. 1 in 10 years)	1
Unlikely	Unlikely to occur, but could, at some time (ie. 1 in 3 years)	2
Moderate	Fairly likely to occur at some time, or in some circumstances (ie. 1 in 2 years)	3
Likely	Will probably occur at some time, or in most circumstances (ie. Annually)	4
Almost Certain	Is expected to occur in most circumstances (ie. Monthly)	5

Impact (Severity)

Guidance to help you determine the **Impact (severity)** of a risk. Select the one that matches your risk. Where impact levels differ depending on whether it is Financial, Reputation, Physical Injury, Environmental Damage or Service Disruption you should pick the higher of the levels matched.

<i>Scale/Level</i>	<i>Descriptor</i>	<i>Financial</i>	<i>Reputation</i>	<i>Physical Injury</i>	<i>Environmental Damage</i>	<i>Service/Operations Disruption</i>
1	Insignificant	Low	No damage	None	None/Insignificant	No loss of service
2	Minor	<£50,000	Minimal with minimal press	Minor (first aid treatment)	Minor locally	Internal disruption only, no loss of service
3	Moderate	£50,000 to £100,000	Extensive local press/radio/TV	Violence or threat of serious injury requiring medical treatment	Moderate locally	Disruption/Loss of service less than 48 hours
4	Major	£100,000 to £10,000,000	National Press/TV	Extensive/multiple injuries	Major local impact	Disruption/Loss of service less than 7 days
5	Catastrophic	>£10,000,000	Extensive national press/TV - lead item		Major national/international	Severe disruption/loss of service more than 7 days

Risk Ranking – risk matrix

Having determined the probability and impact scores they can be plotted on the following table to determine the combined risk score (or **risk ranking**). Multiplying the likelihood x impact achieves the same thing. But, by actually plotting them on the matrix, it is possible to identify clusters of high ranking risks and then identify interdependencies.

IMPACT		Rare	Unlikely	Possible	Likely	Almost Certain
	Catastrophic	5 ↑	10 ↑	15 ↑ ↑	20 ↑ ↑ ↑	25 ↑ ↑ ↑
	Major	4 =	8 ↑	12 ↑ ↑	16 ↑ ↑	20 ↑ ↑ ↑
	Moderate	3 =	6 ↑	9 ↑	12 ↑ ↑	15 ↑ ↑
	Minor	2 =	4 =	6 ↑	8 ↑	10 ↑
	Insignificant	1 =	2 =	3 =	4 =	5 ↑
PROBABILITY						

3. Review of Controls and control effectiveness

The following Risk Register column should be completed at this stage:

- **Existing Risk Mitigation Procedures/Controls** - Whilst you identified these at the first stage you should consider the effectiveness of the existing controls now that you have scored the risk.

4. Respond to the Risk & Assign Ownership

At this stage you should only consider identified risks that are assessed to be at an unacceptably high level and therefore require additional action. The table below can be used to assess this:

Level of Risk	Indicated by	Management action required
Very High (20-25)	Red ↑↑↑	Requires Active Management High impact and high probability means risks require active management to manage down and maintain exposure to an acceptable level.
High (12-19)	Amber ↑↑	Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect deviations from profile.
Medium (5-11)	Blue ↑	Good Housekeeping May require risk mitigation to reduce the likelihood, if this can be done cost effectively. But good housekeeping should ensure that the impact remains low. Reassess frequently.
Low (1-4)	Green	Review Periodically Risks are unlikely to require active management but they should be reviewed frequently to ensure they have not escalated.

When you have decided whether your risk needs action there are a number of options;

Terminate (Avoidance) – If the risk cannot be managed or is completely undesirable and the activity offers no benefit it could be terminated. This might mean stopping the activity or service altogether.

Treat (Reduce) – You could put in place additional risk controls that reduce either the likelihood or the consequence/impact to an acceptable level.

Transfer – You could transfer the cost or responsibility for the risk to a third party. Examples include insurance, contractual conditions or outsourcing.

Tolerate (Accept) – You could accept the risk as it is and do nothing further to mitigate it. These risks may still need monitoring or review. Where these are high scoring reference should be made to the Risk Management Group before this decision is taken.

If the risk is not something that you are able to control within your business area or has further reaching effects (ie. Department or Council wide) you need to **escalate** it through your **Departmental Risk Register** and if relevant for consideration onto the Council's **Strategic Risk Register**.

During this stage you should complete the following columns of the Risk Register:

- **Planned Risk Mitigation Procedures/Controls** – Where risks are considered not to be of sufficient importance to require further action this can

be reflected here and the remaining columns (apart from Action Manager) left blank. Where the risk requires additional action this column should include what actions will be taken to manage the risk.

- **Target Score (Probability)** – The probability of the risk occurring that will be achieved once the planned risk mitigation procedures/controls have been completed.
- **Target Score (Impact)** – The impact of the risk occurring that will be achieved once the planned risk mitigation procedures/controls have been completed.
- **Target Score (Score)** - Multiply Target Score (Probability) by Target Score (Impact). This will calculate automatically in the Departmental Risk Register Excel Template.
- **Action Manager/Risk Owner** – Initials of the individual who is nominated and responsible for the monitoring, reporting and directing mitigation actions for the risk. This should be someone with knowledge of the area and sufficient influence to progress the actions identified.
- **Action Date** – The target date by which actions are expected to be progressed.

The Risk Register can now form the basis of your Action Plan.

5. Record, monitor & Report

Monitoring and Reporting are important to:

- Ensure that the risk is still current and relevant
- Ensure that controls are still relevant, effective and that they are achieving the desired outcomes.

At this stage the following columns should be completed on the risk register

- **Comments, Progress & Budget Implications** – This column should be used to comment on the progress of mitigations and relevant factors (including budget implications). It should be added to/completed each time the Register is reviewed. This information is used for reporting progress on Strategic Risks to Audit Committee and Chief Officer Group.
- **Previous Score** – When reviewing the risks it is likely that some of the proposed risk mitigations will have been completed. The new Risk Score should always reflect the current position. When reviews are considered the old **New Risk Scores** should be transferred to the **Previous Score** columns and the revised **New Risk Score** entered. This allows an at glance tracking of progress when reporting.

Every Risk Register is a live document that changes during the year as existing risks and the business environment change. New risks are also identified and added to the register and others removed because they are no longer relevant or they have been managed to a level below which they cease to be of concern.

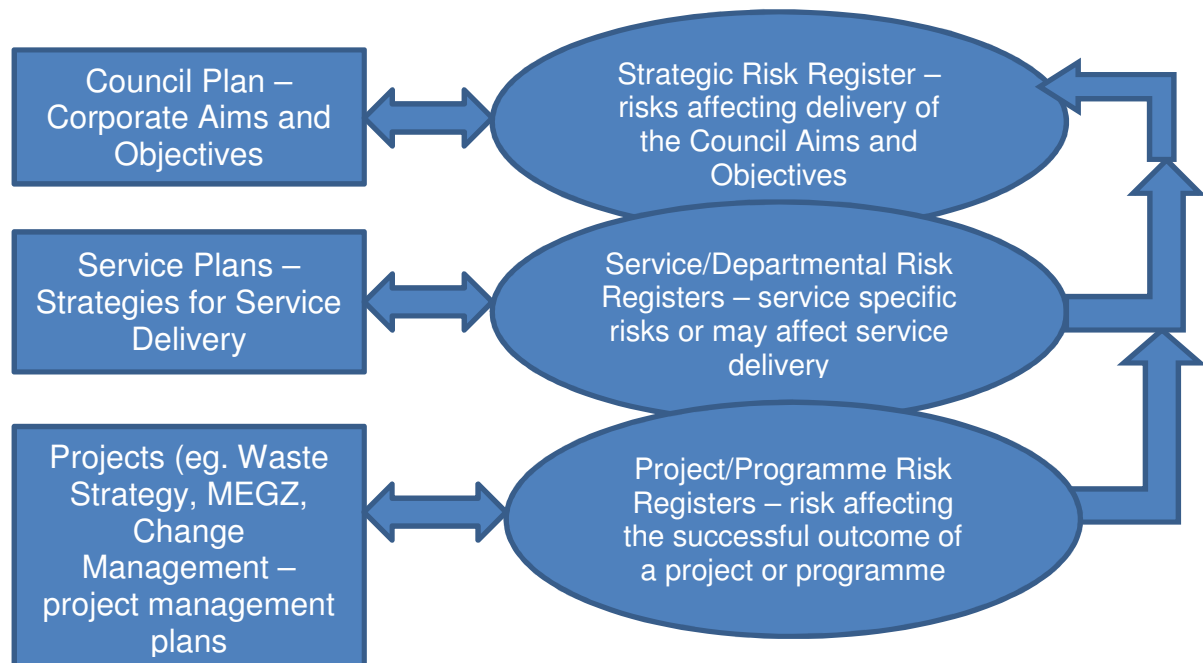
Senior management teams are required to review their registers on a monthly basis and risk management should be a standing item on their meeting agendas.

The Council's Risk and Insurance Manager undertakes regular reviews (at least quarterly) of the departmental and strategic risk registers in conjunction with senior management teams and the outcomes are reported to:

- Chief Officer Group
- Members when they are setting the budget
- Audit Committee
- Cabinet
- Annually to full council

6. Aggregate Results, integrate with Council and Service Plans

Using the risk management process during the strategic planning process will identify what risks will prevent strategic risks being met. We can then concentrate risk management actions and investment on those key areas.



Where to go for help

Contacts

Those working in a particular business area are the best people to identify and manage risks. However, if you need further help working through the process or just have a Risk Management question give us a call;

Risk and Insurance Team

Risk and Insurance Manager

Adela Green
adela.green@derbyshire.gov.uk
01629 539988

Risk Management Support

Hazel Swainsbury
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01629 538888

Departmental Risk Champions

Adult Care

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Corporate Resources

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Culture and Community

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Environmental Services

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01629 538501

Location of other guidance documentation

All the DCC guidance documentation referred to in this toolkit is available on dnet. Additional links are included here.

Risk Management Policy and Strategy

[<link to Risk Management Policy and Strategy>](#)

Departmental Risk Register Template

[<link to Departmental Risk Register Template>](#)

Project Risk Management Toolkit

[<link to Project Risk Management Toolkit>](#)

Partnerships

[<link to Partnership database area>](#)

Information Governance

[<link to Information Governance Tools>](#)

Business Continuity

Included within Appendix E the Risk Management Strategy and Policy

Health and Safety Risk Assessments

[<link to H&S Risk Assessment Tools>](#)

Management of Road Risk

[<link to MORR section of dnet>](#)

Appendix A – Categories of Risk in Local Government

Council Aims and Objectives							
Strategic Risks							
Competitive	Customer/Citizen	Economic	Environmental	Legislative	Political	Social	Technological
Cost - Best Value Quality - Best Value	Needs & expectations	Budgetary Insurance Large Scale Investment	Energy Efficiency Pollution Recycling Landfill Emmissions Weather Conditions	Adherence or Non adherence to National or European Law	Delivery of local policy or Central Government Policy Loss of Reputation	Change in demography or residential change or socio-economic trend	Council wide technological change Internal wide technological failure

Appendix A – Categories of Risk in Local Government (continued)



Appendix B – Risk Universe

This Risk Universe supports the risk identification stage of the risk management process. It provides you with a guide to the risks you should be considering during the risk identification process.

The list is not exhaustive, you should think beyond these examples as our organisation has its own unique risk profile/footprint and this source data is provided by the generic ALARM (Association of Local Authority Risk Managers) Toolkit.

Strategic Risks – uncertain future events that could negatively impact the achievement of the Council's vision and strategic objectives
Heavy snow fall leads to major transport disruption
A change in government policy diverts funding focus away from the Council's activities
Change of Government
An event leads to dissatisfied citizens, users, central/regional government or other stakeholders
Failure to establish and implement an effective marketing campaign
Failure to adapt to changes in social trends prevents the achievement of strategic objectives
Failure to align agendas and objectives with key partners
Inability to take advantage of a key funding opportunity
Loss of key supplier/contractor, especially if there is a dependence on it for delivery of a service
Cabinet do not receive sufficient information to make a robust and informed decision
A conflict of interest emerges between the Council and one of its partners
Inaccurate financial forecasting and reporting is used to make a strategic decision
Loss of a key delivery partner
Failure to deliver key stakeholder expectations
A major environmental incident

Operational Risks – uncertain future events that could negatively impact the day to day operations of the Council
Failure of a key contractor to deliver a service, entirely or within the pre agreed timescale
Loss of critical IT systems
Loss of confidential information
Loss of insurance cover for key operations
Failure to react appropriately in the event of a disaster (e.g. to follow appropriate business continuity arrangements)
A significant increase in the costs associated with the maintenance of the Council's buildings

People – uncertain future events that could negatively impact the staff
Inadequate training and development is provided to staff
Loss of a key member of staff
Inability to recruit and train suitable employees, volunteers or trustees

Appendix C – Glossary

	Definition
Accept	A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives of it does.
Action Manager/ Owner	Risks are assigned to a lead person and department with responsibility for ensuring that they are adequately controlled and monitored.
Actual Cost of Risk	The overall impact to an organization from undertaking activities with an uncertain outcome and includes such factors as the cost of managing those risks, financially transferring the liabilities, sustaining any uninsured losses, lost production/goodwill, adverse publicity, and fines.
Cause	A person or thing that gives rise to an action, phenomenon, or condition.
Claims Handling Costs	Expenses incurred in handling and settling claims.
Consequence	A result or effect of an action or condition.
Corporate Governance	The ongoing activity of maintaining a sound system of internal control by which the directors and officers of an organization ensure that effective management systems, including financial monitoring and control systems, have been put in place to protect assets, earnings capacity and the reputation of the organisation.
Impact (Severity)	The effect or influence of one person, thing, or action, on another should the risk materialise.
Insurance Fund	Monies set aside to meet the cost of claims that are not commercially insured, or within the policy excess.
Operational Risk	Failure to achieve business/organizational objectives due to human error, system failures and/or inadequate procedure and controls.
Partnership (Third parties)	Contractual relationship between two or more persons carrying out a joint venture, each incurring liability for losses and the right to share in the outcome.
Premiums	The money paid to an insurance company in return for insurance cover.
Previous Score	This is the last score assigned to a particular risk before re-evaluation of the risk.
Probability (likelihood)	A measure of how likely it is that some event will occur in a given time.
Risk	A probability or threat of a damage, injury, liability, loss or other negative occurrence that is caused by external or internal vulnerabilities.
Risk Analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of the impact.
Risk Appetite	The amount of risk the organisation, or department/service, is willing to accept.

Risk Assessment	The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of an acceptable level of risk.
Risk Description	Description of the uncertain event or set of events and what will happen if they occur
Risk Identification	Determination of what could pose a risk; a process to describe and list sources of risk (threats and opportunities).
Risk Management	Practice of identifying, analysing, and controlling in the most effective manner all threats or opportunities to the achievement of the strategies, objectives and operational activities of the organisation.
Risk Matrix	Sometimes referred to as a Risk Map. A model which visually displays the relationship between the probability and impact of specific risks.
Risk Mitigation	The process by which an organization introduces specific measures to minimize or eliminate unacceptable risks associated with its operations.
Risk Ranking	Risks can be given a ranking, to assist with prioritisation, based on a combination of consequence and likelihood of the risk.
Risk Register	A basic ongoing working document that records the risk identification, assessment and sometimes action planning process.
Stakeholder	Any individual, group or organisation that can affect, be affected by, or perceive itself to be affected by a risk.
Strategic Risk Register	A Risk Register to support the risk framework that captures strategic organisational risks.
Target Score	This is the desired score to be achieved after risk mitigation procedures/controls have taken place.
Terminate (Avoidance)	A risk response that seeks to eliminate a threat by ceasing to carry out the activity concerned.
Tolerate	A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives if it does.
Transfer	A risk response whereby a third party takes on responsibility for an aspect of the risk.
Treat (Reduce)	A risk response for a threat that seeks to reduce the probability and/or impact.
Visible Cost of Risk	The easily identifiable financial aspects of claims, excess payments, insurance premiums and amounts retained in the insurance fund to finance losses.

Appendix D - Sources

ALARM Risk Management Toolkit – An Essential Guide and Toolkit for Managing Risk in Public Sector Organisations – ALARM/MARSH 2012

OGC Management of Risk: Guidance for Practitioners

HM Treasury – Orange Book on Risk Management