

**Risk Management Strategy
Derry City & Strabane District Council**

DCSDC Policy	
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1. Preamble

This Risk Management Strategy forms part of Derry City & Strabane District Council's internal control and corporate governance framework. It has been developed to provide clarity and direction on current and future risk management activity across the Council to ensure a consistent approach is taken to risks, which may have an adverse impact on the Council's ability to achieve its strategic aims and objectives.

1.1 Purpose

Risk is inherent in all of the Council's activities. The delivery of the Council's objectives is surrounded by uncertainty, which poses threats to success and offers opportunity for increasing success. Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat of actions and events; and good risk management should allow the Council to:

- Have increased confidence in achieving its desired outcomes;
- Effectively constrain threats to acceptable levels; and
- Take informed decisions about exploiting opportunities.

Risk management is an integral part of good management practice. A formal systematic approach to risk management should improve decision-making, performance and accountability and foster an environment of 'no surprises', where stakeholders have increased confidence in the Council's corporate governance arrangements.

Risk is unavoidable and the resources available for managing risk are finite, so the aim is to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks.

This Risk Management Strategy provides a framework that will allow Derry City & Strabane District Council to improve upon the high quality of services already being provided. This will be achieved through a proactive, ongoing process of risk assessment, with the objective of improved prevention, control and containment of risk.

The main objectives of the Risk Management Strategy are to:

- a) Provide a framework that enables Derry City & Strabane District Council to achieve its strategic objectives in a consistent and controlled environment;
- b) Improve decision making, planning and prioritisation of activities, and enhance the understanding of opportunities and threats;

- c) Safeguard the Council's assets – people, financial, property and information; and
- d) Create an environment where all staff assume responsibility for risk management.

This Strategy will provide a system for evaluating the known or potential risks within the Council and then categorising them into high, medium or low priorities. The identified risks will be entered onto Service Risk Registers with action plans developed to eliminate high scoring risks, or at least reduce them to an acceptable level. Each risk identified will be classified according to its potential impact on the Council and the likelihood of its occurrence. The risk evaluation framework is set out in detail in Section 4.

1.2 Background

Guidance on the management of risk was produced by HM Treasury in October 2004 in 'Management of Risk – Principles and Concepts'. The guide builds on earlier publications, which provided a basic introduction to the concepts of risk. 'The Orange Book', continues to provide broad based general guidance on the principles of risk management.

More recently, best practice guidelines have also been produced by the Northern Ireland Audit Office – 'Good Practice in Risk Management', June 2011.

2 Scope

Developments in corporate governance have meant that evaluation of risk and the determination of suitable control strategies have been confirmed as key management responsibilities. Risk management will therefore impact on decisions relating to all of the Council's activities, building on existing risk assessment processes, including project appraisal / management and audit planning.

3 Definitions

Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat of actions and events.

Risk Assessment refers to the evaluation of risk with regard to the impact if the risk is realised and the likelihood of the risk being realised.

Risk Appetite is the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.

Risk Management refers to all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.

Inherent Risk is the exposure arising from a specific risk before any action has been taken to manage it.

Residual Risk is the exposure arising from a specific risk after action has been taken to manage it, and reflects the effectiveness of the action or controls in place to manage the risk.

4 Policy Statement

Through the implementation of this Risk Management Strategy, the Council will improve public services, internal controls, enhance the safety, efficiency and commitment of its employees, reduce unnecessary financial expenditure and safeguard its positive public standing and reputation as a high quality provider of facilities and services. The risk management process will be ongoing, embedded in the culture of the organisation and should have the potential to re-orientate all staff in striving for performance improvements and managing risk effectively.

Utilisation of this Risk Management Strategy and full implementation of internal controls will assist Derry City & Strabane District Council to promote systems for direction and control of the main functions and how they relate to their communities. These elements of the Council will include resources, systems, processes, culture, structure and tasks that will be delivered with openness, integrity and accountability. Under the Governance umbrella the Council will demonstrate that Risk Management is an integral part of the organisation through:

- Shared awareness and understanding of the nature and extent of the risks it faces, having a sound policy on its threshold to risk, having an understanding of the likelihood and potential impact of the risks being faced and having the ability to reduce the incidence and impact and developing appropriate contingency plans.
- There will be regular and ongoing monitoring and reporting of risk and regular appropriate risk assessments to set up controls and review processes.
- The risk management process will be ongoing, and embedded in the culture of the Council. Not all risks can be eliminated and risk taking should not be discouraged. The process should be about understanding risk and managing it more effectively.

4.1 Risk Identification and Management Framework

4.1.1 Principles of Risk Assessment

A strategic approach to risk management depends on identifying risks against key organisational objectives. Risks relevant to these objectives are then considered and evaluated.

There are three important principles for assessing risk:

- Ensure that there is a clearly structured process in which both likelihood and impact are considered for each risk;
- Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities; and
- Be clear about the difference between inherent and residual risk.

4.1.2 Risk Appetite

The concept of a 'risk appetite' is key to achieving effective risk management and it is essential to consider it before moving on to consideration of how risks can be addressed. Council recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders. It must, however, take risks in a controlled manner, thus reducing its exposure to a level deemed acceptable, from time to time, by Council and by relevant auditors, regulators and inspectors.

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. In addition, Council may accept some high risks because of the cost of controlling them. As a general principle Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff, visitors and other stakeholders;
- Compromise severely the reputation of Council;
- Have financial consequences that could endanger the organisation's viability;
- Jeopardise significantly Council's ability to carry out its core purpose;
- Threaten Council's compliance with law and regulation.

Council has identified four key corporate objectives, which set Council's overall strategic direction. It is recognised that Council's risk appetite will vary depending on the circumstances at a particular time, and also depending on the corporate objective to which the risk relates.

The table below sets out Council's general risk appetite related to its 4 key corporate objectives.

Corporate Objective	Risk Appetite	Description
Grow our business and facilitate cultural development	Hungry	We will actively support innovation that leads to demonstrable growth in our business and increases cultural development for the region.
Protect our environment and deliver physical regeneration	Open	We will pursue an ambitious investment programme and consider all delivery options to deliver physical regeneration taking into account all environmental considerations.
Promote healthy communities	Open	We will encourage new thinking and select delivery options with the highest probability of productive outcomes in promoting healthy communities.
Provide effective and facilitative cross functional support services	Cautious	We will accept some low risks, while maintaining an overall preference for safe delivery options which do not threaten our financial position, employee/public wellbeing, compliance with legislation or our reputation.

Guidance on the Council's risk appetite and risk scoring matrix is set out in Appendix A.

4.1.3 Risk Identification

Derry City & Strabane District Council will identify risks by applying a risk self-assessment model. This is an approach by which each member of the Council is invited to review their activities and to feed upwards to the Service Risk Co-ordinator, (Manager in each Service Area responsible for maintaining and updating the Service's Risk Register), within the relevant service area, their diagnosis of the risks faced. Regular discussions should take place within each service area for assessing risks identified and if applicable, including them on the relevant Service Risk Register.

Service Risk Registers will include those risks, which may impact on the Council's principle corporate objectives. Such risks will be linked to Corporate Objectives and reviewed on a regular basis.

The Council's Senior Management Team will take a strategic view of its risks. The value that they will add will be in assessing the top risks against the high-level objectives and priorities of the Council from their perspective. They will be responsible for ensuring that strategic risks are being managed appropriately.

The table below outlines indicative types of risk that we are likely to encounter. The list is illustrative and **not** meant to be taken literally. It simply provides a starting point for those seeking to identify potential risks in their areas of work.

Type of Risk	Example of Risk
Compliance risk	e.g. the risk of failing to meet government standards or laws and regulations, or failing to meet European Directives.
External risk	e.g. risks from economic shocks, changing public attitudes or EU legislation.
Financial risk	e.g. risks arising from spending on capital projects or fraud or impropriety; risks from failed resource bids and insufficient resources.
Foresight risk	e.g. risks arising from insufficient forward planning.
Operational risk	e.g. risks associated with the delivery of public services; risks associated with recruitment difficulties or diversion of staff to other duties; risks surrounding IT systems.
Project risk	e.g. risks of projects exceeding budgets or missing key deadlines.
Reputation risk	e.g. risks from damage to the organisation's credibility and reputation.
Risks arising from new ways of working	e.g. risks from joined-up working or change programmes.
Strategic risk	e.g. risks arising from policy decisions or major decisions affecting organisational priorities; risks arising from senior-level decisions on priorities.

We will make our approach to risk management flexible enough to accommodate new and previously unforeseen risk. Good intelligence will pay dividends, both in the way that we identify new risks and in terms of how we update our information on existing risks and respond to changing circumstances.

Once risks have been identified, we will capture essential information about them for example, potential root causes, potential impacts, current controls, etc., in the form of Service Risk Registers. This is a key building block of our strategy.

When responding to a risk, our aim will be to ensure that it does not develop into an issue, where the potential threat is realised, or tolerate the risk and decide that no further action is required. To do this we will build on HM Treasury's guidance in their 'Orange Book'. Having properly identified and assessed our risks, we will select one of the following general approaches ('The Four Ts'):

- **Transfer the risk:** this might be done through such things as asking a third party to take on the risk in another way. Contracting out some of our services, for example, transfers some, but not all of our risks (and often introduces a new set of risks to be managed);
- **Tolerate the risk:** our ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to 'watch' the risk to ensure that its likelihood or impact does not change. If new management options arise, it may become appropriate to treat this risk in the future;
- **Treat the risk:** by far the greater number of risks will be in this category. The purpose of treatment is not necessarily to terminate the risk but, more likely, to develop a planned series of mitigation actions to contain the risk to an acceptable level; and,
- **Terminate the risk:** this is a variation of the 'treat' approach, and involves quick and decisive action to eliminate a risk altogether. For example, the health and safety or environmental impact of using a particular process may be such that the appropriate action is to stop it. The introduction of new technology may also remove certain existing risks, though it will often result in a new set to be addressed.

4.1.4 Risk Evaluation

One of the difficulties of considering and evaluating risk is that different categories of risk arise that may not be easily comparable. A critical stage in any attempt to evaluate risk is to identify the range of different categories of risk involved. Each risk must be assessed to determine its potential impact and the likelihood of its occurrence. The combined assessment of impact and likelihood will enable the assignment of a ranking to a risk. The framework for the assessment of the impact, likelihood of occurrence and consequent risk ranking that will be adopted by Derry City and Strabane District Council is set out in Appendix A.

4.1.5 Addressing Risks

In addressing risks, we will seek to adopt a proportionate response – reducing risks to ‘As Low a level as is Reasonably Practicable’ in the particular circumstances.

In completing risk registers, risk owners will describe existing controls and actions to improve control to address the risk.

4.1.6 Countermeasures

Most of the Council’s risks already experience some form of management that is seeking to contain them at an acceptable level. The risk register will draw these actions together into a co-ordinated package and allow others to review the adequacy of existing controls, given the stated likelihood and impact.

We will identify additional actions that could be taken, either to introduce if the existing countermeasures show early signs of not being fully effective or to allow new, more effective actions to be taken.

4.1.7 Contingencies

We recognise that some risk could suddenly be realised, and become a critical issue, even those that we have assessed as having relatively low likelihoods. Our assessments could be wrong, circumstances might change before we have time to respond or external events, such as severe weather conditions, could alter our view of situations and the nature of the risk. We will consider in advance what action to take if a risk develops or a crisis occurs. These are our contingencies, and they are essential to creating an environment of ‘No Surprises.’

4.2 Roles and Responsibilities

4.2.1 Introduction

The management of risk is a key organisational responsibility. All Council members and employees have a major role to play in identifying and minimising inherent risks. The responsibilities for risk management for different roles within the Council are set out below:

4.2.2 Elected Members

The Elected Members are responsible for:

- Approving the Council's definition of risk appetite;
- Ensuring existence of and approving effective strategic framework i.e. Audit Committee; and
- Demonstrating commitment to and ensuring sufficient priority and profile for Risk Management.

4.2.3 Town Clerk and Chief Executive

The Town Clerk and Chief Executive is responsible for:

- Ensuring good corporate governance within the Council.
- The provision of organisational commitment to the risk management process by driving service and organisational improvements;
- Being the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work;
- Ensuring the implementation of the Council's Risk Management Strategy, ensuring sensible management decisions are taken and overseeing any subsequent review processes; and
- Maintaining positive relations with the media and managing any publicity regarding the Council, which may have risk management dimensions.

4.2.4 Strategic Directors

The Strategic Directors are responsible for

- The management and regular review of Council's Corporate Risk Register
- Regular reviews with Heads of Service of high-scoring service level risks within their Directorate
- Preparing a stewardship report to the Town Clerk and Chief Executive on an annual basis to facilitate the signing of the Council's Annual Governance Statement.

4.2.5 Heads of Service

Heads of Service are responsible for:

- Nominating a service risk coordinator within each area of service under their control with responsibility for maintaining and reviewing the relevant service risk register.
- Ensuring that sufficient resources have been allocated to ensure that risks are being managed effectively and for taking appropriate action in all instances where risk registers or action plans have not been prepared.
- Encouraging proactive assessment and identification of new risks among staff members.
- Providing ongoing support for risk management and related functions; and

4.2.6 Service Risk Co-ordinators

The Service Risk Co-ordinators are responsible for:

- Reviewing and updating their service risk register on a regular basis in consultation with their line managers;
- Ensuring that all action plans relevant to their service risk register have been completed; and
- Meeting with the Insurance & Risk Manager on a regular basis to provide assurance that the risks within their service area are being managed effectively.

4.2.7 Employees

All employees have an individual responsibility to:

- Maintain an awareness of risk factors in their workplace;
- Participate in risk management education and training;
- Comply with Council policies and procedures;
- Notify the Service Risk Co-ordinator, within the relevant area, of identified risks and any changes to existing risks included on the risk register;
- Report all incidents to the Service Risk Co-ordinator; and
- Manage risks, which they have been given responsibility for on the risk register.

4.2.8 Insurance & Risk Manager

The Insurance & Risk Manager is responsible for:

- Meeting with the Service Risk Co-ordinators on a regular basis to provide advice and guidance in reviewing the risk registers

and to gain assurance that all risks are being managed effectively;

- Producing periodic Risk Management Reports to Council and an appropriate contribution to the Council's Annual Report outlining key activity undertaken, future organisational priorities and other relevant information;
- Producing quarterly reports to the Town Clerk & Chief Executive and Strategic Directors in respect of Council's Corporate Risks.
- Providing the Town Clerk & Chief Executive with an annual assurance on risk management to facilitate the completion of the Council's Governance Statement.

4.2.9 Internal Audit Manager

The Internal Audit Manager is responsible for:

- Contributing to the formulation of the Risk Policy and Strategy;
- Advising on good practice as appropriate;
- Supporting Strategic Directors, Heads of Service and their Service Risk Co-ordinators in the risk identification process;
- Ensuring review work is based on significant and material risks identified;
- Providing support to the Service Areas to ensure that their approach to risk management is sufficiently rigorous and thorough; and
- Providing information and assurance to the Audit Committee on the reliability/effectiveness of existing internal control mechanisms.

4.2.9 Assurance, Audit & Risk Committee

The Assurance, Audit & Risk Committee is responsible for:

- Keeping under review the effectiveness of the Council's internal controls and risk management systems; and
- Reviewing and approving the statements to be included in the annual report concerning internal controls and risk management.

5 Legal & Policy Framework

5.1 Legal Context

Guidance on the management of risk was produced by HM Treasury in October 2004 in 'Management of Risk – Principles and Concepts'. The guide builds on earlier publications, which provided a basic introduction to

the concepts of risk. 'The Orange Book', continues to provide broad based general guidance on the principles of risk management.

Derry City & Strabane District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Derry City & Strabane District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council is required to prepare an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Council has complied with their statutory duties under Part II of the Local Government (Northern Ireland) Order 2005 and also meets the requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland 2006).

5.2 Linkage to Corporate Plan

In the achievement of the objectives and priorities set out in the Corporate and Business Plans, Derry City & Strabane District Council will be exposed to various risks. The task of management is to respond to these risks so as to maximise the likelihood of achieving the objectives and priorities by managing the exposure to risk to an acceptable level.

This policy will have a positive impact on the Council's strategic themes of Regional Leadership, which aims to provide a "Democratically accountable and effective leadership, championing the needs, aspirations and priorities of the region" and also Service Delivery where Council aims to provide "Quality for money services, defined by the needs of the region, delivered in an efficient and responsive manner.

6 Impact Assessment

6.1 Screening and Equality Impact Assessment

A completed Screening Questionnaire has been completed and is attached. The Policy is to be screened out for Equality Impact Assessment.

6.2 Impact on staff and financial resources

There will be no impact on staff and financial resources as a result of this Policy.

6.3 Sustainable development

There will be no sustainable development impact as a result of this Policy.

7 Implementation

7.1 Support and Advice

Advice and guidance on this Policy may be obtained from the Head of Governance & Legal Services or the Insurance and Risk Manager.

7.2 Communication Strategy

All Council Workers, Elected Members, agency staff and consultants will be provided with a copy of this Policy. Staff will be advised if further information is required in relation to the Policy to contact the Head of Governance & Legal Services for advice and guidance.

7.3 Risk Management

Failure to effectively implement this Policy increases the risk of the Council not achieving the highest possible standards in terms of openness, probity and accountability. This Policy will be monitored regularly to ensure that it is being implemented.

8 Monitoring, review and evaluation

This Policy will be monitored, reviewed and evaluated by the Audit Committee annually.

9 Acknowledgements

Guidance on the management of risk was produced by HM Treasury in October 2004 in 'Management of Risk – Principles and Concepts'. The guide builds on earlier publications, which provided a basic introduction to the concepts of risk. 'The Orange Book', continues to provide broad based general guidance on the principles of risk management.

CIPFA/SOLACE Delivering Good Governance in Local Government: A Framework (2007).

Northern Ireland Audit Office – 'Good Practice in Risk Management', June 2011.

Appendix A

Impact	5 High	Property destroyed or not safe for use/Fatality or multiple injuries; Financial loss >£500,000; Failure of key objectives; National media coverage;	Medium 5	High 10	Critical 15	Critical 20	Critical 25								
	4 Medium - High	Serious damage to property/ Serious injury; Financial loss £100,000 to £500,000; Failure of key service; NI Media coverage	Low 4	Medium 8	High 12	Critical 16	Critical 20								
	3 Medium	Moderate damage requiring repair/ Injury requiring medical treatment; Financial loss £10,000 to £100,000; Medium impact on achievement of objectives; Significant localised press coverage	Low 3	Medium 6	Medium 9	High 12	Critical 15								
	2 Low - Medium	Minor damage/injury; Financial loss £1,000 to £10,000; Minor impact on achievement of objectives; Some Localised press coverage	Very Low 2	Low 4	Medium 6	Medium 8	High 10								
	1 Low	No damage/injury; Financial loss < £1,000; No impact on achievement of objectives; Minimal damage to reputation	Very Low 1	Very Low 2	Low 3	Low 4	Medium 5								
1.DERRY CITY & STRABANE DISTRICT COUNCIL RISK MANAGEMENT			May occur only in exceptional circumstances		Might conceivably occur at some time		Could occur at some time		Will probably occur in most circumstances		Is expected to occur in most circumstances				
			RISK SCORING MATRIX			1 Low		2 Low – Medium		3 Medium		4 Medium – High		5 High	
			Likelihood												

2. Risk Rankings

- 2.1 The scores will be calculated by multiplying the impact score by the likelihood score.
- 2.2 The risk rankings will be expressed in terms of a numerical ranking from 1 to 25 and based on the Matrix will be defined as follows:-
 - Very Low - No additional action required to manage the risk.
 - Low – No additional action required to manage the risk.
 - Medium - Limited additional action is required to manage the risk effectively.
 - High - Additional action is required to ensure effective management of the risk.
 - Critical – Immediate additional action is required to ensure effective management of the risk.
- 2.3 Each risk will be scored twice. One score will represent the inherent risk i.e. the exposure arising from a specific risk before any action has been taken to manage it; and the other score will represent the residual risk i.e. the exposure arising from a specific risk after action has been taken to manage it. The residual risk score will then be used to rank the risks in priority order.

3. Risk Appetite linked to Corporate Objectives

Corporate Objective	Risk Appetite	Description
Grow our business and facilitate cultural development	Hungry	We will actively support innovation that leads to demonstrable growth in our business and increases cultural development for the region.
Protect our environment and deliver physical regeneration	Open	We will pursue an ambitious investment programme and consider all delivery options to deliver physical regeneration taking into account all environmental considerations.
Promote healthy communities	Open	We will encourage new thinking and select delivery options with the highest probability of productive outcomes in promoting healthy communities.
Provide effective and facilitative cross functional support services	Cautious	We will accept some low risks, while maintaining an overall preference for safe delivery options which do not threaten our financial position, employee/public wellbeing, compliance with legislation or our reputation.