RISK MANAGEMENT HANDBOOK
2023 - 2026

Version History / Annual Review Record

Version	Alterations	Approved by	Date
1.1	Amended policy written with external consultancy support (Zurich)	Audit Committee	March 2018
2.0	Updated every three years in line with key policy review schedule	Audit Committee	October 2023

Contents

INTRODUCTION

Derby Homes recognises that Risk Management is an integral element of Corporate Governance and a key contributor to ensuring a robust internal control environment. The management of risk is considered good practice within the public sector.

Risk Management can be defined as the culture, process and structure that are directed towards effective management of potential opportunities and threats, which can impact the achievement of objectives, condition of assets, wellbeing of colleagues or communities or the financial wellbeing of the organisation.

Derby Homes will establish and maintain a systematic framework and process for managing corporate, operational, project and partnership risks which will be outcome focussed. This will include assessing risks for likelihood and impact, identifying and allocating responsibility for implementing mitigating controls and receiving assurances to ensure successful management of those risks and that the controls are complied with.

The Risk Policy within this handbook formally affirms Derby Homes' strategic commitment to building a risk management culture in which risks and opportunities are identified and managed effectively. Derby Homes recognises that, in pursuing its strategic objectives, measured risk-taking is both acceptable and appropriate.

This Risk Management Handbook provides details on the principles and processes identified in Derby Homes' Risk Policy. It includes resources which have been designed to assist with the risk management process and to encourage a consistent and comprehensive language and approach to managing risk across the whole Council.

The main purpose of this handbook is to: -

- Ensure a common level of understanding of risk identification assessment and management across Derby Homes
- Ensure the process of risk management is developed and managed in a consistent manner
- Encourage the embedding of risk management throughout Derby Homes
- Promote a culture of risk awareness.

All employees, service providers, partners, and stakeholders are expected to play a positive role in ensuring that effective risk management is embedded into the culture and activities of Derby Homes.

What good Risk Management will allow us to do is:

- Create focus towards objectives
- Help inform and manage change
- Give flexibility in responding to issues
- Support innovation
- Improve transparency and justify decisions
- Inform the budget & business planning process
- Identify the appropriate level of controls
- Share knowledge in controls
- Protect reputations
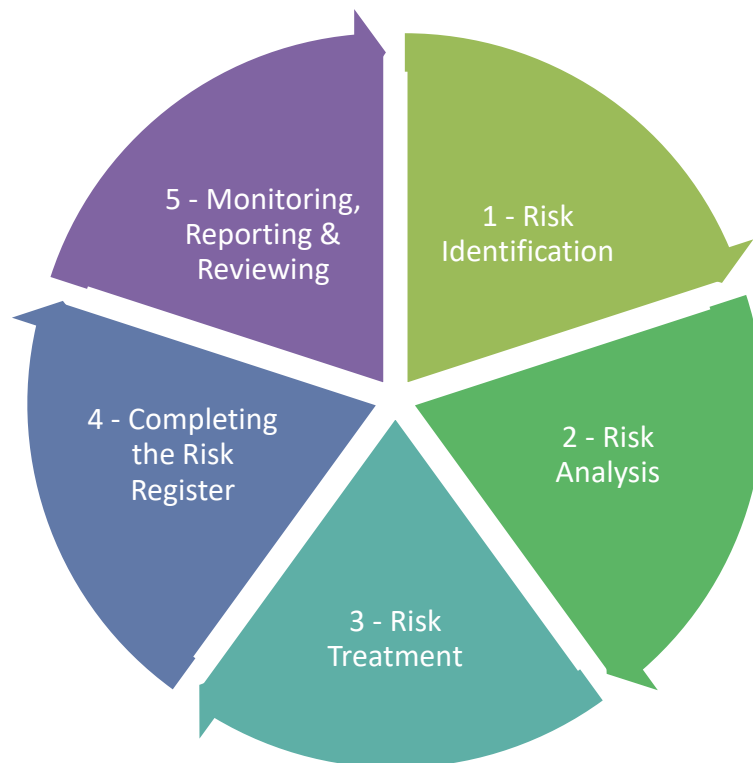
1. Risk Management Process

Whilst risk management is a statutory requirement it is not simply a compliance exercise but an indispensable element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals.

Risk management will help identify and deal with the key risks facing Derby Homes in the pursuit of its goals and its implementation is crucial to Derby Homes and essential to its ability to discharge its various functions.

The Risk Management Process outlined within this Practical Guide should be used as a guide to best practice in managing risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in team plans) and delivery of projects or programmes.

Derby Homes has well-established track record of managing risk as an integral part of its governance and management systems. This risk management Practical Guide does not supersede previous guidance issued in relation to risk management but supports it.

Derby Homes' risk management process consists of five stages/ steps:

A step-by-step guide follows to enable you to understand the risk management process.

This document should be read in conjunction with Derby Homes' Risk Management Strategy available from the intranet. For further advice and assistance on risk management is available from the Finance Director & Company Secretary

Derby Homes defines risk as:

- *The chance of something happening that may have financial, reputational, legal, regulatory, safety, security, environmental, employee, customer or operational consequences, including impacting the achievement of objectives.*

And Risk Management as:

"A planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of Derby Homes."

It is a process to:

- *increase risk awareness – What could affect the achievement of objectives? What could change? What could go wrong? What could go right?*
- *increase understanding of risk – sensitivities. What makes the risks increase/decrease/disappear?*
- *promote a "healthy" risk culture – Is it safe to talk about risk? Open and transparent?*
- *develop a common and consistent approach to risk across the organisation – which ones are significant enough to be concerned about?*
- *allow intelligent 'informed' risk-taking*
- *prepare for risks before they happen. Identify risks and develop appropriate risk mitigating strategies - being proactive…. not reactive.*
- *enable accountability, transparency and responsibility*

A risk is not certain – its likelihood can only be estimated

2. Stage 1 – Risk identification

Risk identification attempts to identify Derby Homes' exposure to uncertainty. To ensure that key risks are identified the process requires imagination, creativity, ingenuity and wide involvement as well as a methodical framework.

This is the most important step of the process, as it enables us to articulate risks associated to the achievement of our objectives enabling management of these risks in the subsequent stages.

There are a wide range of methods available that can be used to identify and understand risks. The method selected will depend upon the type of risk(s) being dealt with..

Risks can be identified in a number of forums, including:

- A 'brainstorming' session or workshop with the whole management team
- Meetings with smaller groups of people
- Incidence reporting within the office environment and relating to estate based activities
- Investigation of major service delivery failure
- Complaints, staff absence reporting
- Tenants and leaseholders satisfaction surveys
- Hazard / safety notices
- Whistleblowing
- Assurance framework
- New legislation
- National Reports
- Media

Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Delivery plan
- Existing risk registers
- Committee and Board reports
- Partners' documented or perceived views of risk, for example their own risk registers
- Internal or external research papers or statistical trends
- Risks or issues raised by internal audit or any other external scrutiny body.
- Risks identified through budget setting process.
- Health & safety risk assessments
- Business continuity risk assessments
- Benchmarking organisations
- Partnership, programme or project documentation (e.g., business case or project risk register)
- Experience of those running or participating in the risk identification process

The person responsible for that area of risk management should decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else thought to be appropriate. What is vital is that this is a group exercise that considers the views of a range of relevant staff for the risk assessment. No one person holds all the risks so involving others will ensure the process is as comprehensive as possible.

It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

At Executive Level, the approach focuses on identifying strategic risks. The risks identified are:

- Those that could significantly impact on the achievement of Derby Homes' aims and strategic priorities.
- Recorded in the Strategic Risk Register; and
- Used to inform operational risk identification.

At Heads of Service Level, the approach focuses on identifying the risks to operational objectives. The risks identified are:

- Those that could significantly impact on the achievement of the service objectives.
- Recorded in the Operational Risk Register; and
- Used to inform service risk identification.

For major projects, the approach focuses on identifying the risks that could impact on the successful delivery of the project. Risk management will be incorporated at the conceptual stage of the project and embedded within the project management arrangements for the duration of the project. The risks identified are:

- Those that could significantly impact on the achievement of the project and its objectives.
- Recorded in the Project Risk Registers; and
- Potentially used to inform both Strategic and Service risk identification.

For significant partnerships, the risks to Derby Homes as well as the risks to the partnership itself need to be considered. Risks to Derby Homes from partnerships are:

- Those risks to the achievement of Derby Homes' mission, aim and key objectives (or departmental or service objectives) from being involved in the partnership or the partnership going wrong; and
- Recorded in the appropriate risk register (Strategic or Operational).

Within the partnership Derby Homes and all of the partners should consider:

- Those risks that could significantly impact on the achievement of the partnership and its objectives.
- Recorded in the partnership risk register (which may or may not be maintained by Derby Homes); and
- Used to inform Derby Homes risk assessments.

3. Describing the risk.

As part of the risk identification process it is important to consider the scenario that accompanies the risk. This step is concerned with describing risks in sufficient detail and then recording the risk in a consistent format to support effective decision making on the way that the risk is managed. The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed.

The description of the risk should include three elements:

- Risk Title
- Description
    - Situation or event (real or perceived), that exposes us to a risk/statement of fact (the background). (What, Why, Where?)
    - The trigger event - Include the event that could or has occurred that results in an impact on the objectives being achieved (How, Why, When?)
- The likely consequences if the risk materialises (The impact, How big? How bad? How much? - Consider worst likely scenario)

To assist in describing risk here is a list of "do's" and "don'ts".

Do		Don't
- Think about internal and external influences that might affect strategic priorities, operational activities, reputation, assets and the delivery of the objectives, e.g. customer needs, stakeholder needs and strategy and key performance indicators. - Think about what resources you need to deliver the objectives and whether there is any uncertainty around having these in place. - Think about the background and what is driving the risk so that you can understand what the real risk is.		- Describe the impact of the risk as the risk itself - Describe everyday issues when the outcome is already known. - Define risks with statements which are simply the converse of the objectives.

It is also useful to map each risk scenario against one of the relevant corporate objectives. Although in practice this can be difficult as many of the risks will be quite broad and have a relationship to more than one objective, in this case the primary objective should be identified.

As a further guide in Appendix B, we have included some example areas of potential risks.

4. Stage 2 – Risk Appetite

Risk appetite is a key concept in achieving effective risk management. The aim of the risk strategy is not to remove all risk but to recognise that some level of risk will always exist. It is recognised that taking risks in a controlled manner is fundamental to innovation and developing a can-do culture.

At the most basic level, an organisation's appetite for risk is how much risk it is prepared to accept in the pursuit of its strategic objectives.

By defining our risk appetite, we define the amount of exposure to risk Derby Homes is prepared to accept or tolerate should the exposure become a reality.

Exposure to risk refers to the expected likelihood and potential impact of risk occurring after the mitigating actions put in place become effective (residual risk).

Derby Homes' risk appetite can be expressed as a series of boundaries which give each level of the organisation clear guidance on the limits of risk they can take (whether threat or opportunity), above which we will not tolerate the level of risk and further actions must be taken and/or the risk escalated.

In order to obtain a clear picture of our risk appetite there are two things that must be understood – what is our capacity for risk and what is our attitude to risk.

Whilst Derby Homes' approach to risk management is to be 'Hungry' with respect to its ideas and thoughts, our overall risk appetite is 'Cautious and Open' in terms of delivery on the ground.

Therefore, taking all strategic objective risk appetite alignments into consideration, our overall risk appetite statement is to have a 'cautious and open' attitude to risk.

> *'Derby Homes wishes to be creative and open to consider all delivery options and will select those with the highest probability of productive outcomes whilst being aware of the impact of its key decisions.'*

There are obvious exceptions to this, which would include, for instance, a much more risk averse attitude in the areas of Health and Safety and Safeguarding risks. Risk appetite is therefore something that has to be assessed for each appropriate risk.

Further information on risk appetite, including how this varies from risk exposure, alongside risk appetite statements for key risk themes are set out within Appendix C.

5. Stage 3 – Risk Analysis

Prioritising risks against potential impact and likelihood enables management to easily identify risks which require additional resources to bring within agreed tolerances for Derby Homes.

For each scenario a risk score will be calculated at two distinct levels and in the order shown below:

Inherent (Gross) risk – the likelihood and impact of the risks identified will need to be considered as if no controls exist.

Residual (current) risk – the likelihood and impact are re-scored based on an evaluation of the effectiveness of the existing controls or the measures that are put in place.

A matrix is used to plot the risks (each risk should be given an identifying number which is then plotted into the appropriate square on the matrix) and once completed this risk profile clearly illustrates the priority of each risk.

When assessing the potential impact of a risk and its consequences these should be linked back to the appropriate objective(s). At the strategic level this would be the impact of the risks on the achievement of the Vision and key objectives, whilst in services this would be the achievement of service objectives and priorities. The challenge for each risk is how much impact it could have on the ability to achieve the objectives.

Likelihood is assessed by asking how likely it is that the trigger event should occur. The combination of both allows Derby Homes to plot the risks on the matrix and set the risks in perspective against each other. Those risks towards the top right hand corner with higher likelihoods and impacts are usually the most pressing with the priority falling as we move down to the bottom left hand corner, however each risk will be judged individually and management actions considered in accordance with Derby Homes' appetite to risk.

It is important when scoring the likelihood and impact of risks that a balanced view is taken with contributions from relevant team members and stakeholders. If there is real doubt over where to score a risk or agreement cannot be reached then it is best to place the risk in the higher category of likelihood and/or impact and escalated for consideration with senior officers.

At the beginning of this stage a timeframe needs to be agreed, and the likelihood and impact should be considered within the relevant timeframe. For example the likelihood of a risk occurring in the next 12 months could be very different to its likelihood of occurring in the next 3 years. It is suggested that strategic risks are assessed over the medium term – likelihood of the risks occurring in the next 3 years. Service risks would be assessed over the short term – likelihood of the risk occurring in the next 12 months.

Having assessed the likelihood and impact of each risk, the risk is plotted on the Risk Matrix, shown in figure 1. Guidelines of each category of likelihood and impact are outlined in **Appendix A.**

Figure 1.

|		Remote	Possible	Probable	Highly probable
Impact	*Very High*	4	8	12	16
	High	3	6	9	12
	Medium	2	4	6	8
	Low	1	2	3	4
		Remote	Possible	Probable	Highly probable
				Likelihood	

1. Stage 4 – Risk Treatment

Once the risks have been prioritised the next step is to identify how to manage the identified risk. This is vitally important as it is during this stage that improvement actually occurs. Derby City Council have adopted the 4T's methodology for management of risks, these are:

Response	Which means?	Example
Tolerate	Do nothing 'extra' to manage the risk.	There will be some risks where your current control measures in place are sufficient to reduce the likelihood and impact of the risk to a tolerable level and there is no added value in doing more e.g. not cost effective or realistic to try and manage it any further. Alternatively, there are some risks that are outside of your control and the organisation has no influence over them e.g. likelihood of the Government introducing legislation that has a negative impact on Derby Homes. Derby Homes therefore has to accept that these risks exist, will monitor them and take limited action if and when possible.
Treat	Mitigating the risk by managing either: I. the likelihood II. the impact III. or both	This is the most likely form of management for the majority of risks. Developing SMART actions to manage the likelihood of risks occurring, their impact if they were to occur, or both. Often preventative controls are used to mitigate likelihood – to ensure something does not happen e.g. training so that staff do not do something in the wrong way or fire walls to prevent computer virus attack. The impact is often mitigated with some kind of contingency e.g. alternative service providers or alternative service arrangements.

Transfer	Insurance/ outsourcing/ partnerships	Insurance, although essential for many types of risk, will not be applicable for most of the risks an organisation may face. Outsourcing or entering into partnerships may allow an organisation to transfer certain risks – however by entering into such arrangements an organisation will inevitably be faced with new and different risks which it will have to manage.
Terminate	Stop doing a activity	In some instances, a risk could be so serious that there is no other option but to terminate the activity that is generating the risk. In practice this can be difficult for a local authority given the number of statutory functions. However many authorities have stopped providing a non-statutory service due to the risks surrounding their operation.

The 4T's are shown in figure 2 in diagram form.

Figure 2.
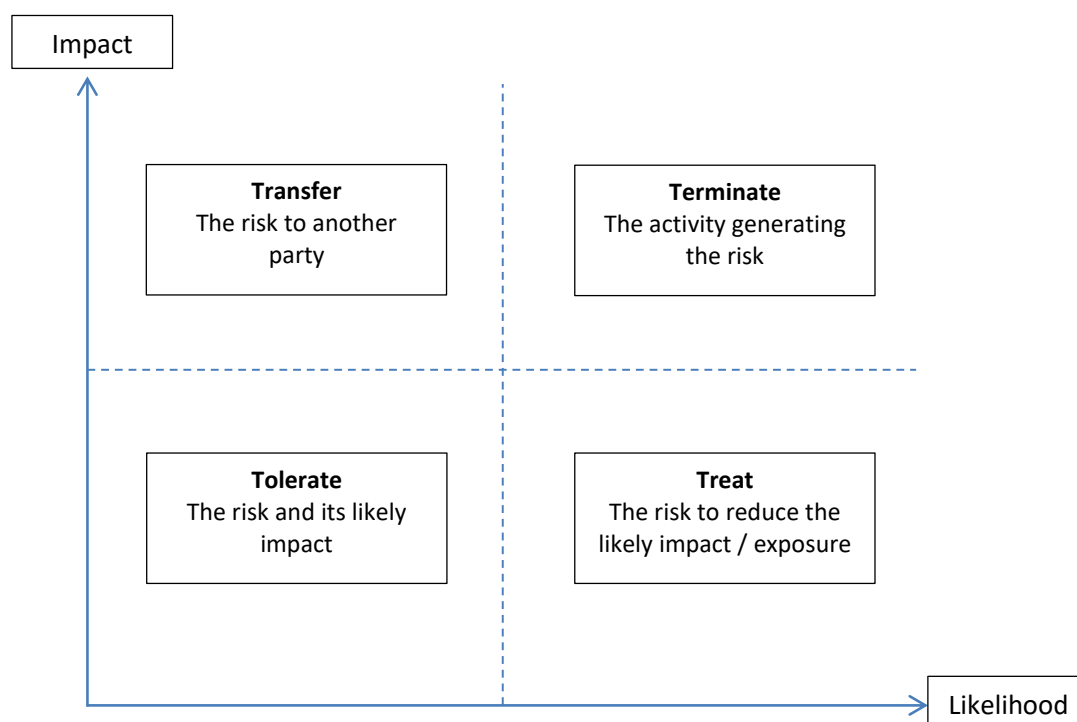
The most common way to manage a risk is to produce and implement an action plan that identifies the resources required to deliver the improvements, key dates and deadlines and critical success factors/Key Performance Indicators.

Firm ownership of the risk and an accompanying action plan is vital so that the responsibility is clear and progress can be monitored.

These plans should not be seen as a separate initiative but should be incorporated into the existing business planning process. The action plan format is part of the information which will be entered onto the Risk Register.

Consideration should also be given here as to the 'Cost-Benefit' of each control weighed against the potential cost/impact of the risk occurring. Note: 'cost/impact' here includes all aspects including financial, resourcing, but also reputational.

1.1 Taking Opportunities

This option is not an alternative to those previous; rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

There are several aspects to this for example: -

Whether or not at the same time as mitigating threats, an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages?

Whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed.

When risks are prioritised and it is shown that some risks are over-controlled or over-regulated then it may be that the reduction in these controls can result in saving that can be used elsewhere

2. Stage 5 – Completing the Risk Register

The risk register is the tool which facilitates data collection and records the identified risks, their mitigations and associated scoring of impact and likelihood. A standard format for data collection has been designed and includes the following areas:

Risk Reference	unique sequential number for each risk
Risk Title	Brief reference to the risk
Risk Description	Outline of the risk and the events which cause this to materialise
Risk Cause	What is the root cause of the identified risk, consider why?
	Is it training, processes, finances, budget constraints…etc… which are causing the risk to materialise
Consequences – worst case	What will happen in the event of the risk materialising – financial, reputational, sickness, injury? Consider worst case scenario.
Consequences – best case	When analysing the risk are there any opportunities? Consider the same factors as you would when assessing the risk as the threat (i.e., financial, reputational, service delivery, compliance (what is the minimum expectation?), wellbeing etc.).
Inherent score	Score of risk based on likelihood of occurring and impact prior to any mitigating actions being implemented
Mitigations	Identification of mitigations prioritised based on impact the actions will have on the scoring and timescales identified.
Current Score	Risk score based on current position, taking into account mitigations already applied
Risk Owner	Named individual with responsibility for the risk. This should be managed at the lowest level possible for the nature of the risk.
Risk updater	Named individual with responsibility for updating this risk, if this is someone different to the Risk Owner. This risk updater may be the

individual responsible for the implementation of the controls and/or actions, with more detailed knowledge on current levels of assurance. Any updates provided will always require the sign off of the Risk Owner.

Commentary	Free text field to provide updates and story over the life of the risk

3. Stage 6 – Monitoring, Reporting and Reviewing the Risks

Monitoring of risks and the associated mitigations is to be undertaken by:

- being part of existing performance monitoring;
- focusing on those risks above the tolerance line (score) that, because of their likelihood and impact, make them priorities; and
- Be delegated to one responsible body (risk owner).

To achieve this, the following monitoring/review process and frequency must be followed:

- Strategic and Operational risks will be monitored quarterly by the Risk Management Team (January, April, July & October) linking into the Performance reporting process. This will then be discussed at Senior Management Team. The Board will be formally updated once a year (November based on Q2 update) and by exception if there are major changes arising.

- At a department level, operational risk registers will be reviewed quarterly. Any key operational risk which needs to be escalated to a strategic risk register will be considered by SMT within the quarterly risk management report.

The risk register is to be updated with any relevant commentary information following these review / reporting milestones.

4. Risk Management Organisational Structure

The risk management process is a continuous one and risks can therefore be reported at any time. However, risks will be formally reported as follows:

- The Senior Management Team (SMT) will formulate Derby Homes' strategic risk view on a quarterly basis - this will ensure that there is always an up-to-date view of the key risks facing Derby Homes and how they are being managed.
- Audit Committee will review the forthcoming year's Strategic & Operational risk registers and recommend adoption to the Board.
- The Board will approve the annual Strategic & Operational risk registers, receive a six-monthly update for Q2 and be notified by exception of any material changes as required.

and

- Heads of Service will revisit their Project risk registers on an ongoing basis, at least quarterly. Should any project risks need to be escalated this would be considered by either the Executive Team or Senior Management Team.

The frequency of review at Heads of Service, Corporate Risk Management Group and Management Team will be in line with the risk score e.g. monthly, quarterly, etc.

5. Risk Management Training

Successful organisations manage risk effectively. This does not mean they avoid risk at all costs. They make allowances for the risks they face to achieve what they want; seeking opportunities alongside the management of risks as threats. The purpose of risk management is to anticipate and manage the significant risks faced that could stop achievements being made.

In order to support Risk Management, an annual training programme should be considered for all staff involved in the process. The purpose of the training is to give an overview of how the risk management process works within Derby Homes considering roles and responsibilities. The Senior Management Team will be responsible for identifying and delivering training.

Appendix A – Risk Matrix categories

The below categories are there assist in the prioritisation of risks. It is unlikely that any risk will fit neatly and adhere to all areas within each category. Officers should utilise knowledge and experience when determining risk scores.

	Impact	Remote <5%	Possible 5%- 50%	Probable >50% - <80%	Highly probable 80%+
Objectives cannot be delivered. Statutory duties not achieved, death, financial loss over £750,000, adverse national media attention, litigation almost certain, breaches of law, Derby Homes unable to work with partner organisation	Very High	4	8	12	16
Significant threat to Derby Homes' objectives. Non-statutory duties not achieved, permanent injury, financial loss over £250,000, negative national media attention, litigation expected, breakdown of confidence of partners.	High	3	6	9	12
Slight delay in achievement of service objectives, minor injuries, financial loss over £50,000, adverse local media attention, breaches of local procedures	Medium	2	4	6	8
Limited impact on service objectives if any, section objectives unlikely to be met, financial loss less than £50,000, no media attention.	Low	1	2	3	4

Likelihood

Appendix B – Example areas of Risk

Sources of risk	Risk examples
STRATEGIC	
Infrastructure	Functioning of transport, communications and infrastructure. Impact of storms, floods, pollution.
Legislative and Regulatory	Effects of the change in Central Government policies, UK or EU legislation, local and National changes in manifestos. Exposure to regulators (auditors/inspectors).
Social Factors	Effects of changes in demographic profiles (age, race, social makeup etc) affecting delivery of objectives. Crime statistics and trends. Numbers of children/vulnerable adults 'at risk'.
Technological	Capacity to deal with (ICT) changes and innovation, product reliability, developments, systems integration etc. Current or proposed technology partners.
Competition and Markets	Cost and quality affecting delivery of service or ability to deliver value for money. Competition for service users (leisure, car parks etc). Success or failure in securing funding.
Stakeholder related factors	Satisfaction of LCC's taxpayers, Central Government, GOEM and other stakeholders.
Environmental	Environmental impact from Council, stakeholder activities (e.g. pollution, energy efficiency, recycling, emissions, contaminated land etc). Traffic problems and congestion.
OPERATIONAL (Internal influences)	
Finance	Associated with accounting and reporting, internal financial delegation and control, e.g. schools finance, managing revenue and capital resources, neighbourhood renewal funding taxation and pensions.
Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety.
Contracts and Partnership	Failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and life cycle management, legacy. Partnership arrangements, roles and responsibilities.
Tangible Assets	Safety and maintenance of buildings and physical assets i.e. plant and equipment, ICT equipment and control
Environmental	Pollution, noise, licensing, energy efficiency of day-to-day activities.
Processes	Compliance, assurance, project management, performance management, revenue and benefits systems, parking systems etc.
Professional Judgement and Activities	Risks inherent in professional work, designing buildings, teaching vulnerable children, assessing needs (children and adults).
CORPORATE GOVERNANCE	
Integrity	Fraud and corruption, accountability, transparency, legality of transactions and transactions and limit of authority.
Leadership	Reputation, authority, democratic changes, trust and branding.
Policy and Strategy	Clarity of policies, communication. Policy Planning and monitoring and managing performance.
Data and information for decision making	Data protection, data reliability and data processing. Control of data and information. E-government and service delivery.
Risk Management	Incident reporting and investigation, risk analysis or measurement, evaluation and monitoring. Taking advantage of opportunities.

Appendix C – Risk Appetite

What is risk appetite?

Risk appetite is an organisation's willingness to <u>take on</u> risk in key areas before mitigations are assessed in detail, to consider appropriate management of the potential threat / opportunity. There will be instances, where in the pursuit of objectives or in response to opportunities or threats, that leaders will actively seek to take appropriate risks to achieve outcomes for both the city, the council and Derby Homes.

The purpose of this document is to set out a summary of where leaders will seek to take risk, alongside those areas where colleagues should be more cautious in their appetite to risk. The guidance within this document, should be used as the basis for decisions on how we will work over the next three-years. It is however strongly recommended that in making decisions on risk appetite within specific service areas or in operational decision-making this is done in consultation with local managers and leaders informed by local policies and procedures.

Risk appetite or risk tolerance?

In the pursuit of the achievement of our outcomes, there will be instances where we are willing to accept a higher level of uncertainty. Colleagues should consider our risk appetite statements presented within this document as a balance between; the potential benefits of risk exposure, and the benefits this may deliver, versus the possible threats this could present to our services or residents.

In setting out our risk appetite it is important to reflect that this is not the same as risk tolerance. Below are some key definitions that will assist in better understanding the difference.

*"Risk appetite is the level of risk that an organisation is **willing to accept while pursuing** its objectives, and **before any action is determined to be necessary** in order to reduce the risk".* ISO Guide 73:2009 Risk Management – Vocabulary

Risk appetite can be influenced by a number of factors…

1. How mature our risk culture is
2. Statutory or legislative boundaries
3. Financial constraints or opportunities
4. Our constitution and decision making arrangements.
5. Our performance results.
6. How confident we are in our control environment and assurance activities.
7. Changes in society that impact our communities and residents.

Based on this, risk appetite can change over time, and this document will be reviewed and updated as a minimum in line with our Risk Management Strategy and Handbook.

In contrast to risk appetite, risk tolerance can be defined as: *"an organisations or stakeholder's **readiness to bear the risk after risk treatment** in order to achieve its objectives".* ISO Guide 73:2009 Risk Management – Vocabulary.

Below is a summary of the relationship between risk appetite and tolerance:
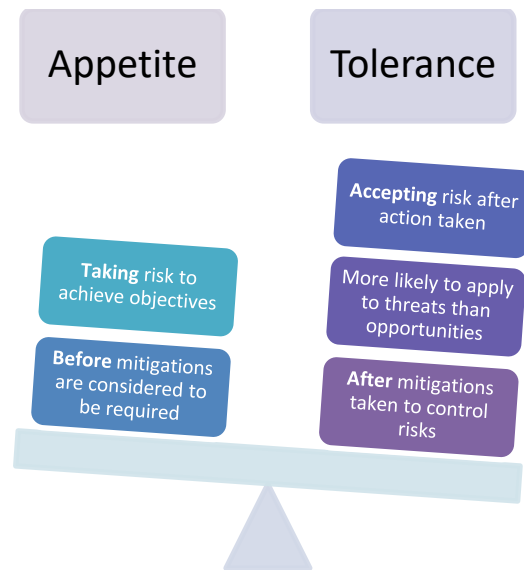
Presented below is an executive summary of all Derby City Council risk appetite statements. **These were developed with the inclusion of Derby Homes senior leaders, and Derby Homes overall risk appetite is aligned to Derby City Council risk appetite statements.**

Executive summary - background and context to our risk appetite statements

In the development of these risk appetite statements, we sought input from Strategic and Service Directors, Heads of Service and Cabinet Members within the organisation. We asked colleagues to give their view on each risk category within our risk management framework. The gradings were on a five-point scale; from risk aversion to being risk hungry. With this information we have analysed the responses within each risk category, with the information presented within following sections setting out Derby City Council's risk appetite for each category. The content of this document is meant to provide **guidance** when dealing with uncertainty, signposting colleagues to the types of business-as-usual risks they should be considering every day.

The risk appetite of the organisation can be represented visually by the table below, which shows that **overall we have a 'cautious to open attitude'** across all our domains of risk.

Notable exceptions are for 'legislative, financial and environmental' risks, where our appetite is more cautious, compared to 'partnerships, innovation and programme / project' risks, where our appetite for risk is greater; recognising we have to be more open to risk (both threats and opportunities) within these areas to achieve better outcomes for the city with the resources that we have available.
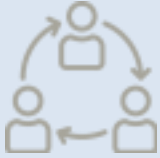
It should be noted that each risk category does not 'sit in isolation' and when making an assessment on Derby's risk appetite, you should assess all the relevant themes to determine the degree to which we seek risk.

Category	Averse	Minimal	Cautious	Open	Hungry
Financial		▨	▨		
Compliance and Regulatory		▨	▨		
Contract Management and Business Acumen			▨	▨	
Partnership			▨	▨	▨
Colleague Wellbeing			▨	▨	
Safeguarding		▨	▨		
Innovation				▨	▨
Technology			▨	▨	
Environmental		▨	▨		
H&S & Physical Security		▨	▨		
Reputation		▨	▨		
Council Assets			▨	▨	
Projects and Programmes			▨	▨	▨

NB – the risk appetite boundaries and supporting statements represent where we want to seek to take risk, this may not reflect where we are at present, but where we will be working alongside our colleagues to move to. These statements will be reviewed at least annually, as a minimum.

"We are open to taking informed risks; there are some areas where we would like to seek to take more risks to achieve better outcomes for Derby, however others require a more cautious approach to maintain our integrity and responsibilities to the city"

Category	Risk appetite statements
Financial	The current financial outlook for public sector organisations, alongside the challenges the communities we are here to serve are facing, means that we have to consider all financial risks and impacts cautiously. Any financial decisions taken must informed by robust evidence. We are determined to maintain service delivery, but this must be undertaken with a mindset of protecting the council's financial sustainability and our priority services. We must protect our financial integrity and have robust governance in place to mitigate against risk within this area.
Compliance and Regulatory	We recognise that in the pursuit of change and development, that we may need to cautiously and appropriately embrace some additional risks in this area. This could, in part, be due to financial challenges that impact our ability to be fully compliant in some service areas, or because opportunities present themselves that a more open and cautious approach to risk will make a difference to outcomes for Derby. Colleagues should however seek advice from managers and leaders alongside professional experts (i.e. legal services, housing standards, environmental protection, information governance, licensing etc.) when making decisions that expose us to risk in relation to our statutory obligations. We will not accept any risk exposure that breaks the law.
Contract Management and Business Acumen	The council is open to informed and managed risk in the procurement of, and management, of contracts. This is under circumstances where appropriate due diligence has been followed to make sure any threats to our financial or statutory obligations are minimised. We recognise the opportunities that arise from approaching our contracts in a 'open' way that is seeking to achieve better value for money for the city, and in some instances, this may mean we are willing to take risk.
Partnership	Partnerships are of significant importance to Derby City Council and by working together with our public sector, business and community partners we are able to make more positive differences for, and with, the city. In order for Derby City Council to embrace any challenges and opportunities in delivery, it will enter into partnerships to support and enable the delivery of key priorities for the city and local services. These arrangements should be supported by appropriate monitoring and reporting arrangements, agreed by service leads, making sure that any risks and opportunities are closely monitored and mitigated, evidencing the significant value added of partnership working.

Category	Risk appetite statements
Colleague Wellbeing	Derby City Council takes the impact of decisions on our colleagues very seriously. Consideration to colleague wellbeing is undertaken as part of all decisions, with an aspiration of appropriately managing any impacts on our colleagues; however, in pursuit of new objectives, we recognise the potential for disruption and change, which could impact the workforce wellbeing.
	We seek to cultivate an environment where our leaders and colleagues feel empowered to take accountability for their own wellbeing and are open to the opportunities that this will create for them and the services that they deliver.
	We will consider people risks as part of change management processes and actively explore options, informed by engagement with our colleagues, seeking to keep disruption to a minimum through collaboration and co-production.
Safeguarding	Derby City Council will do all in its power to ensure that our most vulnerable residents are suitably safeguarded, especially the children and young people that are in the council's care. Staff working in these areas are encouraged to identify and escalate any concerns so individual cases can be managed proactively. We do however cautiously welcome and seek out opportunities to invest in community support and preventative services, limiting the escalation of safeguarding concerns.
Innovation	Derby City Council has an open attitude towards innovation, it is keen for colleagues to feel empowered to present options and solutions, which aid the on-going delivery of services and the achievement of our ambitions for the city. Options reviews, business cases, gateway reviews and risk assessments are all tools, which we will employ when considering which options to pursue; making sure we continue to balance threats across all risk categories.
Technology	We are willing to take a cautious approach to technological risk due to the necessity of continuous development and improvement in the area. To take proper care, this investment must be informed by best practices and tempered by a need to maintain cyber security standards, such as not to expose us to undo reputational and financial risk. We are open to emerging and cutting-edge technologies and leverage that will allow us to make the best use of our resources and achieve better outcomes for the city.
Environmental	We are cautiously open to risk within this area, in taking forward our 'green' commitments to the city. Risks of increasing long-term negative impacts on the environment will however not be tolerated; and we will seek to minimise these threats.
	We do recognise that some risks, and impacts, are unavoidable and likely to be outside of our direct control; and we may have to tolerate risk exposure within these areas.

Category	Risk appetite statements
H&S & Physical Security	We would like to take a minimal approach to health and safety and physical security risks, creating work environments that are fit for purpose and free from hazards. However, the council recognises that this isn't possible in all services and as such, in certain areas, some risk must be cautiously taken informed by appropriate risk assessments.

The council will seek to avoid unnecessary risk taking which puts its staff, customers and visitors at potential harm or injury; however taking a risk adverse approach to health and safety and physical security is likely to negatively impact on our ability to deliver services in line with need. |
| **Reputation** | Derby City Council is keen to be open to change to meet the needs of the city. With that progression comes possible uncertainty, which in turn may impact on how we are perceived. We are prepared to accept some short term negative perceptions in pursuit of longer term deliverables, improvements and better outcomes for the city. |
| **Council Assets** | We will take a corporate approach to managing Council's assets, which will incorporate a risk based approach to prioritising the maintenance and management of them. We will seek to minimise any physical health and safety risks to our colleagues that may be associated within this risk category but accept that our financial circumstances will impact on our ability to undertake works to reduce identified risks, possibly creating further risks in the ability to deliver services. We will aim to ensure that the maintenance of our buildings is commensurate with the level and type of occupation and to prioritise compliance with health and safety legislation.

We are open to considering new ways of working and potential efficiencies from these activities, which may increase the risk as a result of reduced maintenance, but only where the safety of colleagues, customer and visitors is not impacted beyond our agreed tolerances and statutory levels. This will include disposing of assets that we do not consider to be value for money, or where they have been identified as surplus. |
| **Projects and Programmes** | Alongside innovation, we are hungry to consider programmes and projects that will make a difference to Derby. We recognise that we need to maintain caution in the use of our resources, but this must be balanced against meeting the needs of the city.

Derby City Council will endeavour to manage programmes and projects against originally agreed timescales, however, it is recognised that there will be a need to flex and adapt as the project lifecycle progresses; informed by robust business cases, assurance activities and gateway reviews.

Impacts on delivery and / or timescales will be managed in accordance with existing project governance structures, with the pursuit of improved ways of working something the council is encouraging of. |