

# AUDIT AND PERFORMANCE REVIEW PANEL

WEDNESDAY, 6TH SEPTEMBER, 2017

At 7.00 pm

in the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD,

## SUPPLEMENTARY AGENDA

### PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
7.	<u>KEY RISK REPORT</u> To consider the report.	3 - 30

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Report Title:	RBWM risk management report
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead member for finance
Meeting and Date:	Audit and performance review panel – 6 September 2017
Responsible Officer(s):	Russell O’Keefe, Executive director, Rob Stubbs, Head of finance
Wards affected:	All

www.rbwm.gov.uk



## REPORT SUMMARY

1. This report sets out how adequate risk management is in place for RBWM as part of its governance arrangements.
2. The report includes:
  - The key strategic risks and how they are monitored and managed.
  - RBWM’s “approach to management of risk 1 April 2017 – 31 March 2018”.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the audit and performance review panel notes the report and:

i) Endorses this approach to managing risk.

## 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 If the council makes good use of risk management processes, it supports good performance and effective delivery of services to residents.

**Table 1: Options**

Option	Comments
To accept this report. <b>This is the recommended option</b>	The council must publish an annual governance statement in which a core requirement is to demonstrate how it manages risk.
Not accept this report. <b>This is not recommended.</b>	This may expose the council to unnecessary risks or lead to it expending resources to over control risks. By not focussing resources where they are most needed, it could lead to poor performance and poor outcomes for residents.

## 3. KEY IMPLICATIONS

**Table 2: success targets for the risk register**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly exceeded</b>	<b>Date of delivery</b>
Lead officers and members are engaged in quarterly risk reviews of the nature of the threat and the progress on mitigations.	Risks are left without officer or member attention.	Quarterly reviews.	Risks are reviewed more frequently than quarterly.	None	Ongoing by quarterly review.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 No financial implications. Resources for required mitigations would be contained within existing budgets.

**Table 3: financial implications – not used**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	Revenue	Revenue	Revenue
Addition	£0	£0	£0
Reduction	£0	£0	£0
Net impact	£0	£0	£0

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	Capital	Capital	Capital
Addition	£0	£0	£0
Reduction	£0	£0	£0
Net impact	£0	£0	£0

#### **5. LEGAL IMPLICATIONS**

- 5.1 There are potential legal implications should a risk occur to a level the council is not prepared for. The purpose of risk management to provide an awareness of these so that management can make a risk based judgement.
- 5.2 The council must comply with regulations<sup>1</sup> by publication of an annual governance statement which demonstrates how it manages risk.

<sup>1</sup> Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2009 and 2011

**6. RISK MANAGEMENT**

6.1 The main risk arising out of this governance process is shown in Table 4.

**Table 4: the main risk around use of risk management processes**

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
If the council fails to make good use of risk management processes, it is likely there will be ignorance of the exposure to risks that can carry damaging impacts to the council and residents.	high	Risks are reviewed by risk owners, Senior Leadership Team and members. The audit and performance review panel provides a mechanism for scrutiny of the process. This structure provides a robust framework for managing risk.	low

**7. POTENTIAL IMPACTS**

- 7.1 Staffing/workforce impacts: not directly although some individual risks may contain associated obligations.
- 7.2 Equalities, human rights and community cohesion impacts are none, although some individual risks may contain associated obligations.
- 7.3 Accommodation, property and assets impacts are also none although individual risks may contain associated obligations.

**8. CONSULTATION**

- 8.1 Consultations take place with audit and performance review panel, Corporate Management Team, heads of service and shared audit and investigation service.
- 8.2 The risk manager annually compares the council's risk registers with those of the other Berkshire unitaries to determine to what degree the content is aligned. All of the common risks arising are represented in RBWM risk registers.

**9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 The risk register details the officers responsible for progressing actions, together with timescales for implementation.

**10. APPENDICES**

- 10.1 Appendix A – heat map showing current impact/probability assessments and headline detail of the current key strategic risks.  
 Appendix B - approach to management of risk 1 April 17 – 31 March 18.  
 Appendix B1 – impact/likelihood scoring criteria  
 Appendix B2 – risk classifications  
 Appendix B3 – risk appetite definitions

## 11. BACKGROUND DOCUMENTS

- 11.1 Risk management is a governance process open to scrutiny from councillors and the public at the council's audit and performance review panel meetings.
- 11.2 The corporate risk register records the risks relating to the council's objectives. The purpose of risk analysis is to help decision-makers get a better feel for a realistic range of possibilities, what drives that uncertainty and hence where efforts can be focussed to manage this uncertainty.
- 11.3 The risk registers are pertinent to the point in time at which they are produced and require free thinking by those who put them together. Anything that could inhibit the way in which such risks are expressed would impair the quality of decision making when determining the most appropriate response to a risk.
- 11.4 The potentially most damaging risks are classified as key risks. The inclusion of risks within any level of risk register does not necessarily mean there is a problem – what it signifies is that officers are aware of potential risks and have devised strategies for the implementation of mitigating controls.
- 11.5 The key strategic risks were last presented to this panel meeting in the report 14 Dec 16. Appendix A contains a current summary of these. Similar reports exist for risks covering other matters but they are not included here by panel request. The risk register is expected to be completely refreshed in the next few months to more accurately reflect the new delivery models being employed.
- 11.6 Members are regularly notified of the key risks where named as the risk owner. Officer risk owners are tasked with ensuring that any comments by members are reflected in the assessment.
- 11.7 Risk reports are reviewed and debated by officers of the CMT, SLT and elected members. Some risks may be assessed by officers to be of such low impact that there is little reason that ongoing monitoring is beneficial. These risks are thus removed from the risk register to avoid “noise” that provides no management use.

## 12. CONSULTATION (MANDATORY)

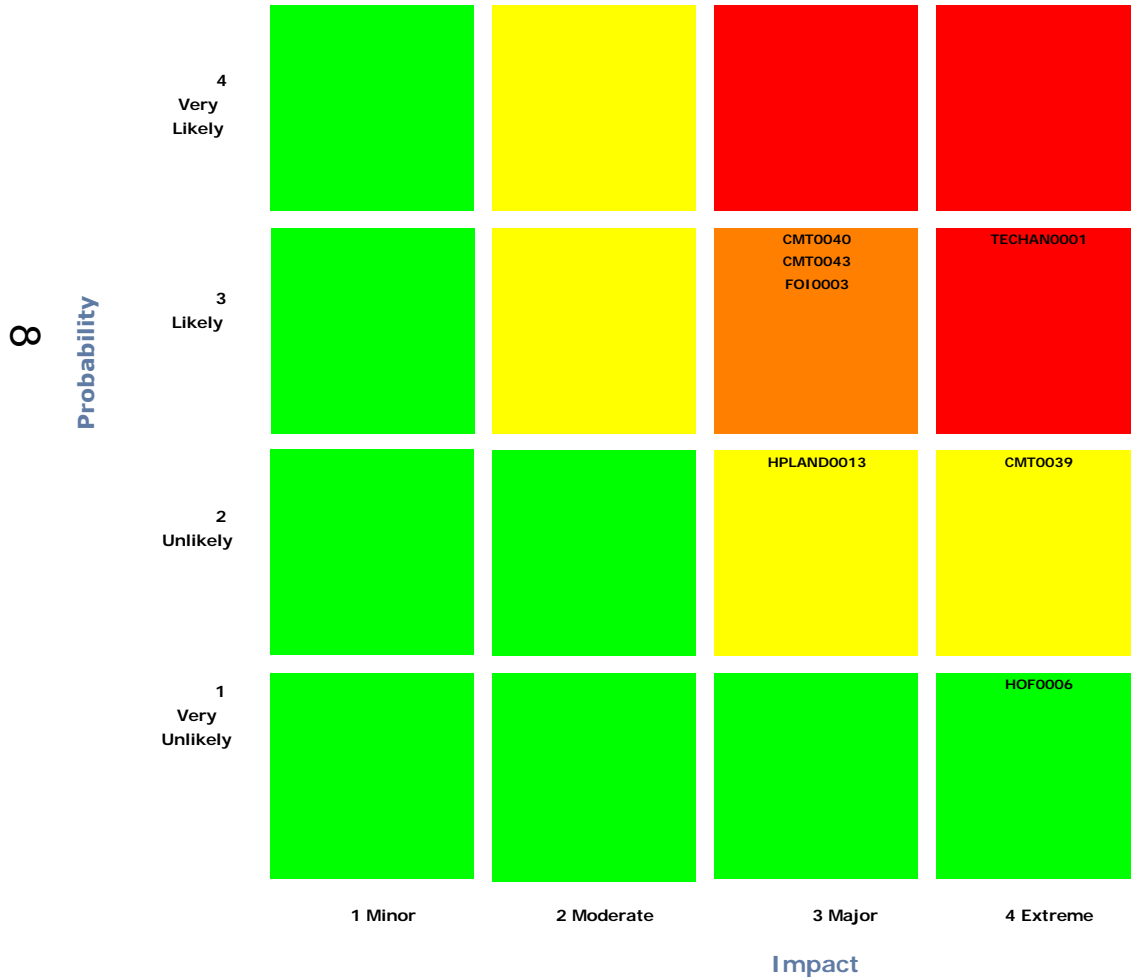
Name of consultee	Post held	Date sent	Commented & returned
Cllr Saunders	Lead Member		
Alison Alexander	Managing director	31/08/17	
Russell O'Keefe	Executive director	28/08/17	28/08/17
Rob Stubbs	Section 151 officer	23/08/17	
Richard Bunn	Chief accountant	23/08/17	23/08/17

### REPORT HISTORY

<b>Decision type:</b> For information	<b>Urgency item?</b> No
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# Appendix A - current key strategic risks





Risk Ref	Summary	Current Risk Rating	Controlled Risk Rating	Assigned To
TECHAN0001	<b>IT infrastructure failure</b> Data storage infrastructure, systems access or total loss of council data centre could affect the ability of RBWM to function normally.	12	4	Andy Jeffs
CMT0040	<b>Resilience to crisis situations</b> Insufficient local resilience through the operation of the Thames Valley Local Resilience Forum (LRF) and the financial impact on RBWM from a critical event.	9	6	Andy Jeffs
FOI0003	<b>Data security failure</b> (a) Serious external security breaches, (b) data loss or damage to data caused by inadequate information security leads to delays and errors in business processes.	9	6	Russell O'Keefe
CMT0043	<b>Safeguarding failure</b> 1. Major preventable injuries occur. 2. Lack of intelligence around unknown risk areas e.g. trafficking, CSE.	9	6	Alison Alexander
CMT0039	<b>Crime and disorder</b> There is the risk of security and community problems arising from the actions and behaviour of disenfranchised and extremist groups, particularly in the area around Windsor's Combermere and Victoria barracks.	8	8	Andy Jeffs
HPLAND0013	<b>Maidenhead regeneration programme</b> Failure to deliver this on time, on budget and meet resident expectations as far as possible.	6	4	Russell O'Keefe
HOF0006	<b>Expenditure volatility</b> Lack of a mid/long term strategy that successfully encompasses finance options/mitigations to match service demands and central government funding reduction i.e. MTFP fails.	4	4	Rob Stubbs



**Royal Borough Windsor and Maidenhead  
approach to management of risk  
1 April 2017 – 31 March 2018**

**“The Royal Borough of Windsor & Maidenhead is a great place to live, work, play and do business supported by a modern, dynamic and successful council”**

**Our vision is underpinned by four principles:**

*Putting residents first*

*Delivering value for money*

*Delivering together with our partners*

*Equipping ourselves for the future*

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**CONTENT**

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**Frequently used acronyms**

CMT	Corporate management team
RBWM	Royal Borough of Windsor and Maidenhead

## 1. INTRODUCTION

- 1.1 This document sets out the working definitions of risks and issues and how RBWM approaches risk management.

### Definition

- 1.2 Risk is defined as "*the chance of something happening which may have an impact on the achievement of an organisation's objectives*".
- 1.3 Risk management is defined as "*the culture, processes and structure that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives*".
- 1.4 An issue is defined as an event that is happening right now or has already happened. Therefore there is the possibility for a risk to turn into an issue when it is realised.
- 1.5 The difference between a risk and an issue is one of timing. The risk event is a future event so the task is to assess its probability, its proximity and estimate the impact that would be caused if it did occur. An issue event has already happened so there is no need to assess its probability - what must be taken into account is the impact and what reaction is required to deal with it.

### Risk

- 1.6 RBWM's approach to risk management stems from the Alarm<sup>1</sup>/Airmic<sup>2</sup>/IRM<sup>3</sup> enterprise risk management approach.
- 1.7 Risk is a normal part of business. The understanding and management of risks is an integral part of the RBWM corporate governance framework.
- 1.8 RBWM employees will adopt a consistent and systematic approach to managing risk. The management of risk is a responsibility of all senior managers in the council and it is important that risks are identified timely to support effective service delivery.
- 1.9 RBWM manages specific project work through Verto project framework. This has a dedicated risk assessment methodology scaled to the project under consideration.
- 1.10 Risks relating to health and safety are addressed through a separate policy<sup>4</sup>.
- 1.11 How successful RBWM is in dealing with the risks it faces can have a major impact on the achievement of the council's vision and strategic priorities. When management of risk goes well it often remains unnoticed. When it fails the consequences can be significant and high profile, for example, inefficient use or

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<sup>1</sup> Alarm is the primary voice for public sector risk management in the UK.

<sup>2</sup> Airmic promotes the interests of corporate insurance buyers and those involved in enterprise risk management.

<sup>3</sup> The IRM (Institute of Risk Management) provides risk management related education.

<sup>4</sup> <http://wavemaster/corporate-draft-health-safety-policy>

waste of resources, financial loss, service disruption, adverse publicity, litigation or failure to meet objectives. Hence the need for effective risk management.

## 2 THE COUNCIL'S 2017/18 RISK MANAGEMENT POLICY

2.1 This policy is fundamental to the council's drive to being less risk averse i.e. accepting greater levels of risk, through the acceleration and delivery of its transformation programme, future structure and greater use of technology.

2.2 The objective of risk management is not to completely eliminate all possible risks - that is not possible – but to recognise risks and deal with them appropriately. Underpinning the implementation of the council's risk management strategy are the following principles:

- The **informed acceptance** of risk is an essential element of good business strategy.
- Risk management is an effective means to enhance and **protect the council** over time.
- **Common definition and understanding** of risks is necessary in order to better manage those risks and make more consistent and informed business decisions.
- Management of risk is an **anticipatory, proactive** process, to be embedded in the RBWM culture.
- All risks are to be **identified, assessed, measured, monitored** and reported on in accordance with this risk management strategy.
- Officers will **ensure cabinet members are aware** of all key risks in a timely way.

2.3 Consequently, staff will need to understand the nature of the risks in their areas and systematically identify, analyse, assess, treat, monitor and review those risks.

2.4 Risk management embraces external and internal influences.

### **External influences**

2.5 Risk management is an important element of corporate governance. The council must demonstrate that it complies with regulations<sup>5</sup> in relation to the publication of an [annual governance statement](#). One of its core principles is a requirement for RBWM to demonstrate how it manages risk and ensure that it has a system of controls that are essential in mitigating those risks that may affect the achievement of its objectives.

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<sup>5</sup> Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (amendment) (England) Regulations 2006, 2009 and 2011. The Council's financial management arrangements similarly conform to the governance requirements set out in CIPFA's 'Role of the Chief Financial Officer in Local Government' (2010).

2.6 CIPFA<sup>6</sup> in their 2013 publication “*audit committees – practical guidance for local authorities*” emphasised that an audit committee, as a part of their core function, should review the effectiveness of the council’s risk management arrangements.

### **Internal influences**

2.7 The council’s risk register draws together all the potential consequences of failing to deliver service objectives. It identifies the relative importance of these potential problems and assigns responsibilities for attempting to reduce the likelihood and/or impact to the preferred risk appetite if they do occur.

2.8 The terms of reference of the audit and performance review panel are specific to their responsibilities for ensuring that the key risks are properly assessed and managed and for their approving the annual risk management strategy.

2.9 Including specific risk assessments as part of decision-making papers to elected members and CMT ensures that any risks inherent in a decision are made more noticeable and hence subject to improved scrutiny.

2.10 Risk management therefore requires:

- Risk being everyone's business. All staff must be competent in and accountable for managing risk within their area of responsibility.
- A consistent management framework on how best to manage risk.
- Relevant legislative requirements and political, social and economic environments to be taken into account in managing risk.
- Good quality information.

## **3 RISK MANAGEMENT FRAMEWORK AIMS AND OBJECTIVES 2017/18**

3.1 The risk management framework aims to achieve in 2017/18 an environment where risk management becomes an integral part of planning, management processes and the general culture.

3.2 It will achieve this through implementing a number of objectives:

- Supporting the council’s Corporate Plan 2016-2020
- Assessment of the challenges faced by the council, through improved decision-making and targeted risk mitigation and control.
- Implementing transparent and responsible risk management processes, which align with accepted best practice.
- Minimising risk to customers who use council maintained assets.
- Providing a sound basis for the corporate risk financing strategy.
- Detailing the known risks in each year’s budget report along with an estimate of the reserves required to cover the related liabilities.

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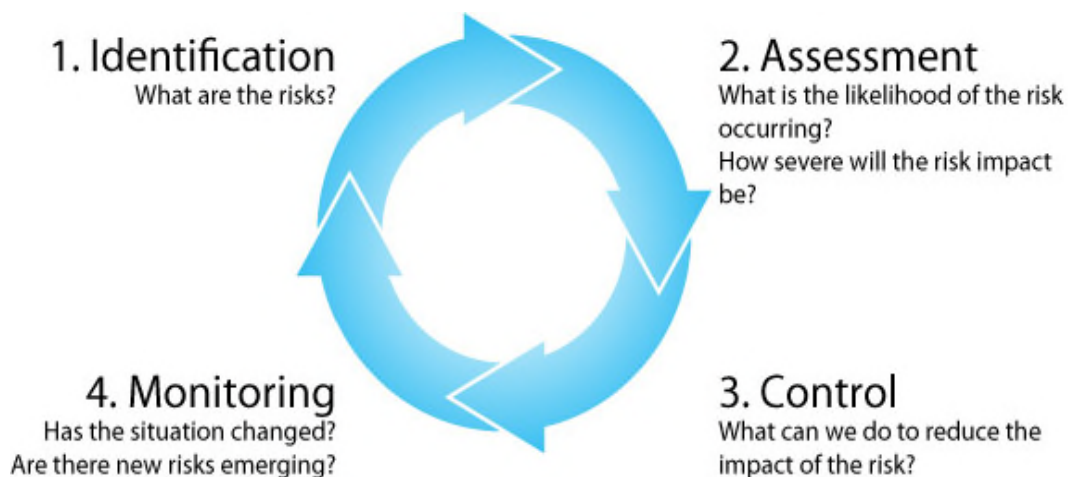
<sup>6</sup> “Chartered Institute of Public Finance and Accountancy”. The only UK professional accounting body that specialises in the public sector.

- Providing suitable training to officers and elected members.

#### 4. RISK MANAGEMENT PROCESS

4.1 The approach to risk management in RBWM follows a four-stage process, see diagram 1. Each service area is assessed, by the relevant manager, against the process and a judgement drawn on the level of risk.

**Diagram 1: Four stage process**



4.2 **Stage 1:** Identify those circumstances – risks – that might prevent service/team/decision objectives being reached.

4.3 **Stage 2:** Evaluate the likelihood and impact in order to identify how significant each risk is:

- Impacts and likelihoods are scored on a four point scale. At the lower end 1 represents a minor impact and/or “very unlikely” and 4 represents an extreme risk and/or “very likely”.
- Protocols exist to guide officers in making these judgements. A note detailing the criteria is attached (appendix B1).
- Multiplying these likelihood and impact scores together gives a result assessed as either “high risk” (value 12 - 16), “high/medium risk” (value = 9), “medium risk” (value 6 - 8) or “low risk” (value 1 - 4) depicted by the heat map, diagram 2 on the following page.
- Key risks are those identified as high risks with consideration also given to those where the implications of failure carry the most damaging consequences i.e. a risk with an inherent impact of 4.



4.4 In terms of assessing each risk the assessment is detailed in three situations:

- Inherent – the risk without any controls whatsoever.
- Current – how the risk stands at the present time.
- Controlled – how the risk looks once all mitigations are implemented.

4.5 The critical part is identifying and understanding the risks to enable informed decisions to be made.

**Diagram 2: Risk assessment heat map**

I M P A C T	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		<b>LIKELIHOOD</b>			

4.6 **Stage 3:** Treat the risks in order of priority. Mitigation measures address whether the likelihood and/or impact can be reduced or the consequences changed.

Contingencies can be devised to respond should the risk occur. Key risks will be evaluated by risk owners i.e. directorate management teams, corporate management team and cabinet members.

4.7 **Stage 4:** This is a monitoring and review process. The quarterly reporting process demands from reviews that each risk indicates consequences, SMART mitigations and the risk owner<sup>7</sup>.

4.8 This process adds scrutiny to ensure:

- The correct risks are being identified.
- Treatment measures identified are legitimate.
- Correct individuals are assigned as risk owners.
- Systematic scanning for novel and unexpected threats as well as dealing with identified risks is, as far as possible, considered a core part of management responsibilities.
- There are challenges to what we “know” to ensure that our particular belief system is based upon the most up to date knowledge.
- Early warning systems exist so information can filter up quickly and easily.

<sup>7</sup> An individual officer, who is closely involved with the risk, is able to monitor the risk and has sufficient authority to initiate action if the risk becomes more serious.

4.9 Each risk is classified into one of a comprehensive set of eleven categories (appendix B2). These can be used to:

- Aggregate risks from various parts of the organisation for management purposes.
- Help with the identification of mutating risk. A mutating risk is an existing risk which starts connecting with other threats or factors to generate new outcomes.

## 5 RISK APPETITE

5.1 Due to its diverse range of services the council does not have a single risk tolerance and appetite for risk. Risk appetite is the phrase used to describe where RBWM considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

5.2 Considering and setting risk appetite enables the council to increase its rewards by optimising its risk taking and accepting calculated risks within an appropriate level of authority. A clearly defined risk appetite takes much of the guesswork out of putting limits on new business. Equally, it reduces the likelihood of unpleasant surprises. Risk appetite enhances the content of the risk registers by considering:

- Capacity – the actual physical resources available and physical capability of the organisation. The council's capacity must have limits, therefore its capacity is finite and breaching those limits will cause RBWM problems it cannot deal with.
- Tolerance – the factors that the council can determine, can change and is prepared to bear. Risks falling within tolerances for quality and range of services can be accepted. Tolerance changes more frequently than capacity and should therefore be stress tested more often.

5.3 There are an overarching series of qualitative and quantitative risk appetite statements agreed by the CMT (appendix B3) which no unit or service area can exceed, based on the capacity and tolerance levels of the council.

## 6 RISK MANAGEMENT ROLES AND RESPONSIBILITIES

### 6.1 Managing director

The MD takes overall responsibility for RBWM risk management performance and in particular ensures that:

- decision-making is in line with RBWM policy and procedures for management of risk;
- adequate resources are made available for the management of risk;
- there is an understanding of the risks facing RBWM.

## 6.2 Cabinet members

- Take reasonable steps to consider the risks involved in their decisions
- Have an understanding of the key risks falling within their portfolio.

## 6.3 Audit and performance review panel

- Consider and approve the risk management strategy annually and communicate it to other elected members.
- Receive an annual report on risk management and monitor the effective development and operation of corporate governance.
- Receive six monthly reports on the effective management of risks facing RBWM.
- Oversee the governance process to ensure that strategic risks are being reviewed at CMT and across each directorate.
- Oversee a comprehensive, inclusive and risk management approach to the annual governance statement process.
- Review an annual report on corporate governance (the annual governance statement).

## 6.4 Head of finance

- Ensure that a risk management policy and strategy is developed and reviewed annually to reflect the changing nature of the council.
- Champion the process of risk management as good management practice and a valuable management tool.

## 6.5 CMT

- Ensure that the council manages risk effectively through the development of an all-encompassing strategy and updates from the risk manager.
- Approve the corporate risk management strategy.
- Challenge the contents of the corporate risk register to ensure, in particular, that it reflects any significant new risks emerging and that monitoring systems are suitably robust.
- Support and promote risk management throughout RBWM.
- Ensure that, where appropriate, key decision reports include a section demonstrating that arrangements are in place to manage identified risks.
- Identify and manage the strategic and CMT risk registers on a quarterly basis.

## 6.6 Directorate management teams

- Ensure that risk is managed effectively in each service area within the agreed corporate strategy.
- Identify any service specific issues relating to risk management which have not been explicitly addressed in the corporate strategy
- Identify and manage the directorate risk register on a quarterly basis.

- Disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff.
- Establish the training requirements of managers and staff with regard to strategy implementation.
- Have an understanding of the risks facing the council.

#### **6.7 Insurance and risk management team**

- Develop the strategy and oversee its implementation across the council.
- Share experience and good practice on risk and risk management.
- Develop and recommend the strategy to the audit and performance review panel, head of finance and CMT.
- Provide a clear and concise system for reporting risks to elected members.

#### **6.8 Internal audit**

- Take the content of the key risk registers into account when setting the internal audit programme
- Undertake audits to assess the effectiveness of the risk mitigation measures.
- Feed back audit opinions into the risk register.

#### **6.9 Heads of service/managers**

- Take primary responsibility for identifying and managing significant strategic and operational risks arising from their service activities.
- Recommend the necessary training for employees on risk management.
- Maintain a risk register for their service area.
- Ensure that all employees are aware of the risk assessments appropriate to their activity.
- Be responsible for production, testing and maintenance of business continuity plans.

#### **6.10 All staff**

- Identify new or changing risks in their job and feed these back to their line manager.

## 7 CORPORATE RISK FINANCING STRATEGY

- 7.1 RBWM uses its risk financing arrangements to protect it from the financial implications of unexpected accidental events affecting staff and property. This helps in providing continuous services in the event of serious losses.
- 7.2 The level of cover bought and excesses applied will depend on the council's appetite for risk, based on its financial security i.e. ability to self fund claims and the strength of its risk management.
- 7.3 RBWM is exempt from the majority of requirements regarding compulsory insurance. The only insurable aspect of the council's operations it is obliged to make specific financial provision for<sup>8</sup> is fidelity guarantee (fraud by staff).
- 7.4 Nevertheless, most public sector organisations including RBWM purchase a certain amount of external insurance. This is because without external insurance, the council will be obliged to fund all such exposures from its own resources.
- 7.5 If RBWM were to fully insure against most of the risks that it faced then this would incur a significant amount of annual expenditure in premiums.
- 7.6 Having strong risk management arrangements across RBWM allows us to retain some risks either by deciding to self insure these risks in their entirety or by purchasing insurance for losses that arise over a certain value.

### Objectives

- Provide financial protection to the council's assets, services and employees.
- Maintain appropriate balance between external cover and internal risk retention.
- Reduce the cost of external insurance premium spend.
- Ensure the internal insurance fund is maintained at an appropriate level.
- Ensure resilient claims handling arrangements and insurance fraud detection.
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.

### Achieved by

- Using claims modelling and other risk assessments to determine risk exposures.
- Monitoring changes in legislation, civil justice protocols and relevant case law.
- Comparing the insurance programme and claims through suitable benchmarking.
- Maintaining claims handling protocols in line with statutory requirements.
- Undertaking periodic actuarial fund reviews.

### Procurement of insurance

- All insurance procurement complies with the relevant EU procurement rules.
- Hard copies of policies are retained indefinitely with more recent policy documentation stored soft copy.

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<sup>8</sup> Under the Local Government Act 1972.

## 8 Appendices

- B1. Impact and likelihood assessment scoring.
- B2. Risk classifications.
- B3. Risk appetite statements.

Document Name	Risk management policy and strategy 2017/18		
Document Author	Steve Mappleley		
Document owner	Steve Mappleley		
Accessibility	All		
File location	To follow		
Destruction date	To follow		
How this document was created	Version 1	Endorsed by audit and performance review panel 7 April 2016.	
	Version 2	Updated to account for changes affecting RBWM over the last 12 months. Reviewed hyperlinks.	
	Version 3		
Circulation restrictions	None.		
Review date	1 February 2018		

**ASSESSMENT CRITERIA FOR IMPACT**

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THREATS	Factor	Score	Effect on Level of Service	Effect on Quality of service	Embarrassment/reputation	Failure to provide statutory duties/meet legal obligations	Financial loss
	Extreme	4	Massive loss of service, including several important areas of service and /or protracted period; service disruption 5+ days	Quality of service deteriorates by over 80% from accepted (ideally defined by PI's) operating parameters.	Adverse and persistent national media coverage; adverse central government response, involving (threat of) removal of delegated powers; officer(s) and/or members forced to resign	Litigation/ claims/fines from departmental £250k + corporate £500k +	Costing over £500,000 Up to 75% of budget
	Major	3	Complete loss of an important service area for a short period; major effect to services in one or more areas for a period of weeks; service disruption 3-5 days	Quality of service deteriorates by between 25% to 60% from accepted (ideally defined by PI's) operating parameters.	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community; adverse local publicity of a major and persistent nature; statutory prosecution of a serious nature.	Litigation/ claims/fines from departmental £50k to £125k corporate £100k to £250k	Costing between £50,000 and £500,000 Up to 50% of budget
	Moderate	2	Moderate effect to an important service area for a short period; adverse effect to services in one or more areas for a period of weeks; service disruption 2-3 days	Quality of service deteriorates by between 10% to 25% from accepted (ideally defined by PI's) operating parameters.	Adverse local publicity /local public opinion aware; statutory prosecution of a non-serious nature	Litigation/ claims/fines from departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000 Up to 25% of budget
	Minor	1	Brief disruption of important service area; significant effect to non-crucial service area; service disruption 1 day	Quality of service deteriorates up to 10% away from accepted (ideally defined by PI's) operating parameters.	Contained within section/unit or directorate; complaint from individual/small group, of arguable merit	Litigation/ claims/fines from departmental £12k to £25k corporate £25k to £50k	Costing less than £5,000 Up to 10% of budget



**ASSESSMENT CRITERIA FOR LIKELIHOOD**

FACTOR	SCORE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence.	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly.
Likely	3	40% - 75% chance of occurrence.	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year).
Unlikely 25	2	10% - 40% chance of occurrence.	Only likely to happen 3 or more years.
Very unlikely	1	Less than 10% chance of occurrence.	Has happened rarely/never before.

Likelihood					
Very likely	4	LOW	MEDIUM	HIGH	HIGH
Likely	3	LOW	MEDIUM	MEDIUM/HIGH	HIGH
Unlikely	2	LOW	LOW	MEDIUM	MEDIUM
Very unlikely	1	LOW	LOW	LOW	LOW
Impact		Minor 1	Moderate 2	Major 3	Extreme 4

THE RISK MATRIX (With Scores)			
4	8	12	16
3	6	9	12
2	4	6	8
1	2	3	4

- 1 **Business processes**  
Design, operation and application activities.
- 2 **Assets**  
Infrastructure including hard assets e.g., roads, buildings, vehicles, along with other physical responsibilities such as trees, open spaces. Excludes IT.
- 3 **Communications**  
The approach to and culture of communication, consultation, transparency and information-sharing, both within and outside the council.
- 4 **Political and operating context**  
Perceived or potential conflicts between private and public interests, members and officers, national and local government or contractors and the council.
- 5 **Financial management**  
The structures and processes that ensure sound management of financial resources and compliance with financial management policies and standards.
- 6 **Governance, strategic direction and organisational transformation**  
Management skills and capacity, the approach to leadership and decision-making. The approach to significant structural or behavioural change.
- 7 **Human resources management**  
Staff/management turnover; employment/work culture; recruitment, retention and staffing processes and practices; succession planning and talent management; employee development, training and capacity.
- 8 **Information technology**  
Capacity and sustainability of information technology and both the infrastructure and utilisation of technological applications.
- 9 **Knowledge and information management**  
Collection and management of knowledge, including intellectual property, operational information, records and data.
- 10 **Legal**  
management of RBWM's legislative, advisory and litigation activities, including the development and renewal of, and compliance with, laws, regulations and policies.
- 11 **Demographic and social factors**  
The direct needs of residents, visitors and the general public.

<b>low appetite</b>	<b>low/medium appetite</b>	<b>medium appetite</b>	<b>medium/high appetite</b>	<b>high appetite</b>
Avoidance of risk and uncertainty is a key organisational objective.	Preference is for ultra safe business delivery options that have a low level of inherent risk and only have a potential for limited reward.	Preference is for safe delivery options that have a low degree of inherent risk and likely to only have limited potential for reward in most circumstances.	Willing to consider all potential delivery options and choose the one most likely to result in successful delivery while also providing an acceptable level of reward.	Eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risks.

<b>authorisation</b>				
Insignificant consequences requiring line manager (or even staff) approval	Moderate consequences requiring HOS approval	Medium consequences acceptable by director.	Potential major consequence acceptable only with chief officer authorisation.	Potential catastrophic consequences unacceptable without highest possible level approval
<b>monitoring</b>				
Accept	Low level monitoring	High level monitoring	Remedial action and/or senior monitoring	Urgent remedial action or senior monitoring

**Risk appetite statements 1 – 3 are quantitative assessments, 4 – 8 are qualitative assessments each acknowledging a willingness and capacity to take on risk.**

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Appendix B3 – risk appetite statements.

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
<b>1. Maximum tolerance for losses</b>				
<p>Costing &lt;£10K. It is likely to cost about this much to manage an occurrence of this risk.</p> <p>Little stakeholder concern and can usually be managed in the directorate concerned with normal reporting to head of finance.</p> <p>Little impact on service delivery in other areas due to the financial impact of this occurrence.</p>	<p>Costing £10K - £50K. It is likely to cost about this much to manage an occurrence of this risk.</p> <p>Pockets of some stakeholder concern and can usually be managed in the directorate concerned with normal reporting to head of finance.</p> <p>Little impact on service delivery in other areas due to the financial impact of this occurrence.</p>	<p>Costing £50K - £250K. It has often cost around this sum to manage this risk in similar projects or programmes.</p> <p>Moderate stakeholder concern.</p> <p>Some impact to service delivery in other areas due to the financial impact of this occurrence.</p>	<p>Costing £250K - £500K. The exposure is demonstrably around this sum in order to manage an occurrence of this risk.</p> <p>Reasonably high interest by stakeholders in the level of loss.</p> <p>Notable impact to service delivery in other areas due to the financial impact of this occurrence.</p> <p>The head of finance is to be alerted when a risk reaches this impact.</p>	<p>Costing &gt;£500K, &lt;£5M. The exposure is demonstrably around this sum in order to manage an occurrence of this risk.</p> <p>Very significant interest by stakeholders in the level of loss.</p> <p>Major impact on service delivery in other areas due to financial impact of this occurrence.</p> <p>The head of finance is to be alerted when a risk reaches this impact.</p>
<b>2. Headroom after impact on capital funding strategy</b>				
£10M upwards	Between £5M - £10M	Between £2M - £5M	Between £1M and £2M	<£1M, >500K
<b>3. Minimum cash balance</b>				
At least £5M	Between £2.5M and £5M	Between £1M and £2.5M	Between £500K and £1M	No lower than £500K
<b>4. Regulatory risk</b>				
<p>In the event any statute is breached, it carries little damaging financial or reputational impact i.e. fines &lt;£10K concerning a localised technical matter.</p> <p>Avoid anything that could be challenged, even unsuccessfully.</p>	<p>Relatively low profile statutory requirement may not be delivered adequately</p> <p>Fines &gt;£10K up to £25K if council found in breach of relevant Act</p> <p>Want to be very sure we'd win any challenge.</p>	<p>Well established statutory requirement may not be delivered adequately</p> <p>Fines £25K - £50K if council found in breach of relevant Act</p> <p>Limited tolerance for sticking our neck out. We want to be reasonably sure we would win any challenge.</p>	<p>Important statutory requirement may not be delivered with potentially serious implications.</p> <p>Fines £50K - £250K if council found in breach of relevant Act</p> <p>Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.</p>	<p>Fundamental statutory requirement may not be delivered satisfactorily with potentially very serious implications.</p> <p>Fines over £250K if council found in breach of relevant Act.</p> <p>Chances of losing are high and consequences serious. However, a win would be seen as a great coup.</p>
<b>5. Reputation risk</b>				
<p>A low level of interest in a particular council activity.</p> <p>A sideline in specialist press.</p> <p>Localised criticism.</p> <p>Managed situation with director/head of service briefed.</p>	<p>Front page news in local press.</p> <p>No particular national interest beyond sidelines.</p> <p>Managed situation with managing director/leader briefed.</p>	<p>Some national publicity or media criticism for no more than two/three days.</p> <p>Sustained criticism over 1-2 months amongst local press/public and/or specialist press.</p> <p>Could take up to a month to</p>	<p>Some national publicity or media criticism lasting no more than a week.</p> <p>Sustained criticism over 3-4 months amongst local press/public and/or specialist press.</p> <p>Could take up to three months to restore credibility.</p>	<p>Widespread criticism originating from all quarters of the press / the general public.</p> <p>It will take more than 6 months to restore credibility amongst stakeholders.</p> <p>Reputation is massively damaged and confidence lost towards senior</p>

Appendix B3 – risk appetite statements.

		restore credibility.	Reputation tarnished in longer term. Senior officers criticised for actions undertaken by the council.	officers and elected members.
<b>low appetite</b>	<b>low/medium appetite</b>	<b>medium appetite</b>	<b>medium/high appetite</b>	<b>high appetite</b>
<b>6. Council services</b>				
Has low level impact on the council's ability to deliver key services. May affect an aspect of performance management but overall target likely to remain unaffected. 1 day disruption.	Moderate impact on the delivery of any key service. Recoverable but will be delays of up to 2-3 days in returning to normal.	Has a medium level impact on the council's ability to deliver key services. Recoverable but will be delays of up to a week in returning to normal.	Impacts one key element of the council's strategic plan. Takes over a week but less than a fortnight to recover and return to pre-risk occurrence state.	Has a high level impact on the ability of the council to deliver more than one key element of the council's strategic plan. Over a fortnight to return to normal.
<b>7. Operational risks in the execution of business plans</b>				
The uncontrolled impact would be no more than moderate at operating unit level. It would be controllable to a lower assessment status and not affect the wider council	The uncontrolled and/or controlled impact would be no more than moderate at operating unit level. It would be controllable and not affect the wider council. Small delays to major project.	Would have a major uncontrolled impact at the directorate level that may possibly lead to a wider council impact. Key milestones to major project or initiative slip.	Would have a major uncontrolled impact at the directorate level and with clear reasons that would likely lead to a wider council impact. Key milestones to major project or initiative slip.	Significant council wide impact. Major failing in the delivery of a key project or initiative. Would meet criteria for key operational risk.
<b>8. Risk related decision making, especially in relation to new business opportunities</b>				
Many such opportunities undertaken at local levels. Clear precedents exist with apparent transparent benefits. Little or no change to council's existing business structure. Minimal tolerance for any decisions which could lead to scrutiny of the council	Reasonably common area of business but without a vast number of competitors e.g. <10. Council required to make minor adjustments to address new ways of working. Tolerance for risk taking limited to those events where there is no chance of any significant repercussions for the council	New area of business with a small number of precedents. Moderate adjustments to address new ways of working. Some moderate staffing level changes.	Only one or two examples of similar work undertaken in the local authority environment. Significant modifications to address new ways of working. Considerable changes to staffing levels/methods. Appetite to take decisions with the potential to expose the council to additional scrutiny.	Completely new business area never assumed by any public sector organisation. Benefits cannot be based on previous experience because there isn't any. Appetite to take decisions that are likely to bring scrutiny of the council but where potential benefits are huge. Desire to break the mould and challenge current practices.

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