

<b>Subject:</b>	Update of the Risk Management Strategy		<b>Status:</b>	For Publication			
<b>Report to:</b>	Audit & Accounts Committee		<b>Date:</b>	15 <sup>th</sup> March 2016			
<b>Report of:</b>	Head of Finance		<b>Portfolio Holder:</b>	Portfolio Holder for Finance and Resources			
<b>Key Decision:</b>	<input type="checkbox"/>	Forward Plan	<input type="checkbox"/>	General Exception	<input type="checkbox"/>	Special Urgency	<input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	<del>Yes</del> /No	Attached:	<del>Yes</del> /No			
<b>Biodiversity Impact Assessment</b>	Required:	<del>Yes</del> /No	Attached:	<del>Yes</del> /No			
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1.	<b>RECOMMENDATION(S)</b>
1.1	That members note the contents of the report.

## 2. PURPOSE OF REPORT

2.1 The purpose of the report is to bring to the attention of Members the Council's latest update to its Risk Management strategy.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
  - **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
  - **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation in this report involve risk considerations as set out below:
- The purpose of the strategy is to outline the Councils risk management framework, policy and procedures in order to continue to embed risk management throughout the organisation.

## 5. BACKGROUND AND OPTIONS

- 5.1 The Risk Management strategy was last updated in September 2015. The strategy has been updated with an emphasis on the identification of risk.
- 5.2 The key area of change are as follows:
- A consideration of different types of risk, eg contractual, reputational, environmental etc.

- Sensitivity around various projects and their exit strategy
- An expansion of risk evaluation to include other types of risk as noted above.
- A definition of risk appetite
- A checklist framework to assist in ensuring that all the risks associated with new projects have been adequately assessed and identified by officers and Members
- A future action plan for officers and Members

**COMMENTS FROM STATUTORY OFFICERS:**

**6. SECTION 151 OFFICER**

6.1 Risk Management is one of a number of key management disciplines, amongst others being: Financial management, Performance management, etc.

**7. MONITORING OFFICER**

7.1 No further comment

**8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Risk management competency and capability requirements are included in all senior management job descriptions.

**9. CONCLUSION**

9.1 The strategy review and update is designed to ensure that the Council has in place a fit for purpose frame work with regard to risk management.

**Background Papers**

Document	Place of Inspection
Previous strategy versions	Web-site and Finance department
Draft Action plan / template	Council's shared folder

# Risk Management Strategy

Updated

March 2016

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## 1. Introduction

This document is a second update to the Council's Risk Management Strategy (previously updated and published in November 2009) and forms Rossendale Borough Council's Risk Management Strategy. It sets out:

- ◆ what is risk management
- ◆ why we need a risk management strategy
- ◆ the philosophy of our risk management
- ◆ the risk management process
- ◆ roles and responsibilities
- ◆ monitoring and reporting.
- ◆ the Councils' Risk Management Policy Statement
- ◆ the Council's appetite to risk

The objectives of the strategy are to:

- ◆ further develop risk management and raise its profile across the Council
- ◆ integrate risk management into the culture of the organisation
- ◆ embed risk management through the ownership and management of risk as part of all decision making processes including annual service business planning and corporate plans.
- ◆ manage risk in accordance with best practice
- ◆ create effective processes that will allow the Council to make risk management assurance statements annually
- ◆ establish clear roles and responsibilities

This strategy outlines how Rossendale Borough Council is taking on its responsibility to manage both risks and opportunities using a structured and focused approach.

Changes and amendments to this strategy are delegated to a Council officer (currently the Head of Finance) in consultation with the relevant Cabinet Portfolio Holder (currently Finance and Resources)

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## 2. What is risk management?

Risk Management, amongst other definitions, can be defined as:

**“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks.” ZMMS/SOLACE, *Chance or choice?*, July 2000.**

**“Risk management refers to a coordinated set of activities and methods that is used to direct an organisation and to control the many risks that can affect its ability to achieve objectives. According to the Introduction to ISO 31000 2009, the term risk management also refers to the architecture that is used to manage risk. This architecture includes risk management principles, a risk management framework, and a risk management process.” ISO 31000, 2009**

The important phrase from both the above is in relation to “achieving objectives”. In its most simple format risk management is therefore about controlling those things that may stop an organisation from achieving its objectives.

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

This strategy expands upon the existing operational focus of the organisation (in managing claims and costs on the Council) to encompass all business risks (strategic corporate issues and departmental) into a robust and consistent process to ensure that the Council can make the most of its opportunities and make the right decisions based on complete information.

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### 3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its corporate objectives and priorities, enhance the value of services provided in order to make the area a place where people want to live and work and where they are able to enjoy a high quality of life.

Risk management is also an integral requirement of project management, business case development and annual Use of Resources. As such it is an important element in demonstrating continuous improvement.

Finally, risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance and requires Rossendale Borough Council to make a public assurance statement annually on, amongst other areas, the Council's risk management strategy, process and framework.

### 4. What is our philosophy?

The Council will seek to further embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Rossendale Borough Council will seek to encourage members and staff to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour. Our policy statement is attached at Appendix 1. In Appendix 2 the Council has defined its appetite for risk from which it is able to grade the various levels of risk in relation to potential impact and likelihood.

### 5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (departmental service) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service business plans and the Council's Corporate Plan.

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Relevant performance indicators (PI's) for each action plan are identified and then monitored through a performance management framework ensuring that the focus remains on achieving Rossendale Borough Council's corporate objectives

#### Business planning

The information resulting from the process acts as one of the key pieces of information that will be incorporated into the development of service plans and the Corporate Plan. Risk management will become an essential element in establishing policy, developing plans and enhancing operational management.

#### Value for Money

Effective risk management will also be integrated into the existing Value for Money guidance and strategies. It can help to narrow down the options for future service delivery and can also be used as a mechanism for identifying areas of service improvement.

#### Project management / decision making

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision making processes. The authority has developed its own project management methodology based on, amongst other things, PRINCE 2 in which risk management is an integral part.

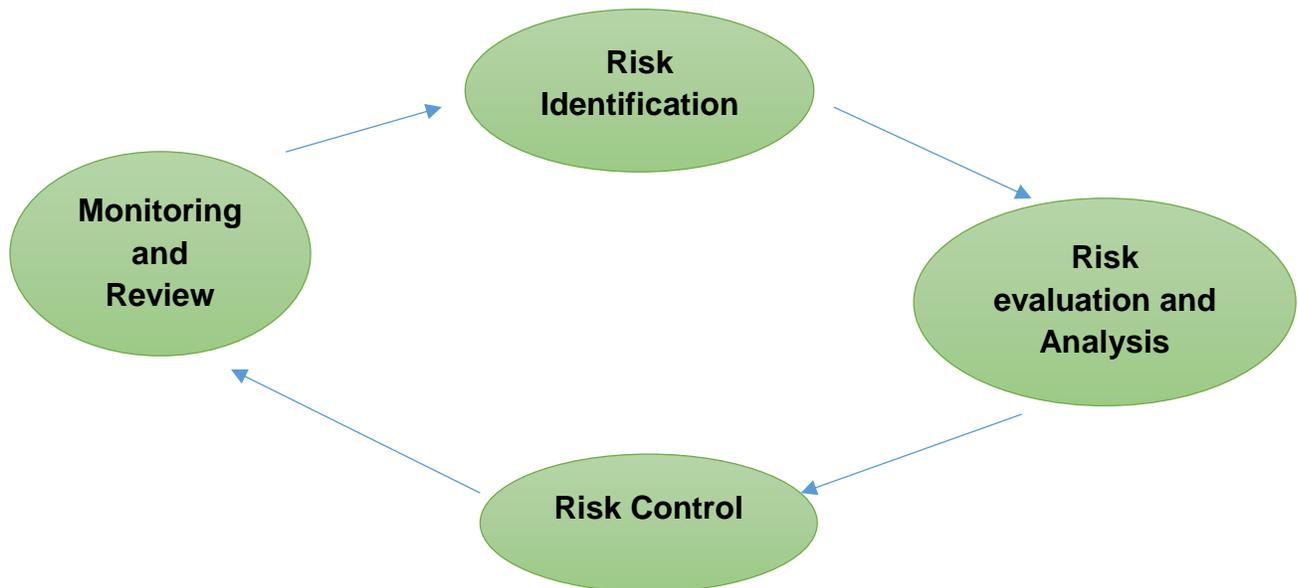
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## Risk Management Process – further defined

Consideration of risk should not be a stand-alone process and should reflect uncertainties in the planning and delivery processes which could seriously affect outcomes, for example: resources, funding strategies, partnerships, or suppliers.

The Council will adopt the following risk management process:

The risk management cycle:



The risk management process is outlined below:

### 1 Risk Identification

This is the most important part of the process. If risks are not identified, they will not be managed. Identify risks by reference to, amongst other things, the Corporate Plans, business planning, objectives, priorities and service & project objectives.

There are three elements to the risk scenario:

- The vulnerability describes the situation (that may be perceived) that exposes the Council to a risk.
- The trigger is an event or change in situation that has a negative / positive result.
- The consequences are the events that follow in the wake of the risk occurring.

Projects, and the potential risks arising, should be considered from a number of different perspectives, including (but not limited to):

- Contractual

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- Financial
- Reputational
- Environmental
- Strategic
- Organisational (people/systems)
- Health & safety
- Regulatory
- Legislative
- External and economic factors – e.g. interest rates/fuel prices
- Moral/Social Obligations

## 2 Risk Analysis / Evaluation

Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of the:

- Probability/likelihood of a risk event occurring
- Sensitivity analysis. How likely is it that the decision taken is incorrect? What would it take in terms of change to lead to a loss making position/risk arising?
- Potential severity/impact of the consequences should such an event occur.
- Possible resource and other implications.
- Priority of the risk for action in relation to the Council’s risk tolerance and appetite (see Appendix 2).

Once threats and opportunities have been identified their potential “inherent risk” is evaluated i.e. with no mitigation in place. It is then re-evaluated taking into account the effect of mitigations that are in place and active. The result is the determination of the “residual risk.”

## 3 Risk Control

Prioritisation for attention is according to the existing control environment, risk tolerance/appetite, residual risk assessment, and the availability of resources.

Risk cannot always be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the impact and severity of the consequences, should it occur or maximising the opportunities.

The Council will determine the course of action necessary to reduce the risk further preferably to within the Council’s risk appetite. Such action will be: treatment, transfer, tolerate or terminate. All possible actions need to be considered and evaluated, including the costs and implications of exit strategies.

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The Council will assign clear responsibility for managing the risk to an appropriate “risk owner” who is able to influence and take necessary actions. In addition action plans to address risks should be **SMART** (Specific, Measurable, Attainable, Realistic & Timely). Contingency arrangements will be developed that are appropriate to the threat identified.

The required actions will be entered into the risk register and monitored.

#### **4 Risk Monitoring & Review**

There must be monitoring and review of:

- The implementation of the agreed control action
- The effectiveness of the action in controlling the risk.
- How the risk evolves / changes in response to changes in the operating environment, changing business conditions, operational changes etc.
- Where an incident occurs the post-incident reviews must be undertaken into the causes/impact and identify lessons learnt.

As part of the review the risks will be re-evaluated and the cycle will continue as demonstrated in the diagram above.

Further information on monitoring can be found in section 9 below

## **6. What are the different roles and responsibilities?**

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process:

### **Members**

Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that their Council faces, and will be made aware of how these risks are being managed through the annual strategic and service business planning process. They will also be kept informed on the management of those risks through the regular performance management framework. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

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Members are responsible for reviewing the effectiveness of internal control based on information provided by the Chief Executive, Directors, Heads of Service, Managers (the Management Team) and Internal Audit.

For each significant risk identified Members will:

- review the Councils track record on risk management and internal control
- consider the risk profile for the coming year and consider if current internal control arrangements are likely to be effective

In making decisions Members will consider the following aspects:

- a) Control Environment
  - Council objectives and priorities; and financial and non-financial targets
  - Organisational structure, calibre and capacity of the Manage Team culture, approach and resources with respect to the management of risk
  - Delegation of authority, public reporting and Member/Management Team scrutiny
- b) On-going evaluation and identification of significant risks, prioritisation and allocation of resources to address areas of high exposure
- c) Information and communication: quality and timeliness of information re significant risks and the time it takes for control to be recognised or new risk identified
- d) Monitoring and corrective action: ability of the organisation to learn from issues and its commitment and responsiveness with which corrective actions are implemented

A distinction should also be drawn between Cabinet and Non – Cabinet Members (particularly those Members serving on the Audit & Accounts Committee). The Cabinet being a decision making body should be satisfied that areas of risk are being identified and that robust actions are in place to mitigate those risks. Audit & Accounts Committee’s emphasis should be on ensuring that the process for managing risk and mitigation is fit for purpose and working effectively.

Cabinet Member’s key tasks are therefore:

- ◆ Approving the original 2007 risk management strategy and policy statement – thereafter any changes delegated to the relevant portfolio holder and appropriate senior officer.
- ◆ To influence the culture of risk management within the Council including determining whether it is risk averse or a risk taker and what type of risk is acceptable or unacceptable. This therefore determines the Councils appetite and tolerance to risk.
- ◆ Assisting in the process of identification and evaluation of corporate risks

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- ◆ To approve the major decisions affecting the Council’s risk profile
- ◆ Commissioning and reviewing an annual assessment of the effectiveness of the risk management and internal control framework
- ◆ Via the Leader of Council approving the public disclosure of the annual outcome of this assessment (the annual governance statement), and publishing it in the annual Statement of Accounts and the Corporate Plan.
- ◆ Ensuring an open and receptive approach to solving risk problems is adopted by all members
- ◆ To ensure the Council makes prudent recognition and disclosure of the financial and non-financial implications of risk
- ◆ To satisfy itself that the less significant risks are being actively managed by Officers and/or appropriate controls.
- ◆ To ensure that in its own decision making that the Management Team and senior officers have properly identified the potential risks associated with project management, partnering arrangements and any other activity or decision making. With this in mind a check list is included at Appendix 3.

The Audit and Accounts Committee has responsibility for:

- ◆ monitoring the effectiveness of the Council’s risk management and internal control arrangements across the Council
- ◆ receiving and reviewing monitoring reports as required from the Management Team with regard to risk management
- ◆ Making recommendations to Cabinet which improve the effectiveness of the Council’s risk management and internal control arrangements.

**Chief Executive and Directors**

The Chief Executive and Directors are pivotal in the promotion and the continued embedding of risk management by managing behaviours and culture within the Council. The successful outcome of this culture and behaviours is risk management practised throughout the organisation as part of other usual activities, performance management and the sharing of best practice and experience between departments.

The Chief Executive and Directors’ key tasks are:

- ◆ Recommending to Council the original risk management strategy and subsequent revisions thereof
- ◆ Supporting, advising and promoting risk management throughout the Council through the development and adoption of policies and procedures approved by Members
- ◆ Actively identifying and assessing strategic risks on a regular basis for the reporting to and consideration of Members

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- ◆ With Heads of Service to effectively act in the capacity of a Risk Management Group
- ◆ Monitor the action plans (both corporate and service departments) on a regular basis
- ◆ To take overall responsibility for the administration of the risk management process
- ◆ Develop, implement and review the framework for managing risk
- ◆ Identify and promote best practice
- ◆ Communicate the benefits of effective risk management to all members of the organisation
- ◆ Provide training as appropriate
- ◆ To provide a forum for reporting progress on risk management
- ◆ Being actively involved in the identification and assessment of strategic risks
- ◆ Incorporating the risk management process into service planning processes
- ◆ Encouraging staff to be open and honest in identifying risks or missed opportunities
- ◆ Ensuring that the risk management process is part of all major projects and change management initiatives
- ◆ Individual Directors will be responsible for developing relevant action plans for the key strategic risks identified and establishing relevant PI's to measure their performance through the performance management framework.

### **Heads of Service and Managers**

Heads of Service and Managers need to continually be aware of and understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

All major Corporate and Operational Risk matters will be incorporated into annual business plans to ensure ownership and management. Each Head of Service or Manager will report on a regular basis to the Chief Executive and Leader and as deemed necessary by Members, Directors or the wider Management Team.

### **Risk Management Group and Management Team**

Following a review of officer functions in October 2006 this function was transferred to the direct responsibility of the then Executive Management Team and now rests with the wider Senior Management Team, which includes the COE, Directors, Heads of Service and other senior managers)

The Senior Management Team will have a key role in ensuring that Rossendale Borough Council meets the requirements of Corporate Governance reporting.

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The Senior Management Team will:

- ◆ Co-ordinate monitoring information from services into a quarterly monitoring report to Cabinet
- ◆ Support and advise all individual Service Heads and their managers
- ◆ Establish any links between departmental risk registers and action plans to ensure consistency of approach and identify corporate wide issues
- ◆ Monitor on a quarterly basis progress in delivery of the Risk Register action plans.
- ◆ Research and identify best practice in risk management and to provide guidance and support on introducing risk management measurers and techniques.
- ◆ Ensure ownership of risk by Managers, Heads of Service, Directors and Members

### **Role of Internal Audit**

Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and members on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

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## 9. How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting has now been established that allows:

- ◆ annual periodic review of the risk management strategy and corporate risk by the Head of Finance
- ◆ Monitoring the effective management of risks including regular reporting on service and corporate performance indicators to Members (via the Audit & Accounts Committee).
- ◆ An annual review of the overall process to members on the effectiveness of risk management and internal control by Internal Audit.
- ◆ The regular process of financial, risk and performance monitoring (e.g. via Chief Executive and Leader’s regular review of Business Plans, Management Team and Cabinet reporting) will be used to identify areas where the mitigation measures identified in risk registers, Member and Management reporting are either over or under achieving and to deal with emerging issues and change.
- ◆ Consideration by Cabinet as part of its decision making process, of the risks identified by the Management Team in respect of potential Projects.

## 10. Conclusion

The adoption of a sound risk management approach will achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This has been achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

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## Appendix 1

### Rossendale Borough Council – Risk Management Policy Statement

Rossendale Borough Council is committed to identifying and managing risks affecting the organisation. The Council recognises that some risks will always exist and will never be completely eliminated. However, the Council recognises its responsibility to manage risks effectively and supports a structure and focussed approach to managing them by approval of this Risk Management Policy.

By doing this it aims to:

1. Better achieve its corporate objectives and priorities.
2. Manage its resources effectively.
3. Improve the quality of its business decisions.
4. Anticipate and respond to change (eg: political, social, environmental, legislative, technical and their associated risks) in a proactive and systematic way.
5. Prevent loss or injury to its Members, staff, the public or any other visitors.
6. Provide greater protection of its assets and guard against impropriety or poor value for money.
7. Enhance corporate governance.
8. Reduce complaints against the council.
9. Protect the reputation of the Council and increase community confidence.
10. Minimise the number of incidents which require internal investigation.
11. Reduce the cost of insurance, incidence of claim and improve the Councils ability to defend claims.

To achieve these aims and objectives the Council will:

1. Raise awareness of the need for effective risk management, by all those connected with service delivery, through advice and training; and provide opportunities for shared learning.
2. Introduce risk management systems and processes which conform to best practice.
3. Determine the Councils appetite or tolerance to risk.
4. Allocate resources to identified priority areas.
5. Establish clear roles, responsibilities and reporting lines for risk management within the Council.
6. Incorporate risk management into the business planning process and embed risk management within the culture of the organisation.
7. Incorporate risk management into reviews of services.
8. Incorporate risk management into all substantive service developments and projects.
9. Monitor risk management arrangements on an on-going basis and take appropriate measures (See Appendix 4)

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## Appendix 2

### Rossendale Borough Council – Risk Management Strategy

#### Defining the Council's Appetite to Risk, level of Impact and likelihood

The council's appetite for risk will be defined and measured by its approach to impact and likelihood surrounding each risk as described further below. The Council's appetite to risk could be classified or described, amongst other as:

Classification	Description
<b>Averse</b>	Avoidance of risk and uncertainty is a key Organisational objective
<b>Minimalist</b>	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
<b>Cautious</b>	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
<b>Open</b>	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).
<b>Hungry</b>	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk

The Council and the Senior Management Team is responsible for setting the risk appetite of the Authority – ie the level of risk that is deemed to be acceptable. The level of acceptable risk can vary across different categories of risk.

In 2016/17, it is proposed that the Council adopts a “**Risk Cautious**” appetite across the majority of the Council's activities

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## Definitions of Impact

Evaluation	Description	Level
Insignificant	<ul style="list-style-type: none"> <li>• Insignificant disruption of internal business – no loss of customer service.</li> <li>• Insignificant disruption to business of key partner but no loss of service delivery.</li> <li>• No injuries or Health and Safety implications</li> <li>• No reputation damage.</li> <li>• No or insignificant environmental damage.</li> <li>• No or insignificant impact on staffing or the organisational structure</li> <li>• No regulatory or legislative impact</li> <li>• No social impact</li> <li>• No significant impact on Corporate Priorities (eg delay up to 3 months)</li> <li>• Low financial or contractual loss &lt;£50,000 (either immediate or cumulative over the medium term)</li> <li>• Any other relevant considerations</li> </ul>	V
Minor	<ul style="list-style-type: none"> <li>• Some disruption on internal business only – no loss of customer service.</li> <li>• Minor disruption to business of key partner but no loss of service delivery.</li> <li>• Minor injury (first aid treatment) or Health and Safety implications / breaches</li> <li>• Minimal reputation damage (minimal coverage in local press)</li> <li>• Minor damage to local environment</li> <li>• Minor impact on staffing or the organisational structure</li> <li>• Minor regulatory or legislative impact</li> <li>• Minor social impact</li> <li>• Minor disruption to Corporate Priorities (eg delay up to 6 months)</li> <li>• Medium financial / contractual loss &gt;=£50,000 but &lt;£100,000, (either immediate or cumulative over the medium term)</li> <li>• Any other relevant considerations</li> </ul>	IV
Moderate	<ul style="list-style-type: none"> <li>• Noticeable disruption to RBC – would affect customers (loss of service for no more than 48 hours).</li> <li>• Noticeable disruption to key business partner resulting in loss of service delivery of no more than 48 hours.</li> <li>• Violence or threat of serious injury (medical treatment required).</li> <li>• Moderate injury (first aid treatment) or Health and Safety implications / breaches</li> <li>• Moderate reputational damage</li> </ul>	III

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	<ul style="list-style-type: none"> <li>• Coverage in national tabloid press and/or extensive front page coverage in local press or TV.</li> <li>• Moderate damage to local environment</li> <li>• Moderate impact on staffing or the organisational structure</li> <li>• Moderate regulatory or legislative impact</li> <li>• Moderate social impact</li> <li>• Moderate disruption to Corporate Priorities (eg delay up to 12 months)</li> <li>• High financial / contractual loss <math>\geq</math>£100,000 but <math>&lt;</math>£250,000 (either immediate or cumulative over the medium term) .</li> </ul>	
Major	<ul style="list-style-type: none"> <li>• Major disruption to RBC – serious damage to authority's ability to service customers (loss of service between 2 and 7 days).</li> <li>• Major disruption to key business partner resulting in a loss of service delivery lasting between 2 and 7 days.</li> <li>• Major reputational damage</li> <li>• Coverage in national broadsheet press and/or low level national TV reporting.</li> <li>• Extensive/multiple injuries or major (emergency aid treatment) or Health and Safety implications / breaches</li> <li>• Major damage to local environment.</li> <li>• Major impact on staffing or the organisational structure</li> <li>• Major regulatory or legislative impact</li> <li>• Major social impact</li> <li>• Major disruption to Corporate Priorities (eg delay up to 18 months)</li> <li>• Major financial / contractual loss <math>\geq</math>£250,000 but <math>&lt;</math>£1,000,000 (either immediate or cumulative over the medium term)</li> <li>• Council is unable to deliver some of its corporate priorities</li> <li>• Any other relevant considerations</li> </ul>	II
Catastrophic	<ul style="list-style-type: none"> <li>• RBC unlikely to survive or loss of service delivery for more than 7 days.</li> <li>• Business failure of key partner or loss of service delivery of over 7 days.</li> <li>• Loss of life or Catastrophic Health and Safety implications / breaches</li> <li>• Significant reputational damage</li> <li>• Extensive coverage in national press and broadsheet editorial and/or national TV item.</li> <li>• Significant local, national or international environment damage.</li> <li>• Catastrophic impact on staffing or the organisational structure</li> <li>• Catastrophic regulatory or legislative impact</li> <li>• Catastrophic social impact</li> <li>• Significant disruption to Corporate Priorities (eg delay <math>&gt;</math> 24 months)</li> </ul>	I

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	<ul style="list-style-type: none"> <li>• Huge financial / contractual loss <math>\geq</math>£1,000,000 (either immediate or cumulative over the medium term).</li> <li>• The Council is unable to deliver all or the majority of its Corporate Priorities</li> <li>• Any other relevant considerations</li> </ul>	
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## Definitions of Likelihood

<b>Evaluation</b>	<b>Indicators</b>	<b>Level</b>
Almost certain	Expected to occur in most circumstances or more than an 80% chance of occurrence.	A
Likely	Potential of occurring several times in 10 years or has occurred recently. Between 55% and 80% chance of occurrence.	B
Moderate	Could occur more than once in 10 years. Could be difficult to control due to external influence. History of occurrence or near miss. Less than a 55% chance of occurrence.	C
Unlikely	Unlikely, but may occur over a 10 year period. Less than 15% chance of occurrence.	D
Remote	Has not occurred. May occur in exceptional circumstances. Less than 5% chance of occurrence.	E
Highly Remote	Has not occurred. May occur in highly exceptional circumstances. Less than 2% chance of occurrence.	F

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**Risk Model**

Likelihood	A					
	B					
	C					
	D					
	E					
	F					
		V	IV	III	II	I
	Impact					

Risk Level	Action / Control Required
	<p>Catastrophic / major impact with almost certain to likely likelihood, requiring immediate control measures by Council.</p> <p>This level of risk is outside the Council's tolerance limits and therefore requires immediate action to mitigate the risk</p>
	<p>Major / moderate impact with unlikely to almost certain likelihood requiring appropriate proactive management and control measures.</p> <p>This level of risk represents the Council's maximum tolerance limits.</p>
	<p>Moderate / minor impact with highly remote to almost certain likelihood requiring appropriate management and control measures.</p> <p>This level of risk is below the Council's tolerance limits</p>

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## Appendix 3

### Checklist for Risk Assessment on Projects

#### **Background**

The objective of this checklist is to allow Members of the Cabinet (and other interested parties eg: Council officers, partners etc) to satisfy themselves that the major risks associated with a potential project have been identified by the Management Team and brought to the attention of the Cabinet to assist in its decision making process.

The primary objective in any Risk Management process is the initial identification of the potential risks associated with the project. Accordingly it is necessary to adopt a flexible approach having regard to the materiality of the project and the potential impact upon the Council (not just in financial terms) of the decision taken being incorrect.

The checklist is not exhaustive but should be considered as a framework to allow an assessment to be made of the processes gone through by the Management Team in bringing forward the Project for a decision by Cabinet.

#### **Checklist**

##### **A. Understanding the Project**

No.	Question	Yes/No/Not Applicable (N/A)	Comments
1.	Has a full description of the Project been provided?		
2.	Are there material aspects of information still outstanding?		
3.	Has a similar project been undertaken by the Council in the past?		
4.	Have other Councils undertaken this type of project and is this identical in all material aspects? (Consider obtaining feedback)		
5.	Does this present a significant financial outlay (or potential outlay) for the Council?		
6.	Does the Council have the vires to enter into the Project		
7.	Does the Project extend for over 1 Year?		
8.	Has the Council sufficient resource now and in the future to cover all potential liabilities arising on this Project?		

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9.	Is there a partner involved?		
10.	Have the proper procurement procedures been followed?		
11.	Have appropriate guarantees/indemnities and warranties been obtained?		
12.	Have references been taken?		
13.	Does the Project involve monitoring / regulation by any external party?		
14.	Are the benefits/returns of the Project clearly articulated?		
15.	Are the risks associated with the Project clearly identified? (See Below)		
16.	Has a Sensitivity Analysis been carried out?		
17.	How sensitive is the decision to be the incorrect one? (e.g. what would it take for the Project to become loss making?)		
18.	Do the potential benefits justify the potential risks?		

## B. Risk Identification

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No.	Question	Yes/No/Not Applicable (N/A)	Comments
1.	Have the Management Team identified all of the risks associated with the Project including: <ul style="list-style-type: none"> <li>i. Contractual</li> <li>ii. Financial</li> <li>iii. Reputational</li> <li>iv. Environmental</li> <li>v. Strategic and Corporate Priorities</li> <li>vi. Organisational (people/systems)</li> <li>vii. Health &amp; safety</li> <li>viii. Regulatory</li> <li>ix. Legislative</li> <li>x. External or economic – e.g. Central Government funding, Business Rates growth, etc.</li> <li>xi. Moral/Social Obligations</li> <li>xii. Any other relevant considerations</li> </ul>		
2.	Is there a risk management plan within the Covalent System for this Project?		

### C. Exit Strategy

No.	Question	Yes/No/Not Applicable (N/A)	Comments
1.	Is there a natural end to the Project?		
2.	Is there an Exit Strategy in the event that the Project has to be brought to a premature end?		

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## Action Plan

The Senior Management Team will periodically consider any actions that are necessary as a result of the Risk Strategy update or any other occurrence. The following actions have been identified:

	Action	Status
1	Complete the response and follow up to the Internal Audit Report on the HCA Empty Homes programme	Head of Finance to bring a report to the Audit & Accounts Committee (March 2016)
2	In-depth review of all service area to identify and quantify the level of risk within each department and the actions being taken to mitigate risks identified	To be included in each service area Business Plans for 2016/17 and uploaded to Covalent
3	Commission an independent risk management training session for all Members and managers of Council	To be included in the People & Policy training programme for 2016/17
4	Commission a Member and officer Covalent training re-fresh	To be included in People & Policy's 2016/17 Business Plan.
5	Review/revise Members' Covalent dashboard and promote Members' view access.	To be included in People & Policy's 2016/17 Business Plan.
6	Incorporate Risk Assessment Summary and sensitivity analysis into Cabinet papers	To be included in Democratic Service's 2016/17 Business Plan in reviewing report templates and guidance notes.
7	Implement Cabinet decision making checklist into review process	To be included in Democratic Services 2016/17 Business Plan in reviewing Cabinet briefing agenda and tools for review.

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