RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014/15

COMMITTEE:

AUDIT COMMITTEE

30th October 2014

Item No. 6
Strategic Risk Register

REPORT OF:-

GROUP DIRECTOR, CORPORATE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

(01443) 680779

1. **PURPOSE OF THE REPORT**
   This report provides Members with a copy of the Council's Strategic Risk Register.

2. **RECOMMENDATIONS**
   It is recommended that Members:

2.1 Note the contents of this Report.

2.2 Consider what comments and recommendations, if any, they wish to make.

3. **BACKGROUND**
3.1 The Terms of Reference for Audit Committee states:

Statement of Purpose

The purpose of the Audit Committee is to <u>monitor the adequacy of the risk management framework</u> and the associated control environment; provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.

Terms of Reference

As a key element of new arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it. The Committee will [specifically in relation to risk management]:-

(D) Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these.

3.2 The Council has in place a range of processes and procedures to identify, manage and mitigate risk as far as is reasonably practicable in the delivery of its services, such as asset, financial, human resource and performance management arrangements. In conjunction with an Internal Audit function, they all play a key role in helping the Council deliver, in general, positive performance results.

3.3 In January 2014 the Council had some missing elements in terms of its ability to demonstrate its risk management processes and procedures, namely an updated Risk Management Strategy and an updated Strategic Risk Register.

3.4 In response to this, a revised Risk Management Strategy was approved by Cabinet in March 2014 and the Strategic Risk Register was approved by the Corporate Management Team in August 2014. A summary of the Strategic Risk Register is provided at Appendix A with the full register (incorporating potential consequences and mitigating actions) provided at Appendix B.

How the strategic risk register has been compiled

3.5 During February and March 2014, sessions were held between each Lead Officer and the Chief Executive to compile the Council's priority plans. As part of this process each Lead Officer was asked to identify what they considered to be the key risks to the achievement of their overall plan(s).

3.6 The initial list of risks that arose from the sessions were used as the basis for further discussion between the Operational Audit Manager and each Lead Officer (with the aim of identifying any further risks they considered relevant). At this stage they were requested to think about what they considered to be strategic risks.

3.7 The potential consequences of each defined risk were identified and the necessary actions to manage them were documented. The scores recorded in the register are the 'net risk' i.e. after actions to manage them have been taken into consideration. The Council's Risk Management Toolkit (Appendix D) was used to facilitate this process.

3.8 The outcome of the process with Lead Officers was then reported to the Council's Corporate Management Team for consideration, challenge and approval.

The 'Final Product'

3.9 The Council has a list of 15 strategic risks it faces in achieving its priority plans for 2014/15.

Reporting

3.10 The Council's strategic risks have been included in the quarterly Performance Reports of the Council. The first report for 2014/15 was presented to the Cabinet Performance and Resources Committee on 23rd September 2014 and was subsequently scrutinised by service scrutiny committees in October 2014. An example of how risk is incorporated into the quarterly reports has been provided at Appendix C with the aim of making Members aware of the strategic risks that exist to the achievement of the Council's priority areas and provide opportunity for review and challenge.

3.11 In recognition that there may be new/emerging risks throughout the year, the strategic risk register will remain a live document and will be updated accordingly. It should be noted that since the strategic risk register was approved by the Corporate Management Team in August 2014, no 'new' strategic risks have emerged.

4.   SUMMARY

4.1   It is the responsibility of Audit Committee to review and scrutinise the risk management arrangements in place across the Council. It is the responsibility of the Cabinet Performance and Resources Committee, along with each Service Scrutiny Committee, to challenge the owners of risks to ensure they are managed appropriately.

4.2   The Council now has an updated Strategic Risk Register in place that has been included within quarterly performance reporting arrangements to enable review, challenge and monitoring of progress.

****

LOCAL GOVERNMENT ACT, 1972

as amended by

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

LIST OF BACKGROUND PAPERS

AUDIT COMMITTEE

30th October 2014

Report of the Group Director, Corporate Services
Author: Marc Crumbie (Operational Audit Manager).

Item		**File Ref:**
6.	Strategic Risk Register	IA / MC

Contact Officer: Marc Crumbie,
Operational Audit Manager
Bronwydd House
Porth
CF39 9DL
Tel. No. (01443) 680779

APPENDIX A
Strategic Risk Register – Summary

REF	PRIORITY PLAN	RISK DESCRIPTION	IMPACT	LIKELIHOOD	RATING
1	Making the best use of our budget	If the financial settlements from the Welsh Government continue to mean significant reductions in funding year on year then the rate at which the Council will need to implement changes to bridge the budget gap over the medium term will need to be accelerated.	5	4	20
2	Keeping all children and young people safe	If the demand for Children's Services (CiN, CPR & LAC) continues to rise then the ability of the Council to safeguard vulnerable children and families may be compromised.	5	3	15
3	Supporting vulnerable adults and older people to live independently	The changing demographics and likely increase in demand to social services may impact on the ability of the Council to safeguard its vulnerable adults, keep citizens independent for longer and result in increased costs of providing services.	5	3	15
4	Providing a top quality education for all - "Every School a Great School."	If projects are not delivered on time and/or budget then this could impede the delivery and intended (positive) impact of the 21st Century Schools Programme within the Council.	5	3	15
5	Improving our communities	If the Council does not continue to monitor the impacts of the Welfare Reform changes on its citizens there may be an unforeseen (and significant) increase in demand for support from Council services.	5	3	15
6	Making the best use of our budget	If the Council does not manage its information assets in accordance with requirements set down within legislation then it may be faced with financial penalties and possible sanctions that hinder service delivery.	4	3	12
7	Keeping Rhondda Cynon Taf clean and 'green'	If the specific root causes of areas where recycling is known to be low are not identified and addressed then the amount sent to landfill will not necessarily reduce resulting in financial penalties from the Welsh Government.	4	3	12
8	Protecting people from harm and tackling anti-social behaviour	If secondary and specialist services for substance misuse are not reconfigured appropriately with Partners then the ability to deliver a service that suits the needs of citizens across the Cwm Taf region may be compromised.	4	3	12
9	Protecting people from harm and tackling anti-social behaviour	If Partners do not buy into and agree a new Cwm Taf Collaborative Arrangement for Sexual Violence and Domestic Abuse then the ability to tackle domestic violence effectively will be compromised.	4	3	12
10	Improving our communities	If appropriate housing stock is not available then the ability to house citizens who are either homeless and/or are vulnerable to homelessness may be compromised.	4	3	12
11	Improving our communities	If externally funded projects are not planned, procured and managed effectively by the Council and its Partners, then delivery could be severely compromised and the benefits lost.	4	3	12
12	Supporting vulnerable adults and older people to live independently	If the Council does not prepare adequately for the potential implications of the Social Services and Wellbeing (Wales) Act, then it may not meet its duties to provide appropriate services to its citizens.	5	2	10
13	Improving our communities	If there are reductions in grant funding used to deliver training and employment programmes then the continued delivery of projects beyond the current financial year could be compromised.	5	2	10
14	Providing a top quality education for all - "Every School a Great School."	With the greater delegation of school budgets and the expectation from Councils and Welsh Government for school improvement to be led and driven by schools working together, it is essential that all school Headteachers and governing bodies commit to work in partnership with various groups of schools in the best interests of improving the educational outcomes and wellbeing of all pupils, not just in the best interests of their school and their pupils.	4	2	8
15	Keeping Rhondda Cynon Taf clean and 'green'	In light of the current budget reductions across the public sector, capital and revenue funding required for the Council's Highways infrastructure may reduce which could impair the Council's ability to maintain and improve the existing infrastructure.	4	2	8

This page intentionally blank

APPENDIX B
Risk Register – Grouped by Improvement Priority

	Making the best use of our budget					
REF	**RISK DESCRIPTION**	**POTENTIAL CONSEQUENCES**	**ACTIONS IN PLACE TO MANAGE**	**IMPACT**	**LIKELIHOOD**	**RATING**
1	If the financial settlements from the Welsh Government continue to mean significant reductions in funding year on year then the rate at which the Council will need to implement changes to bridge the budget gap over the medium term will need to be accelerated.	Unbalanced Budget or over-reliance on one-off funding (reserves) which is not sustainable.	Updated and refreshed medium term base budget; Regular engagement with Cabinet Robust Financial Management arrangements. Planned phases of service change. Section 151 Boards. Medium Term Financial Planning and Service Transformation Reserve.	5	4	20
6	If the Council does not manage its information assets in accordance with requirements set down within legislation then it may be faced with financial penalties and possible sanctions that hinder service delivery.	Failure to be PSN accredited by Cabinet Office (annual requirement) could effectively mean no electronic communication to/from Council with other public bodies incl. DWP, Welsh & Central Government. Inadequate information assurance arrangements could lead to serious breaches of the Data Protection Act which could mean a fine of up to £500k. Inadequate information sharing arrangements prevent or create issues with joined-up working both within and outside of the Council e.g. with partners such as the LHB. Inadequate controls and policies around information management and awareness can cause incidents & potential breaches.	Robust PSN compliance plan in place with adequate time to affect mitigation actions arising from external assessment process. Incident reporting mechanisms in place with weekly management and monitoring by SIRO and wider team, with process for CMT involvement on any potential breaches. Any breaches are prioritised with timely and appropriate engagement with data subjects affected plus the ICO. IM Action Plan identifies the Information Sharing Protocols in development. The Council has 8 practitioners trained by the WASPI team (Welsh Government) to assist in such arrangements. Matrix of IM policies in place with review and 'publication' options identified. On-going Staff, School and Member awareness raising, engagement and training via a variety of mechanisms (from induction to e-bulletins and face-to-face specific training).	4	3	12

Improving our communities						
REF	**RISK DESCRIPTION**	**POTENTIAL CONSEQUENCES**	**ACTIONS IN PLACE TO MANAGE**	**IMPACT**	**LIKELIHOOD**	**RATING**
5	If the Council does not continue to monitor the impacts of the Welfare Reform changes on its citizens there may be an unforeseen (and significant) increase in demand for support from Council services.	Failure to support those citizens which are currently financially excluded and/or which may become financially excluded during the changes that welfare reform will bring would increase financial hardship.	Officers liaise with relevant stakeholders in order to ensure that they are kept up-to-date of changes and the impacts they may have the Council's citizens. It is the intention that a multi-agency strategic group is established to focus efforts on tackling financial exclusion and promote financial capability across the County Borough – establishing a framework that assesses the ongoing impact of the welfare reforms will form part of the terms of reference for this group. Programmes are in place across the Council which continue to raise awareness of the changes and also provide support to citizens during the changes.	5	3	15
10	If appropriate housing stock is not available then the ability to house citizens who are either homeless and/or are vulnerable to homelessness may be compromised.	There is an inherent reliance on housing providers (private and registered social landlords) to deliver suitable accommodation. If accommodation does not become available then the Council's ability to manage homelessness appropriately may be compromised. The Council would not be able to effectively discharge its legal duty to provide suitable permanent accommodation. This could increase pressure on temporary accommodation potentially causing longer stays and impact upon the demand and availability of all forms of temporary provision leading to out of borough placements or at worse legal challenge.	A housing leaders strategic group is in place, which oversee the implementation of the Housing Delivery Plan. Development of a Private Rented Sector Access Strategy to improve access to private rented sector properties, particularly in the south of the borough including the provision of targeted incentives to landlords The Council is working with partners to develop two new temporary accommodation schemes. Delivery of new social housing in the right place and of the right type to meet housing need, through the Social Housing Grant programme and through the planning system Through the Supporting People Programme, the Council is working with partners to develop new and suitable accommodation. The Homelessness Act which is due to become effective from 1st April 2015 should give the	4	3	12

			Council more control over putting measures in place to manage this risk further.			
11	If externally funded projects are not planned, procured and managed effectively by the Council and its Partners, then delivery could be severely compromised and the benefits lost.	Budget pressures (from funders and subsequently internal within the Council) Objectives of projects not achieved, or not delivered within time and/or budget. Potential of claw-back of grant money from external funders. Reduce the council's ongoing credibility with (future) funders.	Enhanced programme and project management arrangements: Development and implementation of the Project Protocol Close overview of project boards on all aspects of each individual project (cost, timescale and outputs). Creation of a Grant Compliance Team based in Finance.	4	3	12
13	If there are reductions in grant funding used to deliver training and employment programmes then the continued delivery of projects beyond the current financial year could be compromised.	Funding for delivering training and employment initiatives generally comes from external sources and in the current financial climate this reliance comes with the inherent risk of funding being stopped or reduced at a particular point in time.	Regular liaison between Council Officers and providers of funding takes place to discuss the continuation of funding for initiatives aimed at delivering training and employment programmes. Programmes delivering these initiatives can be tailored to reflect the supply of funding and demand for service.	5	2	10

Keeping all children and young people safe						
REF	RISK DESCRIPTION	POTENTIAL CONSEQUENCES	ACTIONS IN PLACE TO MANAGE	IMPACT	LIKELIHOOD	RATING
2	If the demand for Children's Services (CiN, CPR & LAC) continues to rise then the ability of the Council to safeguard vulnerable children and families may be compromised.	The inability to safeguard effectively could, ultimately, lead to a serious case review. The failure to provide preventative services to children and their families could increase the chance of these cases becoming more complex as time goes by and with that comes further safeguarding issues and associated budget pressures.	In order to ensure staff are in the right place at the right time, the Council is: • Developing and implementing a new operating model for children's social care. • Revising its Prevention Strategy to improve capacity to prevent the need for statutory intervention by coordinating preventative and early intervention services for families in the greatest need more effectively. • Reviewing the business processes and information systems to ensure they are fit for purpose, thus reducing bureaucracy and freeing up social work time for direct work with families. • Reviewing assessment, planning and decision making for those children who will require long term permanent care in accordance with legislative requirements Plans are underway to implement a Multi Agency Safeguarding Hub (MASH) in conjunction with partner agencies. The budget for this service is routinely monitored by the Council's Section 151 Board.	5	3	15

	Keeping Rhondda Cynon Taf clean and 'green'					
REF	**RISK DESCRIPTION**	**POTENTIAL CONSEQUENCES**	**ACTIONS IN PLACE TO MANAGE**	**IMPACT**	**LIKELIHOOD**	**RATING**
7	If the specific root causes of areas where recycling is known to be low are not identified and addressed then the amount sent to landfill will not necessarily reduce resulting in financial penalties from the Welsh Government.	If the Council fails to meet the targets in respect of waste sent to landfill set by the Welsh Government then this will result in financial penalties (of a minimum of £200 per tonne) being incurred by the Council from the Welsh Government. Potential fines of around £100,000 for every 1% that the Council falls short of the recycling target. Even with systems in place to facilitate weekly collection of recyclate, if some residents do not recycle then this waste will be sent to landfill.	Waste treatment plant(s) for residual and food waste. Identifying and tackling areas where low participation in recycling appears apparent. Undertake door knocking exercises to inform and educate. Monitor the effectiveness of this approach and consider further approaches. Enforcement where residents do not recycle and the implementation of the 'side waste' Policy.	4	3	12
15	In light of the current budget reductions across the public sector, capital and revenue funding required for the Council's Highways infrastructure may reduce which could impair the Council's ability to maintain and improve the existing infrastructure.	A lack of investment would lead to deterioration of the Council's largest single asset.	Ensure that revenue and capital funding is targeted at the correct areas of infrastructure. Maximise preventative treatments on the Council's Highways.	4	2	8

			Protecting people from harm and tackling anti-social behaviour			

REF	RISK DESCRIPTION	POTENTIAL CONSEQUENCES	ACTIONS IN PLACE TO MANAGE	IMPACT	LIKELIHOOD	RATING
8	If secondary and specialist services for substance misuse are not reconfigured appropriately with Partners then the ability to deliver a service that suits the needs of citizens across the Cwm Taf region may be compromised.	Unmet need Duplication or gaps in services Services may not be easily accessible Poorly performing services	Work with Partners is ongoing to review the service specification currently in place. It is essential that the funding providers are consulted during this review in order to ensure that the service delivered meets its objectives. The 'end product' will be presented to the Substance Misuse Area Planning Board during November 2014 for approval.	4	3	12
9	If Partners do not buy into and agree a new Cwm Taf Collaborative Arrangement for Sexual Violence and Domestic Abuse then the ability to tackle domestic violence effectively will be compromised.	Service users and their children may not be appropriately safeguarded. Victims may not be supported as well as could be. Funding could be at risk Inequality of provision	The Domestic Abuse Forums across the Cwm Taf Region have been reviewed. It is the aim that a Strategic Domestic Abuse 'Board' be established to oversee the integration of the two teams to ensure that Partners (x2 Councils and the 3rd Sector) become an integrated part of the process and there is a coherent vision.	4	3	12

Providing a top quality education for all - "Every School a Great School."						
REF	**RISK DESCRIPTION**	**POTENTIAL CONSEQUENCES**	**ACTIONS IN PLACE TO MANAGE**	**IMPACT**	**LIKELIHOOD**	**RATING**
4	If projects are not delivered on time and/or budget then this could impede the delivery and intended (positive) impact of the 21st Century Schools Programme within the Council.	The intended benefits of ensuring all children across the Council are taught in an environment fit for the 21st Century may not materialise in the planned manner. Increased pressure on Council Capital/Revenue to cover shortfalls. Planned projects may need to be deferred. The management of surplus places may be hindered.	It is critical that projects are delivered in time and budget as far as practicable (contingencies for time and cost are built into each project plan). The following measures are also in place: • Close working arrangements between Corporate Estates and Education ensures effective communication throughout the process. • Corporate Estates Project Managers take ownership for delivery of individual projects. • Additional external specialist advice is procured to compliment the skills of internal staff which also ensures the ability to manage workload. • Principles of PRINCE2 Project Management are utilised to manage cost, time, and quality. All team members are conversant with PRINCE 2. • Project risk registers are used to identify potential risks and these are costed to assist with financial management of projects should risks materialise. • Robust Programme Management takes place and regular meetings are held with Corporate Estates, Education and Finance to discuss high level programme issues. • Project Boards are set up using senior officers from across all Divisions within the Council to assist with project direction and assurance. • Gateway reviews are undertaken on key projects to obtain assurance that projects are progressing within tolerances prior to obtaining approval to the next stages. • Post occupancy evaluations are undertaken with lessons learnt carried forward into future projects.	5	3	15

| 14 | With the greater delegation of school budgets and the expectation from Councils and Welsh Government for school improvement to be led and driven by schools working together, it is essential that all school Headteachers and governing bodies commit to work in partnership with various groups of schools in the best interests of improving the educational outcomes and wellbeing of all pupils, not just in the best interests of their school and their pupils. | Some Headteachers could be inwardly focused upon their own school and may not buy-in to the cultural shift required across the Council.

Existing Headteachers may not have the experience, skills and or knowledge to take the lead. | The Council is committed to strengthening the current leadership programme to ensure effective challenge of the quality of leadership and governance.

A structured programme is now in place across all clusters aimed at supporting, developing and mentoring existing and aspiring Headteachers and leadership candidates. A training programme is also in place with the aim of ensuring governing bodies are fully equipped to fulfil their duties, all of which is helping to ensure that the Council has the best people in the right place and that they are supported by effective governing body arrangements. | 4 | 2 | 8 |

	Supporting vulnerable adults and older people to live independently					
REF	**RISK DESCRIPTION**	**POTENTIAL CONSEQUENCES**	**ACTIONS IN PLACE TO MANAGE**	**IMPACT**	**LIKELIHOOD**	**RATING**
3	The changing demographics and likely increase in demand to social services may impact on the ability of the Council to safeguard its vulnerable adults, keep citizens independent for longer and result in increased costs of providing services.	Citizens may not be able to stay independent for as long as possible (if early services are not delivered). Short term budget pressures but longer term budget pressures should citizens not receive preventative services and services aimed at intervening early.	More focus on early intervention and prevention through re-ablement aims to reduce high level care packages later and also helps to ensure that citizens stay independent for longer. Work is currently ongoing with Partners from across the Cwm Taf Region to develop a commissioning strategy for adult services. Robust arrangements are in place aimed at managing and monitoring care packages from an operational delivery and financial perspective.	5	3	15
12	If the Council does not prepare adequately for the potential implications of the Social Services and Wellbeing (Wales) Act, then it may not meet its duties to provide appropriate services to its citizens.	Potential increase of costs in delivering/providing services. Unexpected/unforeseen impact of increased workloads on workforce. Fails to safeguard.	Funding has been provided from the Welsh Government to support the introduction of the new Act. An implementation group is being established inline with Welsh Government guidance to support the implementation of the Act and the appointment to a post to support the implementation of the Act across the Cwm Taf Region should help to ensure that this risk is managed.	5	2	10

This page intentionally blank

Appendix C
Quarterly performance report – incorporating risk

Wales Programme for Improvement
Protect people from harm and tackle anti-social behaviour

What we aim to achieve:	
Many of our residents lives are blighted by the anti social behaviour of others, with some suffering harm such as domestic abuse, violence and criminal damage. We will support victims of domestic abuse and work to reduce the harm to individuals of their own alcohol and substance misuse. We will continue to use our licensing and public protection powers to reduce anti-social behaviour by effectively managing the late night economy and holding the perpetrators of anti-social behaviour and other offences to account. We will also work to protect people, particularly our most vulnerable residents, from harm and exploitation by using our enforcement powers to ensure that housing meets required standards, the safety of passengers using taxis is protected, consumers can eat safely from our food outlets, businesses are effectively regulated and rogue traders are prevented from operating.	
Key Corporate Risks - What are the Strategic Risks being addressed by this plan and which Outcomes aim to mitigate them?	
Risk Description:	**Outcome Reference:**
If secondary and specialist services for substance misuse are not reconfigured appropriately with Partners then the ability to deliver a service that suits the needs of citizens across the Cwm Taf region may be compromised.	3
If Partners do not buy into and agree a new Cwm Taf Collaborative Arrangement for Sexual Violence and Domestic Abuse then the ability to tackle domestic violence effectively will be compromised.	2

Wales Programme for Improvement
Supporting vulnerable adults and older people to live independently

What we aim to achieve:	
The Council will continue to reconfigure its services, with the University Health Board and other partners, to ensure older and vulnerable people and their carers are supported to remain in control of their care arrangements and accommodation. Our priority is to provide good quality interventions that support independence whilst also retaining a focus on safeguarding vulnerable adults from neglect and abuse	
Key Corporate Risks - What are the Strategic Risks being addressed by this plan and which Outcomes aim to mitigate them?	
Risk Description:	**Outcome Reference**
The changing demographics and likely increase in demand to social services may impact on the ability of the Council to safeguard its vulnerable adults, keep citizens independent for longer and result in increased costs of providing services.	1
If the Council does not prepare adequately for the potential implications of the Social Services and Wellbeing (Wales) Act, then it may not meet its duties to provide appropriate services to its citizens.	2

Appendix D
Risk Management Toolkit

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Risk Management – A Toolkit

CONTENTS

1. Introduction

1.1 The diverse range of activities undertaken by the Council involves making decisions and taking risks. We cannot always decide upon the activities with which we are involved. In the private sector, high impact/high likelihood risks can be avoided by opting out of that part of the business. However in public service the option to completely eliminate risk may not exist due to statutory responsibilities. Risk management therefore plays an important role in helping to manage risks and opportunities in a practical and cost effective manner.

1.2 Whilst the over management of risks is not advocated, certain activities will require a managed and structured approach. This toolkit is designed to help in this process and describes a simple methodology to maximise the opportunity to achieve expected results – by managing risks. This toolkit is an integral part of service business planning.

1.3 The toolkit should be used as a supplementary guide to support and where appropriate reinforce risk management arrangements already in place within Council services.

Risk Management Process – A One Page Summary

Risk Management - is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other			
Stage 1 - Identify your risks	**Stage 2 - Evaluate your risks**	**Stage 3 - Treat your risks**	**Stage 4 - Monitor & Review**
• Identify priorities / outcomes **Risk:** What could occur that would prevent the priority / outcome being met • In full • On time • Within budget Think about: IF……THEN Event → Consequence → Impact And then: Threats & Opportunities When: • Setting strategic aims • Setting business objectives • Early/key stages of project planning • Partnership arrangements • Service improvement plans Categories can help: • Strategic/Operational • Internal/External	Combination of the likelihood and impact Impact x Likelihood 	Concentrate on Top Risks first : • Can we reduce the likelihood? • Can we reduce the • impact? • Can we change the consequences? Consider the options to deal with the risk : • Treat • Terminate • Tolerate • Transfer Devise Contingencies - i.e. • Strengthen internal controls • Develop service continuity planning • Engage external contractors • Review insurance arrangements	Risk Registers: • Confirm the risk owner. • Report progress to senior management. • Review and monitor risks regularly along with associated progress. • Establish any emerging/new risks.

2. What is risk?

2.1 Wherever there is a decision or action to be taken, there lies a risk potential.

2.2 There are many definitions for 'risk' of which the following is a simple example:

'Risk is the chance of something happening that will have an impact on objectives.'

2.3 Risk is therefore something that may arise which may stop you achieving something you want to do. It's not always a bad thing and there is no activity without risk.

3. What is risk management?

3.1 Put simply, risk management is the ongoing process of identifying threats and the implementation of measures aimed at reducing the likelihood of those threats occurring and minimising the damage (impact) if they do. Equally, risk management can also help identify opportunities aimed at increasing the prospects of success.

3.2 The benefits of a robust management process will help to manage risks so that:

- Risk owners and key stakeholders are identified at an early stage.
- There is an increased focus on what needs to be done/not done to meet objectives.
- Better use of resources.
- Better management of change programmes.
- Scrutiny committees are provided with a fuller picture of factors influencing performance.
- Innovation is supported.
- Results are achieved first time of trying.
- Competitiveness is improved.
- Improved quality of service delivery.
- Enhanced ability to justify actions taken.
- Protection of reputation.

3.3 Figures 1a and 1b show the six stages to the risk management process.

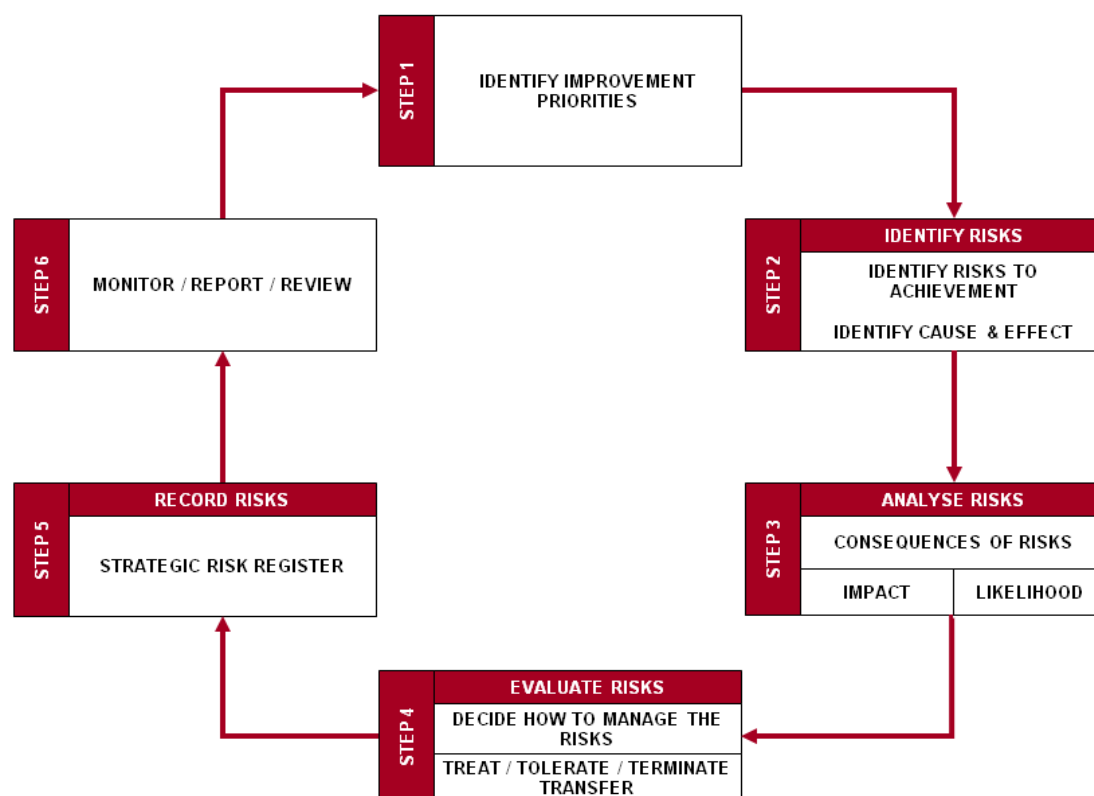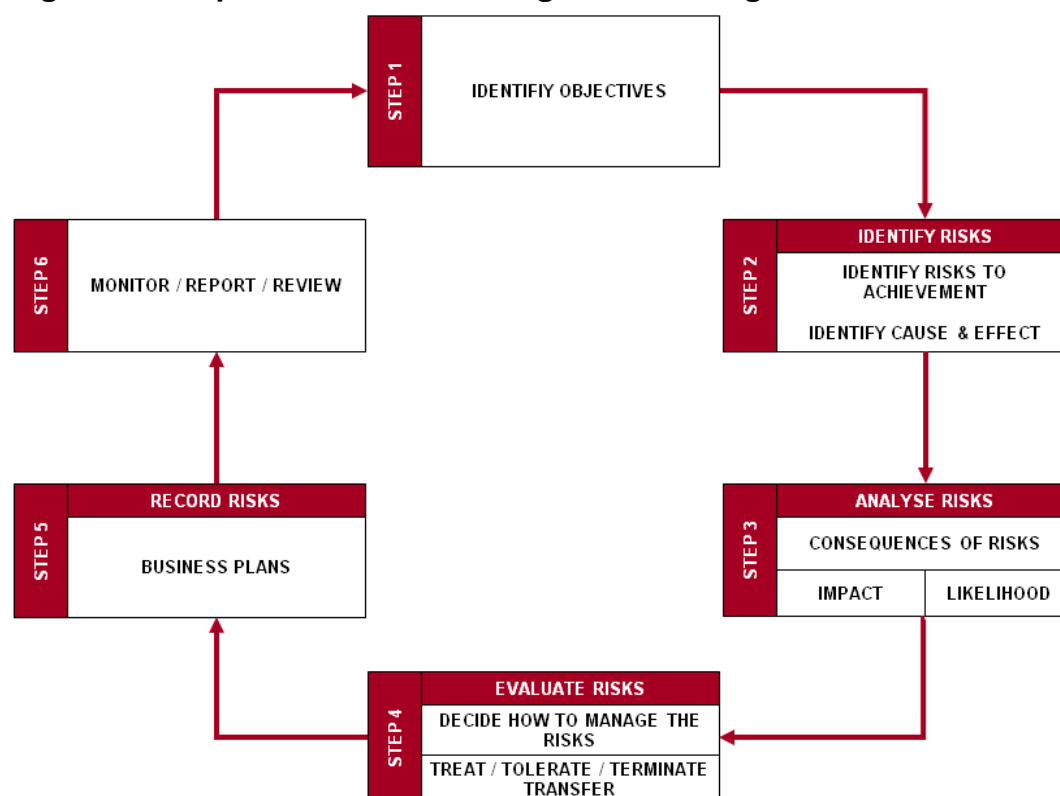## Figure 1a – Strategic Risk Management Arrangements

Figure 1b – Operational Risk Management Arrangements

4. Risk identification

4.1 You should first set out the objectives of the activity to be examined. It may help to have key documents available such as the business plan, or a project brief / project plan.

4.2 When wording risks, the Council suggests using the "If and Then" statement. The "If" being the risk and the "then" being the impact if it's not dealt with. It is important to ensure that when a risk has been identified, the risk description is clear and precise. The associated causes and effects are those areas where management action could take place aimed at managing the risk.

> Here is an example:

> > *'If the Council does not meet Welsh Government targets to achieve diversions from landfill then the Council will be subject to financial penalties.'*

4.3 In order to manage risk it is necessary to know what risks exist or might occur. Risks can be broken down into two categories – strategic and operational. It is important to distinguish between strategic and operational risks to ensure that they are managed and reported upon at the appropriate level within the Council.

4.4 Strategic risks are those arising from major events which could impact across the whole of the Council e.g. major overspend or serious damage to the reputation of the Council. External factors are especially important when considering risks at the strategic level. Their origins can be classified as being:

- Political
- Economic
- Social
- Technological
- Environmental
- Legislative
- Competitive
- Customer/stakeholders
- Reputational
- Partnerships

4.5 Operational risks are those arising from the day-to-day management of activities within service areas and are less likely to impact upon other services or the Council as a whole.

4.6 To help facilitate the process of risk identification Figure 2 has been developed. This is not an exhaustive list, it is designed to trigger thoughts and focus discussion in the correct direction.

4.7 As you proceed through this process you will start to build up a list of risks.

4.8 You should consider impacts on your objectives from:
- External factors
- Internal factors (SWOT)

Figure 2 – Sources of Strategic & Operational Risks

SOURCES OF STRATEGIC RISKS		
Category	**Description**	**Indicative guidelines (given as examples)**
Political	Those associated with a failure to deliver either local or central government policy.	• Wrong political priorities • Not meeting government agenda • Too slow or failure to modernise • Decision based on incorrect information • Unfulfilled promises to electorate • Community planning oversight / errors
Economic	Those affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance or the consequences of proposed investment decisions.	• General/regional economic problems • Missed business and service opportunities • Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Inadequate control over expenditure or income • Inadequate insurance cover
Social	Those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.	• Failing to meet the needs of disadvantaged communities • Failures in partnership working • Problems in delivering life-long learning • Impact of demographic change • Crime and disorder
Technological	Those associated with the capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	• Breach of confidentiality • Failure in communications • Insufficient disaster recovery for key data/systems • Failure of technology related project • Breach of security of networks and data • Failure to comply with IT Security Policy
Legislative	Those associated with current or potential changes in national or European law.	• Inadequate response to new legislation (including failure to consult) • Not meeting statutory duties/deadlines • Failure to implement legislative change • Misinterpretation of legislation • Exposure to liability claims e.g. motor accidents, wrongful advice • Breach of confidentiality / Data Protection Act

Environmental	Those relating to environmental consequences of progressing the Council's corporate objectives (e.g. in terms of energy, efficiency, pollution, recycling, etc).	• Impact on sustainability initiatives • Impact of planning & transportation policies • Noise, contamination and pollution • Crime & Disorder Act implications • Inefficient use of energy and water • Incorrect storage/disposal of waste
Competitive	Those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver best value.	• Take over of services by government • Failure of bids for government funds • Failure to show value for money • Accusations of anti-competitive practices
Customer /Citizen	Those associated with the failure to meet the current and changing needs and expectations of customer and citizens.	• Lack of appropriate consultation • Bad public and media relations
Reputation	Those relating to public confidence.	• Adverse media attention • Policies misunderstood or misinterpreted • Negative implications identified by other which have not been previously considered • Failure to keep partners on side • Breach of confidentiality • Lack of business continuity plan • Failure to maintain and upkeep land and property
Partnership	Those associated with working in partnership with another organisation.	• Non compliance with procurement policies & financial regulations • Poor selection of partner • Poor contract specification, deficiencies • Failure of partner to deliver • Inadequate contract terms & conditions • Bad management of partnership working • Lack of contingency planning in the event of partnerships dissolving.

SOURCES OF OPERATIONAL RISKS		
Category	**Description**	**Indicative guidelines (given as examples)**
Professional	Associated with the particular nature of each profession.	• Inefficient/ineffective management processes • Lack of business continuity plan • Inability to implement change • Non achievement of Best Value • Lack of control over changes to service provision • Bad management of partnership working • Inadequate consultation with service users • Failure to manage and retain service contracts • Failure to communicate effectively with employees • Poor management of externally funded projects
Financial	Associated with financial planning and control and the adequacy of insurance arrangements.	• Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Ineffective/inefficient processing of documents • Missed opportunities for income/grants • Inadequate control over expenditure • Inadequate insurance cover • Inadequate control over income
Legal	Related to possible breaches of legislation	• Not meeting statutory duties/deadlines • Failure to implement legislative change • Failure to comply with European directives on procurement of works, supplies and services • Misinterpretation of legislation • Breach of confidentiality/Data Protection Act • Exposure to liability claims e.g. motor accidents, wrongful advice
Physical	Related to fire, security, accident prevention and health and safety.	• Violence or aggression • Loss of physical assets • Non compliance with Health & Safety legislation • Injury at work • Loss of intangible assets • Criminal damage to assets e.g. vandalism • Failure to maintain and upkeep land and property

Contractual	Associated with the failure of contractors to deliver services of products to the agreed cost and specification.	• Non compliance with procurement policies • Over reliance on key contractors/suppliers • Failure of outsourced provider to deliver • Failure to monitor contractor performance • Poor selection of contractor • Poor contract specification, deficiencies • Inadequate contract terms & conditions • Quality issues
Technological	Relating to reliance on operational equipment (e.g. IT systems or equipment) or machinery.	• Failure of big technology related project • Crash of IT systems affecting service delivery • Lack of disaster recovery plans • Breach of security of networks and data • Failure to comply with IT Security Policy • Bad management of intranet / website
Environmental	Relating to pollution, noise or energy efficiency of ongoing service operation.	• Crime & Disorder Act implications • Incorrect storage/disposal of waste • Noise, contamination and pollution • Inefficient use energy and water • Damage caused by trees, tree roots etc
Human Resources	Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk analysis).	• Capacity issues • Over reliance on key officers • Failure to recruit/retain qualified staff • Lack of employee motivation/efficiency • Failure to comply with employment law • Poor recruitment /selection processes • Lack of training • Lack of succession planning

5. Risk Analysis & Evaluation

5.1 Having compiled a list it is then necessary to assess which of the risks identified are going to pose the greatest threat (or opportunity) and this is done by looking at both impact (what harm might result from the risk) and likelihood (chance of the risk occurring).

5.2 In assessing risks you are simply identifying and prioritising them so that you know which need earlier attention.

5.3 The matrix in Figure 3 together with Figures 4 & 5 should be used to allocate a 'risk score' which could range from 1 to 25.

Figure 3 - Risk Ranking Methodology

Figure 4 - Likelihood Assessment Matrix:

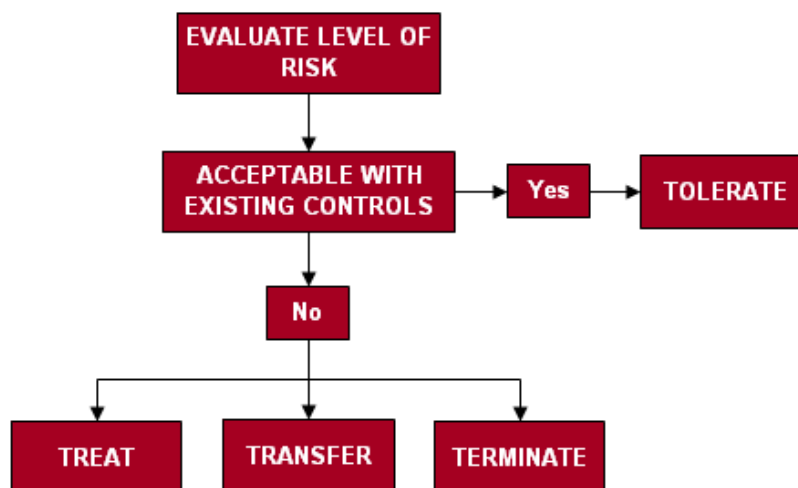| Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months.
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months.
Likely	3	50% likely to happen or has happened once or twice in the last 24 months.
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years.
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years.

Figure 5 - Impact Assessment Matrix

Risk	Score	Effect on Service	Reputation	Financial & Resources	Compliance with law / contracts	People	Effect on project objectives
Major	**5**	• Complete breakdown in service delivery with severe, prolonged impact on customer service affecting the whole organisation. • Failure of a strategic partnership.	• A vote of no confidence in one service area. • Substantial adverse national media criticism/coverage leading to Officer(s) &/or Elected Member(s) forced to resign and/or Audit Commission enquiry.	• A substantial failure in accountability or integrity. • A large financial loss over 50% of budget or greater than £5m. • Total loss of a critical building.	• Litigation leading to sizeable increase in responsibilities. • Breakdown in relationship with regulator affecting funding. • Multiple civil uninsured or criminal actions with payments / fines above £150k.	• Death of several people.	• Complete failure of a project.
High	**4**	• Intervention in a key service. • Disruption to service delivery for one of more service area for 3 – 5 days. • Failure of an operational partnership.	• Criticism of a key process. • Large scandal. • High level of complaints at the corporate level across several service areas • National adverse publicity / bad press.	• Sizeable financial loss up to 50% of budget or between £2-5m. • Extensive damage to a critical building or considerable damage to several properties from one source.	• Multiple uninsured civil litigation or criminal actions with payments / fines of £50k - £150k. • Breach of regulation or legislation with severe costs/fine.	• Reportable major injuries to several people or death of an individual.	• Extreme delay.

Moderate	**3**	• Widespread disgruntlement. • Disrupted service delivery from one service area for up to 3 days. • Can handle but with difficulty.	• Criticism of an important process/service. • Local bad press.	• Some financial loss £100k-2m. • Inability to deliver popular policies due to budgetary constrictions. • Substantial damage to one part of a critical building.	• Multiple uninsured civil litigation or criminal actions with payments / fines of £25k - £50k.	• RIDDOR reportable major injury to an individual.	• Important impact on project or most of expected benefits. • Considerable slippage. • Possible impact on overall finances / programme.
Minor	**2**	• Small setback - management headache. • Disruptive impact on service. • Localised disgruntlement.	• Embarrassment contained within the service. • Criticism of a secondary process/service.	• Noticeable financial loss; £10-100K. • Slight damage to one property.	• Low value / high volume litigation. • Departmental fine of £5k - £25k.	• Superficial first aid injuries discomfort to more than one person.	• Adverse effect to project. • Slippage requires review finances / short term programme.
Trivial	**1**	• Small impact on customer service which may result in complaints. • Nuisance • Disgruntlement by a few.	• Embarrassment contained within the service area.	• Small financial loss; less than £10k. • Negligible property damage.	• Low value / volume litigation. • Departmental fine below £5k.	• Superficial first aid injury or discomfort to an individual.	• Minimal impact to project. • Minor slippage.

5.4 Each identified risk should be scored according to the potential level of impact and likelihood (in the current environment – i.e. taking into account the internal controls in place at that 'point in time').

5.5 The scores will provide a list of those risks that need earlier attention. High risks are the ones that should be addressed as a priority. These are risks that are still considered to be high even with the existing level of controls in place. Only a workable number of risks should be focused upon at any one time. Any remaining risks can be dealt with as work progresses.

5.6 Although those risks requiring more detailed analysis have been prioritised there may be other risks that are suitable for a 'quick fix'. It might be useful to clear these to focus on bigger risks and also demonstrate the advantages to be gained through the risk assessment process.

5.7 To support this process it is suggested that identified risks are recorded in the relevant section of the service business plan. When populated this will be known as the operational risk register.

6. Risk Control – Risk Mitigation Strategies

6.1 Having identified and prioritised risks it is necessary to decide upon whether action is required that could reduce the impact and/or the likelihood.

6.2 The course of action decided upon will be determined by the level of risk that can be accepted. This level is known as your 'risk appetite'. The courses available are:

Treat	Take action that will reduce the likelihood and/or the impact of the risk.
Tolerate	Where the impact and/or the likelihood is inherently low or where controls or other risk management activity has reduced them to a low residual level and any further reduction would not be cost-effective.
Transfer	Transfer the risk either in whole or in part.
Terminate	Withdraw from the activity if possible. This is a response to risk that cannot be contained by treatment or transferred to another or where the rewards are not commensurate with the cost of treatment or transfer.

6.3 Any controls should always be proportional to the risk, 'over control' should be avoided. For example, loss control initiatives can be expensive and time consuming to initiate and it is therefore important to try and ensure that they are likely to be successful and will not cost more than the losses they are designed to avoid or mitigate.

6.4 Controls should be clearly described to avoid ambiguity and any obstacles or barriers that might arise and affect them should be explored along with early warning indicators.

6.5 Target dates for completion of aspects of control and reporting of progress should be made clear and recorded.

6.6 Some risks might seem too difficult to tackle because they are controversial, political, too big or too specialist. These should not be avoided but dealt with in a positive but proportional way by considering factors such as the opportunity to improve them, ease of improvement, cost of improvement and breadth of community affected.

6.7 Even with controls some degree of residual risk may remain in which case business continuity plans might need to be considered to reduce impact.

7. Risk monitoring and review

7.1 Few risks remain static and it is important to know and understand what is happening. This can be achieved through regularly monitoring progress and formally reviewing risks in order to:

- Gain assurance that progress is being made towards controlling risks and the effectiveness of controls.

- Monitor changes to the risk profile brought about by circumstances and business priorities i.e. new legislation.

7.2 A suggested monitoring period might be every three months with a more formal review period annually. The frequency will be dependent on the circumstances and environment around the risks. For example, within a rapidly changing environment monthly monitoring and three monthly reviews may be appropriate.

7.3 When monitoring and reviewing risks you need to be clear about how this is to be undertaken. It may help to develop a set of questions for example:

- Are the key risks still relevant?
- Has anything occurred which could impact upon them?
- Are performance indicators appropriate?
- Are the controls in place effective?
- Have risk scores changed and if so are they decreasing or increasing?
- If risk profiles are increasing what further controls might be needed?
- If risk profiles are decreasing can controls be relaxed?

7.4 Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

8. Summary

8.1 Working through this toolkit provides a simple basic methodology to help identify and manage most of the threats and opportunities that might arise.

8.2 It is important to ensure that continuous risk assessment feeds into any decision making and business process.

8.3 It may be helpful to understand how managing risk through this process fits in with the overall framework for managing risk throughout the Council. Details of this can be found in the document 'Risk Management Strategy'.