

**AUDIT COMMITTEE - 27 SEPTEMBER 2018**

**PART I – NOT DELEGATED**

**5. RISK MANAGEMENT STRATEGY**  
(CED)

**1 Summary**

1.1 This report proposes that a revised Risk Management Strategy be recommended to the Policy and Resources Committee.

**2 Details**

2.1 The Council is required to think about risk and how it manages risk as part of good governance. The Accounts and Audit Regulations 2006 require the council to have risk management processes in place and it makes good business sense to think about not only risks, but also opportunities when looking at policy making, embarking on projects and as part of our day to day operations.

2.2 The Council's current Risk Management Strategy was originally agreed in 2005 and apart from some minor amendments, has remained the same since then. Following a review of the current strategy by the officer Risk Management Group, it was decided to significantly amend it to provide a better framework for the effective management of risk within the Council. The current risk management strategy is published on the Council's [website](#).

2.3 The objectives of the risk management strategy are to:

- Maximise the opportunity for the Council to achieve its objectives
- Raise awareness of risk management
- Embed risk management into the culture and existing processes of the Council
- Minimise and manage risk and maximise opportunity
- Underpin corporate governance
- Make use of risk management as an operational tool to assist in meeting new demands and challenges
- Ensure continuity of service
- Protect the public image of the Council
- Provide a framework, procedures and guidance to enable everyone to manage risk in the best way

2.4 Risk Scores

2.4.1 The current strategy has a 6 x 5 scoring grid for determining the likelihood of a risk occurring and the impact should it do so. The scoring grid is reproduced below:

<b>Likelihood</b> ↑	A					Impact V = Catastrophic IV = Critical III = Significant II = Marginal I = Negligible	Likelihood A = ≥98% B = 75% - 97% C = 50% - 74% D = 25% - 49% E = 3% - 24% F = ≤2%	
	B							
	C							
	D							
	E							
	F							
		I	II	III	IV	V		
		<b>Impact</b> →						

*Impact Assessment*

Impact Classification	Service Disruption	Financial Loss	Reputation	Failure to provide statutory service/meet legal obligations	People
V Catastrophic	Total failure of service	>£50k	National Publicity. Resignation of leading member or chief officer	Litigation, claim or fine >£50k	Fatality of one or more clients/staff
IV Critical	Serious disruption to service	£25k - £50k	Local media criticism	Litigation, claim or fine £25k - £50k	Serious injury, permanent disablement of one or more clients/staff
III Significant	Disruption to service	£10k - £25k	Local public interest and complaints	Litigation, claim or fine £10k - £25k	Major injury to individual
II Marginal	Some minor impact on service	£1k -£10k	Contained within service	Litigation, claim or fine £1k - £10k	Minor injuries to several people
I Negligible	Annoyance but does not disrupt service	<£1,000	Contained within section	Litigation, claim or fine <£1k	Minor injury to an individual

*Likelihood Assessment*

A = Almost Certain	Expected to occur in most circumstances ( >95% )
B = Very High	Will probably occur in most circumstances ( 75% - 95% )
C = High	Fairly likely to occur ( 50% - 75% )
D = Low	Might occur from time to time ( 25% - 50% )
E = Very Low	Could occur occasionally ( 5% - 25% )
F = Almost Impossible	May occur only in exceptional circumstances ( <5% )

2.4.2 If a risk score is outside of the shaded area on the scoring grid, a separate Risk Treatment Plan should be completed. This identifies any additional controls that could be used to further mitigate the risk.

2.5 Revised scoring grid

2.5.1 The new draft strategy proposes a simpler 4 x 4 scoring grid and combines the Risk Register and Risk Treatment Plan into one document, which will be a more efficient way of recording the risk scores and will ensure that current and future mitigation controls are fully documented. The proposed new scoring grid is reproduced below:

<b>Very Likely</b> ----- <b>Likelihood</b> ----- ▼ <b>Remote</b>	<b>Low</b> <b>4</b>	<b>High</b> <b>8</b>	<b>Very High</b> <b>12</b>	<b>Very High</b> <b>16</b>
	<b>Low</b> <b>3</b>	<b>Medium</b> <b>6</b>	<b>High</b> <b>9</b>	<b>Very High</b> <b>12</b>
	<b>Low</b> <b>2</b>	<b>Low</b> <b>4</b>	<b>Medium</b> <b>6</b>	<b>High</b> <b>8</b>
	<b>Low</b> <b>1</b>	<b>Low</b> <b>2</b>	<b>Low</b> <b>3</b>	<b>Low</b> <b>4</b>
<b>Impact</b> Low -----▶ Unacceptable				

The current scores for impact and likelihood have been converted as follows:

Current Impact Score	
V	Catastrophic
IV	Critical
III	Significant
II	Marginal
I	Negligible

New Impact Score	
4	Catastrophic
3	Critical
2	Significant
1	Marginal

Current Likelihood Score	
A	≥98%
B	75% - 97%
C	50% - 74%
D	25% - 49%
E	3% - 24%
F	≤2%

New Likelihood Score	
4	Very Likely (≥80%)
3	Likely (21-79%)
2	Unlikely (6-20%)
1	Remote (≤5%)

2.5.2 The impact assessment classifications for the proposed new scoring grid are shown in the table below:

Impact Classification	Service disruption	Financial loss	Reputation	Failure to meet legal obligation	People
4 Catastrophic Impact	Total loss of service	> £500k	Adverse national media coverage / many complaints	Litigation, claim or fine > £500k	Fatality of one or more clients or staff
3 Critical Impact	Major service disruption	£100k - £500k	Adverse local media coverage / several complaints	Litigation, claim or fine £100k - £500k	Serious injury, permanent disablement of one or more clients or staff
2 Significant Impact	Service disruption	£25k - £100k	Local public interest / some complaints	Litigation, claim or fine £25k - £100k	Major injury to an individual
1 Marginal Impact	Minor service disruption	< £25k	Isolated complaints	Litigation, claim or fine < £25k	Minor injury to less than 5 people

## 2.6 Revised Risk Register template

2.6.1 The proposed new risk management strategy replaces the current risk register template and risk treatment plan template with a single form that contains the following information:

- Date risk added to the register
- Risk reference number
- Risk owner (*officer responsible for the risk*)
- Category (*strategic, operational, financial*)
- Risk description (*Description of the risk*)
- Comments about the risk (*cause/trigger, consequences*)
- Inherent likelihood score (*likelihood score with no controls in place*)
- Inherent impact score (*impact score with no controls in place*)
- Inherent risk score (*inherent likelihood score x inherent impact score*)
- Risk controls (*existing controls in place*)
- Risk control owner (*officer responsible for overseeing the existing controls*)
- Residual likelihood score (*likelihood score with controls in place*)
- Residual impact score (*impact score with controls in place*)
- Residual risk score (*residual likelihood score x residual impact score*)
- Risk direction (*are the risks going up, going down or staying the same*)
- Action plan (*additional controls to be implemented to further mitigate the risk*)
- Action plan owner (*officer responsible for implementing additional controls*)
- Action plan completion dates (*when additional controls will be implemented*)
- Comments on last risk review (*narrative on changes since previous review*)

**3 Options and Reasons for Recommendations**

3.1 The Accounts and Audit Regulations 2006 require the council to have risk management processes in place.

**4 Policy/Budget Reference and Implications**

4.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled Risk Management Strategy and was agreed in July 2015.

**5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

5.1 None specific.

**6 Recommendation**

6.1 That:

The Audit Committee notes the review and updating of the Risk Management Strategy and recommends that the Policy and Resources Committee agrees the Risk Management Strategy attached to this report at appendix 1.

Report prepared by: Phil King, Emergency Planning and Risk Manager

**Data Quality**

Data sources:

Risk Management Strategy 2015

Data checked by:

Phil King, Emergency Planning and Risk Manager

Data rating: Tick

<b>1</b>	<b>Poor</b>	
<b>2</b>	<b>Sufficient</b>	✓
<b>3</b>	<b>High</b>	

**Background Papers**

TRDC Risk Management Strategy (July 2015)

WBC Risk Management Strategy (November 2017)

**APPENDICES / ATTACHMENTS**

Appendix 1 – Draft Risk Management Strategy (September 2018)