



*Basingstoke
and Deane*

Risk Management

PPRN

7th July 2004

What is Risk Management?

Risk is the threat that an event or action will adversely affect an organisations ability to achieve its objectives and to successfully execute its strategies.

Risk management is the process by which risks are identified, evaluated and controlled.

Why bother?

- Delivers better informed decisions
- Increased focus on meeting objectives
- Reduces risk related costs & litigation
- Protects reputation

The CPA perspective

- Risk management is inconsistently applied
- Risks are not considered across all services
- Risk assessments have not been carried out on all capital projects nor have contingency plans been developed

Dealing with the problem

- Engaged District Audit to run a series of four workshops
- Outcome based approach
 - Awareness raising
 - Risk Management Strategy
 - Initial Draft Corporate Risk Register

Help from the Audit Commission

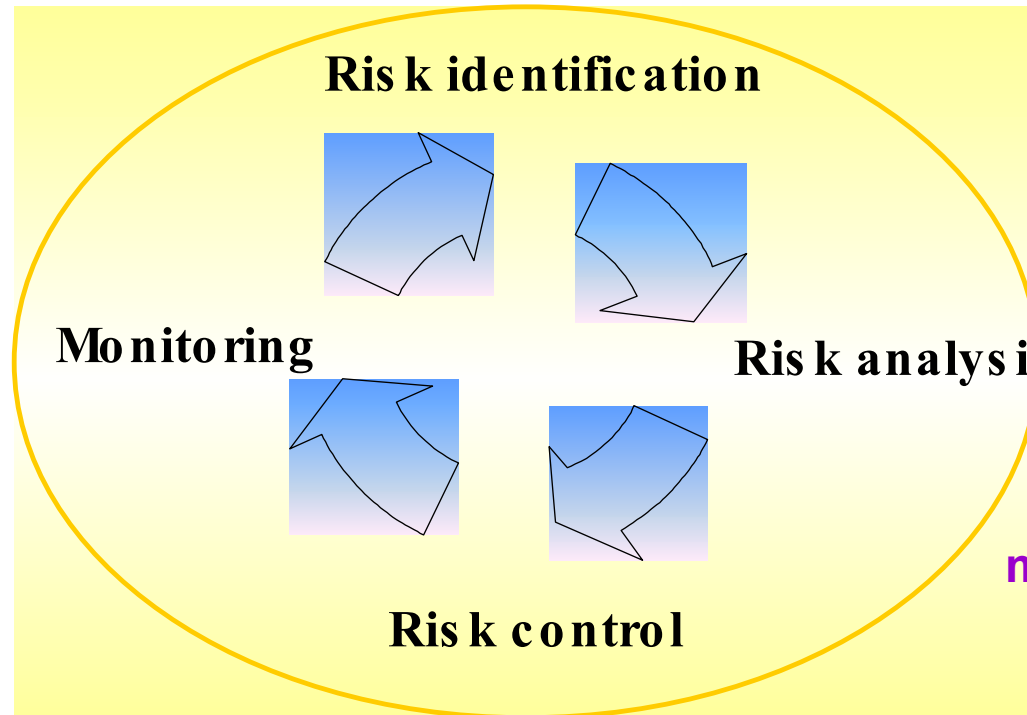
A Risk Management Strategy

Provides an overview of our approach and arrangements for managing risk

- Reinforces that it is an integral part of our service and strategic planning
- Highlights that it is the responsibility of all business units not one individual
- Outlines the corporate monitoring processes
- Sets out the action plan for implementation
- Approved by Cabinet in June 2004

A systematic approach

Identify risks



Decide which risks are significant

Agree control strategies to mitigate significant risks

Establish early warning mechanisms

Agree accountability for the risks

Share learning to improve

Post project evaluation

Monitor the risks

Identifying the risks

- What are the nature and extent of the risks to which we are exposed? Consider the following:
 - The critical success factors for a project
 - The services the council provides
 - The business process risks
 - How people might behave
 - The quality of management
 - The changing internal and external environment
 - The reactions of the public, local community or service users

- Important questions to ask are:
 - What are the major opportunities for the council?
 - What are the ‘killer risks’ from which we would not recover?
 - What damaging headlines need to be avoided?
 - What types of business probity issues are we susceptible to?
 - What are the legal and regulatory risks to which we are exposed?
 - What risks arise from our business processes?

Sources of Risk –

External Environment

Infrastructure
Politics and law
Social factors
Technology
Competition
Stakeholders

Governance

Integrity
Leadership
Policy and strategy
Data and information

Operations

Finance
Human resources
Contracts & partnerships
Assets
Process
Professional

Types of Risk

Strategic Risks

Political – failure to deliver either local or central government policy

Economic – affecting our ability to meet financial commitments

Social – effects of demographic changes, residential or socio-economic trends on our ability to deliver our objectives

Technological – capacity to meet technological changes or use of technology to deliver services

Legislative – current or potential changes in law

Environmental – environmental consequences of delivering our objectives

Competitive – affecting competitiveness of our services or our ability to deliver value for money

Customer/citizen – failure to meet current or changing needs and expectations of customers

Operational Risks

Professional – e.g. benefits, housing service concerns

Financial – financial planning and control, adequacy of insurance cover

Legal – breaches of legislation

Technological – reliance on operational equipment

Contractual – failure of contractors to deliver on time and within budget

Environmental – pollution, noise or energy efficiency of service operation

Physical – fire, security, accident, health & safety

Analysing the risks

- What would happen if the risk did occur? Consider the following:
 - What is the potential impact of the risk?
 - What is the likelihood of it actually arising?
 - What is the total risk assessment?
 - Which risks are significant and warrant preventive action?

Assessing the impact -

| Severity of impact | Personal Safety | Failure in Statute | Failure in Statute or Legal Obs | Financial business loss | Personal privacy infringement | Reputation / Image | Impact on the Borough |
|--------------------|-----------------|---|---------------------------------------|-------------------------|--------------------------------------|--|--|
| LOW | Minor injury | Adverse comments in Audit Management Letter | Claim £1k to £50k | £1k to £50k | Isolated personal detail compromised | Contained within section / dept. | Affects 1 Ward |
| MEDIUM | Major injury | Formal qualification of audit data | Claim or fine £51k to £250k | £51k to £250k | Several personal details compromised | Local or public interest or local press aware | Affects more than 1 ward or up to 50% of the wards |
| HIGH | Death | Application of special measures by Audit Commission or Government | Claim, fine custodial sentence >£250k | £250k | All personal details compromised | National press / public interest Office/Member forced to resign | Affects over 50% of the wards or the whole Borough |

Assessing the likelihood -

1. **LOW** - unlikely (once in 4 or more years)
2. **MEDIUM** - possible (once in 13 mths -3 years)
3. **HIGH** - likely (once or more in 12 months)


Orange – These are generally acceptable, but ensure that mitigation is effective



Red – These are the highest risks and must be mitigated by some action



**I
M
P
A
C
T**

| | | | |
|---|----------------|-------------------|-----------------|
| High (3) | 3 | 6 | 9 |
| Medium (2) | 2 | 4 | 6 |
| Low (1) | 1 | 2 | 3 |
|  | (1) Low | Medium (2) | High (3) |

Green – These could be left alone, but query whether unnecessary mitigation is taking place

LIKELIHOOD

Controlling the risks

- What action needs to be taken to minimise the probability and impact of the risk? Consider the following:
 - Are you happy to accept the risk?
 - What controls will be put in place?
 - Transfer the risk
 - Insure against some or all of the risk
 - Build in control processes
 - Share the risk with another party
 - Avoid the risk
 - Who is accountable for managing the risk?
 - Is there any residual risk?

Monitoring the risks

- How will the risks be recorded? Are the risk control measures effective? Have circumstances changed? Consider the following:
 - What are the key corporate and operational risks?
 - Who is responsible for monitoring them?
 - What reporting mechanisms are needed?

Logging the risks -

- **Corporate Risk Register**
 - Log all high strategic and operational risks
- **Service Plan Risk Assessment**
 - Assess the key risk against each project
- **Capital Appraisal Scheme**
 - Risk assessment element as part of bidding process
- **New Report Format and Impact Assessment**
 - Risk analysis shown in all Cabinet and Management Team reports
- **New Policy Analysis Process**
 - Identify inherent risk of new policy / legislation

CORPORATE RISK REGISTER

| Ref | Description of Risk | Inherent Risk | | Matrix Score | Current Mitigation | Who | Residual Risk | | New Matrix Score | Further Mitigation Required | Who | Residual Risk | | New Matrix Score | Internal Audit Recommend |
|--------------------------|--|---------------|---|--------------|---|-----|---------------|---|------------------|-----------------------------|-----|---------------|---|------------------|--------------------------|
| | | I | L | | | | I | L | | | | I | L | | |
| STRATEGIC RISKS | | | | | | | | | | | | | | | |
| RR2 | Failure to provide a community strategy | 3 | 2 | 6 | Input to LSP Executive Input to network partners Effective consultation Policy forecasting | | 2 | 2 | 4 | LSP Performance Framework | | 2 | 1 | 2 | |
| OPERATIONAL RISKS | | | | | | | | | | | | | | | |
| RR3 | Partial failure in significant systems e.g. benefits | 3 | 3 | 9 | System investment Off site back up IT maintenance Training | | 2 | 2 | 4 | Disaster Recovery Plan | | 1 | 2 | 2 | |

Responsibility for monitoring -

- Internal Audit –
 - To provide assurance on the effectiveness of controls identified in the Risk Register
 - To audit the risk management process to identify the adequacy of the system
- Performance and Review –
 - To monitor implementation of mitigation
 - To report progress, changes, new risks

Reporting risk -

- 6 monthly meeting with Chief Executive
- Quarterly monitoring of:
 - Budgets – financial risks
 - Personnel issues
 - Performance
- Forward Plan of Key Decisions
- New policy / legislation
- Scrutiny Committee

Rolling it out

- Audit Commission workshops
- Management Forum practical session
- Programme of one-to-one business unit training
- Lunch time awareness sessions
- Publication of a Toolkit
- Review of joined up risk

- LSP ???
- Members ???

Thank You