

Taunton Deane Borough Council

Corporate Governance Committee – 12th March 2012

Risk Management

Report of the Performance & Client Lead

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

1. Executive Summary

1.1 This report provides an update on progress with Corporate Risk Management.

1.2 The Corporate Management Team (CMT) have undertaken the scheduled full annual reappraisal and a refreshed Corporate Risk Register for 2012 is now being drafted. Members of the Corporate Governance Committee are invited to contribute to the process of refreshing the Corporate Risk Register by identifying strategic risks.

2. Background

2.1 Introduction

Risk Management is an important element of management and in planning and providing the safe delivery of economic, efficient, and effective Council services. It is recognised as an integral part of good management practice. To be most effective, risk management should become part of the Council's culture. It should be part of the philosophy, practices and service planning rather than viewed as a separate initiative. When this is achieved, risk management becomes the business of everyone in the organisation and therefore is embedded

2.2 Corporate Risk Management Strategy & Process Guide (see appendix A)

The purpose of the Corporate Risk Management Strategy and Process Guide is to act as a communications tool to ensure that the Corporate Management Team (CMT) has a shared understanding of the responsibilities and process for Risk Management, as well as the measures of *probability* and *impact* for strategic risks.

A summary of the content of the document is as follows:

- Key definitions / Glossary of terms
- Risk Management process steps
- Tools and techniques
- Summary of records and templates
- Scales for estimating probability and impact
- Roles and responsibilities
- Early warning indicators
- Timing of risk management activities

2.3 Roles and responsibilities of the Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the corporate governance of the authority. It will receive regular reports on way risk is being managed in the authority.

Members' key tasks in relation to Risk Management are:

- Approving the Risk Management Strategy and implementation plan.
- Monitoring the effectiveness of the Council's risk management and internal control arrangements.
- Reviewing the Corporate Risk Register

3. Risk Management progress update

3.1 Corporate Risk Register

3.1.1 The annual reappraisal of strategic risks has been carried out by the Corporate Management Team (CMT) during January and February. The process commenced with a CMT Risk 'workshop' in January to identify external and internal risk factors – a 'brainstorming' approach was used, with reference to a 'Risk Prompt List'. Follow-up meetings were subsequently held with individual risk 'owners' to correctly describe and estimate the probability and impact of each risk.

3.1.2 The next step is to complete the refreshed Corporate Risk Register – this is currently in draft stage pending the input and contribution of members of the Corporate Governance Committee (at this meeting). The 'Strategic Risks Prompt List' is included in Appendix B. This is designed to stimulate thinking about sources of strategic risk from within the organisation, and in the external organisational environment.

3.1.3 'Risk Response Action Plans' for the highest level risks will be developed once the risk identification and assessment stage is complete. These plans will contain:

- details of the actions and controls in place (or planned)
- the 'actionee' (the Officer with responsibility for the action)
- progress monitoring (ie 'Green', 'Amber' or 'Red' status alert)
- Post-response target risk score (where appropriate)

The Performance & Client Lead will monitor progress of the actions, and will update the action plan as part of the on-going Risk Management process.

3.2 Operational Risk Registers

3.2.1 Risk Registers are currently in place for each Theme as part of the 2011/12 service planning process.

3.2.2 Theme / Service Risk Registers are currently being reviewed and refreshed as part of the annual service planning process – to be completed by April 2012. Service Plans for 2012/13 (including Risk Registers) should be discussed with and approved by the relevant Strategic Director and Portfolio / Shadow Portfolio Holders.

3.3 Project Risk Registers

A summary of key corporate project risk registers in place is as follows:

Corporate Project	Owner	Date / version	Notes / Governance
Welfare & Finance Reform. (New project)	Paul Harding	1 st draft	Reporting to CMT & Members' Change Steering Group
Olympic Torch Relay event	David Evans		Within Event Management Plan
LDF Core Strategy	Simon Lewis	June 2011	Strategy Unit service plan
SAP implementation & re-launch	Richard Sealy	Dec 2011	Performance & Client team service plan
DLO internal transformation	Brendan Cleere	Nov 10 (v1.2)	This is being refreshed in light of the decision to approve the internal transformation (within DLO service plan 2012/13)
Procurement transformation	Paul Harding	Client team risk & issues log	monthly review at Procurement Steering Group & Procurement Client Management meetings
Priority Areas Strategy	Mark Leeman	Nov 2010	Risk Management to be used as part of project selection
HRA Reform Project	James Barrah	June 2011	Included within draft Corporate Risk Register

3.4 Risk Management Action Plan 2012

3.4.1 The key areas of focus to further improve and embed Risk Management during 2012 are shown in the TDBC Risk Management Action Plan (see Appendix C). A Risk Management 'Health Check' and 'Maturity Model' will be used to further develop this action plan during 2012.

4. Finance Comments

4.1 Financial risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

5. Legal Comments

5.1 Legal risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

6. Links to Corporate Aims

6.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected

7. Environmental and Community Safety Implications

7.1 These areas are considered within the Corporate Risk Register.

8. Equalities Impact

8.1 An Equalities Impact Assessment is not required. Equalities issues are considered within the Risk management process.

9. Risk Management

9.1 This report outlines all aspects of corporate Risk Management.

10. Partnership Implications

10.1 Partnership risk management is referred to in the Risk Management Strategy, Action Plan, and Corporate Risk Register.

11. Recommendations

11.1 It is recommended that the Corporate Governance Committee:

- Contribute to the annual refresh of the Corporate Risk Register (ie the risk identification process)
- Note progress with Corporate Risk Management

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APPENDIX A

TDBC Corporate Risk Management Strategy and Process Guide

1. Introduction

This Risk Management Strategy refers specifically to risk management at the corporate / strategic perspective for TDBC.

The purpose of this strategy is to act as a communications tool to ensure that the Corporate Management Team (CMT) has a shared understanding of the responsibilities and process for Risk Management, as well as the measures of *probability* and *impact*.

This Risk Management Strategy has been created for application at a strategic level, where the primary concern is the long-term strategic goals and decision-making which sets the context for decisions at all other levels of the organisation. This should be achieved through the Corporate Strategy and Corporate Transformation / Change Programmes, where Risk Management should be the basis for effective management, objective-setting, and decision-making at all times.

As a guide, the criteria for risks to be included on the Corporate Risk Register is:

- Risks associated with strategic goals and decisions, ie overall long-term 'business' success, vitality and viability
- Risks with organisation-wide and/or significant community impact
- Risks with high priority and/or urgency that require managing at CMT level (for example risks that have been escalated from operational or project risk registers)

Corporate Governance & Internal Control – the UK Corporate Governance Code (2010) states: *“The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems”*.

Some key definitions / Glossary of Terms

RISK – an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.

THREAT – an uncertain event (risk) that would have a negative impact on objectives if it occurred

OPPORTUNITY - an uncertain event (risk) that would have a positive impact on objectives if it occurred

ISSUE – a relevant event that has happened, was not planned and requires management action. Issues can be problems, benefits, or just situations that have occurred (eg a query or change request).

RISK MANAGEMENT - is the systematic application of principles, an approach and a process to the tasks of identifying and assessing risks, and then planning and implementing risk responses.

RISK CAPACITY – is the maximum amount of risk that an organisation can bear, linked to such factors as its reputation, capital, assets, external regulators/Government.

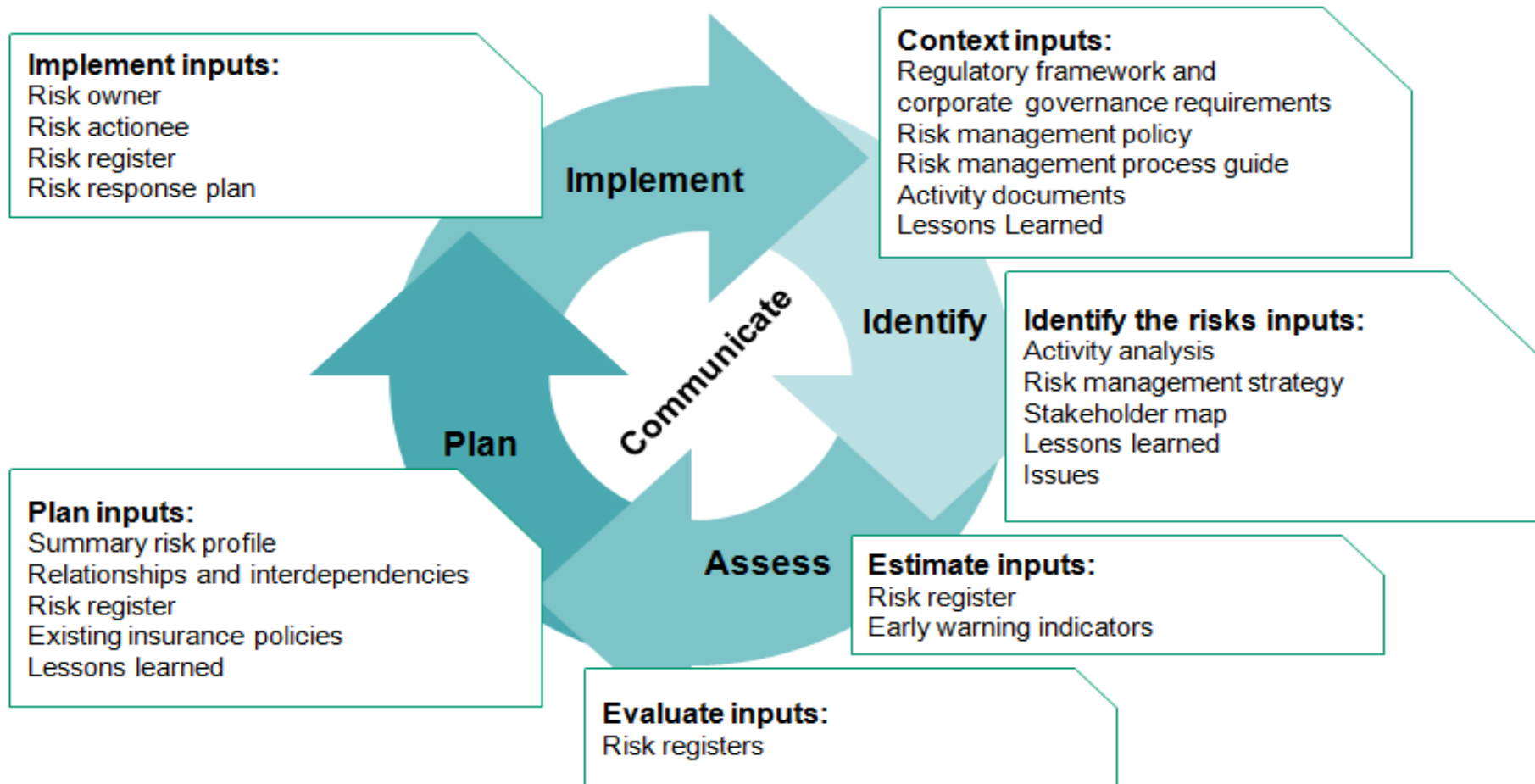
RISK APPETITE – is the amount of risk the organisation is willing to accept, ie the propensity to take risk versus the propensity to exercise control. Risk appetite must be integrated with the control culture of the organisation. The strategic level is proportionately more about risk taking than exercising control.

RISK TOLERANCE – the threshold levels of risk exposure which, when exceeded, will trigger an escalation. Risk tolerances are defined by considering the risk appetite (eg at a strategic level, or for a specific project or service) in the context of the overall organisational risk capacity.

2. Summary of risk management process, tools & techniques

The management of risk process steps

The output of each process step provides most of the inputs to the next process step. The output of the implement step is a Risk progress report.



The primary processes and associated tools & techniques are shown below

Process	Tools & techniques	Goals and Outputs
Identify <ul style="list-style-type: none"> • Context • Risks & • Issues 	<ul style="list-style-type: none"> • Stakeholder analysis (including RACI diagram) • SWOT analysis / PESTLE analysis • Horizon scanning • Brainstorming • Prompt list • Risk descriptions (ie risk 'event' and 'effect') • Define the Probability Impact grid & scales 	<ul style="list-style-type: none"> • Identify Context - to obtain information about the organisation and how it fits into the wider organisation & community • Identify Risks & Issues – to identify risks to & issues affecting the achievement of strategic/corporate objectives with the aim of minimising threats and maximising opportunities • The 1st stage in the preparation of a Risk & Issues Register
Assess Estimate & evaluate	<ul style="list-style-type: none"> • Probability assessment • Impact assessment (Cost; People; Operational requirements) • Proximity assessment • Risk evaluation – the overall risk exposure by evaluating the net effect identified threats and opportunities (Summary Risk Profiles) 	<ul style="list-style-type: none"> • To prioritise each risk and issue so that it is clear which are most important and urgent • To understand the overall Risk Exposure faced by the organisation • The 2nd stage in the completion of the Risk & Issues Register
Plan	Risk & Issue response action planning	<ul style="list-style-type: none"> • The preparation of specific management responses to the risks (threats & opportunities) and issues identified – ideally to remove or reduce threats & to maximise opportunities • Important to identify individuals responsible for the response action and ownership of each risk / issue • The final stage in the completion of the Risk & Issues Register • NB – an additional Risk / Issue Response action plan may be necessary where a more robust & detailed action plan is needed
Implement	Ensure that planned risk & issue management actions are implemented and monitored and regularly reviewed	<ul style="list-style-type: none"> • To ensure that the planned management actions are implemented and monitored as to their effectiveness, and corrective action is taken where responses do not match expectations • Update the Risk & Issues Register as necessary with new risks, closed risks, revised risk scores, changes/additions to the response actions

3. RECORDS & TEMPLATES

3.1 Risk & Issues Register

To help keep things simple, we have produced a template that combines both Risks and Issues onto a single register. The template allows for clear distinction between Risks and Issues.

The Risk & Issues Register template is attached here.



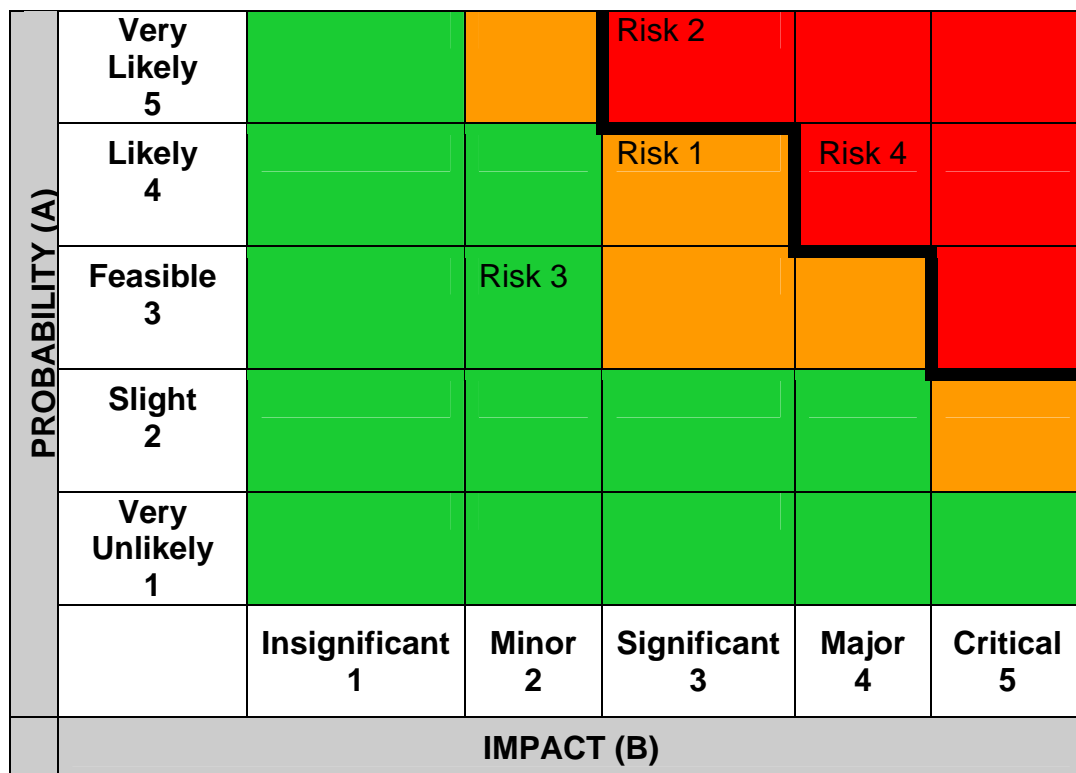
Risk & Issue Register template (Jan 12).xls

This template includes guidance on its completion plus an example of a risk and an issue.

3.2 Summary risk profile

Once the Risk Registers have been completed they will be supplemented with a Summary Risk Profile. This is a simple graphical representation of the total risk to the project, showing all the key risks on one picture. The Summary Risk Profile includes the 'Risk Tolerance Line' and will clearly show all risks that sit above this line indicating the highest priority, therefore requiring the closest management attention.

Example of a Summary Risk Profile



4. SCALES FOR ESTIMATING PROBABILITY AND IMPACT

4.1 Probability Scale

Probability	Criteria	Likelihood
Very likely	>75%	Almost certainly will occur
Likely	51-75%	More likely to occur than not
Feasible	26-50%	Fairly likely to occur
Slight	6-25%	Unlikely to occur
Very unlikely	0-5%	Extremely unlikely or virtually impossible

4.2 Impact Scales **(NB – this is still under development)**

	Cost Impact	Internal / Organisational Impact	External / Public Impact
Critical	£250k+	<ul style="list-style-type: none"> • Services: Major impact on ability to provide key / statutory services • Staff - major detrimental impact on staff (eg multiple redundancies). • Legal - significant legal implications (complex &/or costly). • Partners - major detrimental impact on existing partnerships / significant contractual implications. 	<ul style="list-style-type: none"> • Reputation - major / irreparable / long-term damage • Service usage - direct or indirect impact resulting in loss or major reduction of services which has significant detrimental effect on high % of community • Equalities - significant impact on multiple groups
Major	£100k - £250k		
Significant	£50k - £100k	<ul style="list-style-type: none"> • Service - Significant detrimental impact on ability provide service • Staff - some detrimental impact on staff (eg less favourable T & Cs). • Legal - some legal implications, but resolvable at a cost • Partners - some detrimental impact on existing partnerships / some contractual implications. 	<ul style="list-style-type: none"> • Reputation - significant, short or medium-term damage • Service usage - direct or indirect impact resulting in loss or reduction of services which has significant detrimental effect on low %, or minor effect on high % of community • Equalities - significant impact on small number of people / minor impact on high number of people
Minor	£10k - £50k		
Insignificant	<£10k	<ul style="list-style-type: none"> • Service - Minor detrimental impact on ability provide service • Staff - minor detrimental impact on staff (eg no, or very few redundancies). • Legal - no, or easy to resolve legal issues • Partners - minor detrimental impact on existing partnerships / no contractual implications. 	<ul style="list-style-type: none"> • Reputation - minor / short-term damage • Service usage - direct or indirect impact resulting in reduction of services which has minor detrimental effect on small % of community • Equalities - minor impact

5. ROLES & RESPONSIBILITIES

All members of CMT are required to follow the Corporate Risk Management Policy, and this Risk Management Strategy.

Chief Executive & Strategic Directors

Will demonstrate commitment to risk management through:

- Being actively involved in the identification and assessment of strategic risks, and helping Theme Managers & Leads understand and appreciate the significance of these throughout the organisation
- Monitor and act on escalated risks
- Encouraging staff to be open and honest in identifying risks, near misses and salvaged situations, and missed opportunities.
- Ensuring that the risk management process is part of all major projects partnerships and change management initiatives.
- Monitoring and reviewing regularly relevant PI's to reduce or control the significant risks.

Portfolio Holder (...insert name...):

To consult with relevant Officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and financial and other Risk Management issues that may arise from the decision.

Theme Managers:

- Ensure Risk Management Strategies exists for their Theme
- Ensure that the Corporate Risk Management Policy is implemented throughout their Theme and ensures participation in the delivery of risk management
- Own and manage escalated risks as appropriate
- Escalate risks (ie to CMT / Strategic Director and/or Portfolio Holder) or delegate risks (eg to Lead Officers)
- Assist their teams in embedding the necessary risk management practices
- Contribute to the identification of key risk areas and ensures that risk registers are in place, with a regular risk review and escalation process
- Establish how risk management will be integrated with performance management and change control within their Theme

Service Manager / Lead Officers:

- Participates in the identification, assessment, planning and management of risks
- Implements the Risk Management Policy within their area of responsibility
- Escalates risks as necessary (eg to Theme Manager)
- Understands the Risk Management Policy & Strategy and how it affects them and their teams

Reporting and escalation

The CMT Structure Chart illustrates the appropriate reporting lines and routes for escalation of Risks and Issues. This is found on the intranet: ([link](#))

6. Early Warning Indicators (EWI)

An EWI is a measure (like a KPI), but should be seen as a leading indicator for an objective. For example, the Theme / Service may have an objective and associated KPI about the level of customer service excellence delivered. An EWI for this objective may be the retention rate of staff within key customer-facing roles.

The following are examples of KPIs and EWIs that should be monitored on a regular basis (minimum quarterly), providing a trend analysis and guidance on the 'health' of the Theme and its services:

- New risks that materialise
- Finance (budget monitoring) – variance to budget
- Staff sickness levels
- Staff turnover
- Accidents and incidents (staff and public)
- Customer satisfaction
- Internal audit results (ie 'Partial' or 'No' opinion, and Priority 4 & 5 recommendations)
- Achievement of 'delivery on time' targets ('inputs')
- Complaints / Feedback data (eg % resolved within 10 days, % upheld, trends/repeated complaints)
- Performance 'outputs' vs. Target (actuals year-to-date, or projected year-end outturn)

The current set of corporate Early Warning Indicators is found in the Corporate Performance Scorecard.

7. Timing of Risk Management activities

Risk Management should be applied continuously with information made available when critical decisions are being made. At the strategic level, the emphasis is on long-term goals; these set the context for decisions at other levels of the organisation. The risks associated with strategic decisions may not become apparent until well into the future. It is, therefore, essential to review these decisions and associated risks regularly.

Risk Management should be the basis for effective management of the organisation at all times, including in support of decision-making when planning the introduction of change to any organisational perspective:
Strategic; Programmes & Projects; Operational

Trigger points should be used to monitor and review risks, for example:

- Changes in organisational structure and/or personnel changes
- Change Management activities
- Introduction of new or changed standards or processes
- Whenever something unexpected occurs or fails within the organisation
- Review / refresh of Corporate Strategy
- Initiation of new partnerships
- Annual Service Planning
- Quarterly monitoring and review of performance & risk
- Programme or Project initiation (and on-going project management & review)
- Inclusion in Council Reports (especially where key decisions are required)

Strategic Risks - Prompt List

APPENDIX B

This prompt list is merely to prompt initial thought and provide stimuli when identifying corporate risks. It is not exhaustive and very unlikely that it will cover every risk category. Please consider both threats and opportunities.

External Factors (National and Local)

A 'PESTLE' analysis is a scan of our *external* environment (with particular reference to the future) and an investigation of the important factors that are changing which may influence and impact on TDBC's objectives from the outside. To be most effective, this PESTLE should be based on the achievement of TDBC's corporate aims ('TRAC') and could be used to help inform the impending review of these aims.

Risk category	Examples of Risk Factors	Notes (eg specific threats & opportunities to TDBC)
Political	<ul style="list-style-type: none"> • Big Society / Localism / Decentralisation • 	
Economic	<ul style="list-style-type: none"> • National economic conditions • Local economic conditions • Employment rates • Interest rates • Hinkley Point? • New business registrations / closures 	
Social	<ul style="list-style-type: none"> • Local demographics • Areas of deprivation • Demand (eg for housing, benefits) • Health • 	
Technological	<ul style="list-style-type: none"> • Increasing Internet usage (opportunity?) • 	
Legislation	<ul style="list-style-type: none"> • Planning policy reform • Revs & Bens policy changes • HRA Reform • Govt Housing Strategy • Equalities duty • Health & Safety regs • 	
Environmental	<ul style="list-style-type: none"> • Climate Change • Flood risks 	

Internal Factors

Risk category	Examples of Risk Factors	Notes (eg specific threats & opportunities to TDBC)
Financial	<ul style="list-style-type: none"> • Budget Review / MTFP (Govt Grant cuts) – how & where to make further cuts? • Income risk (car parking, licensing, Building Control, DLO, Deane Helpline) • Financial planning & management • Procurement savings • Treasury Management / Investments • Debt Management • Creditors 	
Partnerships (& outsourcing / shared service delivery)	<ul style="list-style-type: none"> • SW1 • Tone Leisure • SWP • SWPSHP • Taunton Deane Partnership • Others (eg Brewhouse, VCS) • Supply chain failure 	
Human Resources	<ul style="list-style-type: none"> • Skills (gaps, loss) • Staff morale & well-being (stress/sickness etc) • Industrial relations / Industrial action • Redundancy process 	
Health & Safety	<ul style="list-style-type: none"> • Significant hazards resulting in major Accidents & Incidents (eg Empty buildings, Parks & play equipment, reducing CCTV) 	
Civil Contingencies / Incident & Crisis Management / Business Continuity	<ul style="list-style-type: none"> • BCPs comprehensive & effective? • Ability to cope with major emergencies? • IT disaster recovery planning? 	
Security	<ul style="list-style-type: none"> • Buildings & contents • Staff • Information governance / data security 	
Asset Management (AMP)	<ul style="list-style-type: none"> • Deane House (sharing with Police) • Investment potential (opportunity) • Lack of maintenance • IT infrastructure / hardware 	

Key Projects & Major Events	<ul style="list-style-type: none"> • Halcon regeneration • Core Strategy • Olympics • Project management experience & competence? 	
Corporate Governance & Internal Control	<ul style="list-style-type: none"> • High risk Audit recommendations / weaknesses (ie priority 4 & 5) • Financial controls • Fraud & theft 	
Leadership	<ul style="list-style-type: none"> • CMT restructure / reduction in capacity • Political leadership (no overall control situation / potential for further political leadership change?) • Organisational resilience & continuity • Long-term strategy sidelined due to short-term financial constraints • Managing political and community expectations (& reputation) 	
Change Management / Transformation Programmes	<ul style="list-style-type: none"> • SAP? • Efficiencies through technology & processes (Fiona Kirkham's project) • DLO Transformation • Transformation / Change Management / Programme Management skills & experience? 	
Operational / Service Delivery	<ul style="list-style-type: none"> • Serious service failure • Wide-scale under-performance / reducing service quality • Non-compliance with statutory duties • Long-term sustainability of services 	

TDBC RISK MANAGEMENT ACTION PLAN (February 2012)

APPENDIX C

Aim: To embed a Risk Management culture, leadership & systems across the Authority. (P & C service priorities 2011/12)

Item	Action	Responsible Person	Date for completion /review	Status	Notes
1	Issue new Risk Register template & guidance to Theme Managers	DW	End Dec 11	☺ Complete	Included in Service Planning template & guidance
2	Theme Managers to review Theme / Service risks and update operational risk registers (DW to help facilitate if required)	All TMs	End March 12	☺	On track
3	Annual review of strategic risks – complete new Corporate Risk Register	CMT	Jan – Feb 12	☺	CMT workshop held 23 Jan. Corporate Risk Register drafted
4	6-month review of Corporate Risk Register	CMT	Summer 12		Not yet due
5	Review and revise Risk Management Policy, Strategy & Process Guide. (Report to CMT & Corporate Governance Committee for approval)	DW	Sept 12	☺	Strategy & Process Guide drafted. RM Policy review by Sept.
6	Conduct Risk Management 'Health-check' (self-assessment) and update RM action plan accordingly	DW	March 12	☺	Health Check completed by DW & SA 18 Jan.
7	Develop and implement a plan to integrate and join-up Risk Management skills, systems & knowledge, ie Risk management; Health & Safety; Business Continuity / Civil Contingencies	D Webb D Woodbury J Lewis	From Jan 12	☹	Initial meeting held Dec 2011. Proposal for series of Risk workshops in Leads meetings (various topics & scenarios)
8	Further develop corporate Risk Response action plans & regular monitoring of these	DW & CMT	Quarterly		Will follow once Corporate Risk Register finalised
9	Ad-hoc monitoring of appropriate consideration of Risk Management within council reports / decisions	DW	Ad-hoc	☹	Not regularly done yet.
10	Bi-annual RM report to Corporate Governance Committee	DW	March & September	☺	Report 12 th March 2012
11	Maintain an up-to-date list of Project and Operational Risk Registers (inc latest review dates)	DW	Quarterly	☹	Need to collate full set of corporate project risk registers