



Oxford City Council

Risk

Management Strategy

(Draft)

Forward

This is the Council's Risk Management Strategy. This strategy aims to improve the effectiveness of risk management across the Council. Effective risk management will allow us to:

- have increased confidence in achieving our key priorities and targets
- reduce the threat of risks to an acceptable level
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- improve our corporate governance arrangements

This document provides a comprehensive picture of how Oxford City Council is taking responsibility to manage its risks and opportunities using a structured and focused approach. It covers:

- what we mean by risk management
- why we need a Risk Management Strategy
- our philosophy towards risk management
- how we will implement the Strategy
- how our risk management framework will operate
- roles and responsibilities
- training requirements
- how we will measure success

John Goddard
Leader of the Council

Caroline Bull
Chief Executive

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Report Details:	
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Description	Sets out responsibilities and approach to managing risk
Contact	Penny Gardner/Sarah Fogden
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1. Introduction

Why is Risk Management Important?

1. Risk management is not only a statutory requirement, but a fundamental part of good management. As such its implementation is crucial to the Council, and essential to its ability to discharge its various functions, as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds, a significant employer, and a major component part of the local community.
2. Risk management at Oxford City Council is about improving our ability to deliver our strategic objectives by managing our risks, taking advantage of our opportunities and creating an environment where risk management is at the heart of operational activities and delivery.
3. Risk management is a key part of corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving those objectives. Good risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals.

The regularity background

4. The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. The Accounts and Audit Regulations established requirements related to systems of internal control, and the review and reporting of those systems.
5. Regulation 4 of the Accounts and Audit Regulations 2003 required that from 1 April 2003, *“local authorities shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”*

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices.”

6. In discharging these requirements, the guidance states that “Authorities should consider the risks to achieving objectives and ensure that controls are in place to mitigate them through the application of a risk management process”. Furthermore, local authorities should also collect assurances “that allow it to form conclusions on the efficiency and effectiveness of operations and mitigate future financial and service delivery risks.” These assurances should underpin the Statement on Internal Control.

While Risk Management at Oxford City Council is not a compliance exercise, there is an expectation that we put sound risk management arrangements in place.

The benefits of risk management

7. The benefits of successful risk management include:

Better operational performance

- increased number of targets achieved
- stronger internal controls
- improved service delivery
- increased positive feedback from stakeholders
- improved planning through anticipation of risks

Improved financial performance

- increased percentage of objectives achieved
- reduced level of fraud
- improved income generation
- better budget management

Improved human resources management

- reduced staff turnover
- reduced days lost to sickness

Improved corporate governance and compliance systems

- reduction in legal challenges
- improved score on CPA and other inspections

Improved insurance management

- reduced cost of insurance premiums
- lower number and levels of claims
- reduced uninsured losses

8. Further advice and assistance on risk management is available from the Business Manager Finance and Asset Management (who is also the Council's "Risk Champion").

2. Aim and Objectives

Aim

9. The aim of this strategy is to improve our ability to deliver our strategic priorities by managing areas of uncertainty, taking advantage of our opportunities and creating an environment that adds value to ongoing operational activities.

Our Philosophy

10. Notwithstanding the requirements of the Statement on Internal Control, given the nature of our operations and activities and the number and significance of our projects and initiatives, effective risk management is an essential part of our role.
11. We recognise that we are in an important position as a leader of local communities, a deliverer of public services, a custodian of public funds and a partner to other bodies who, like us, strive to make Oxford a better place to live, work and visit.
12. On the one hand, our raison d'être is to deliver first class services, to lead and innovate and provide a catalyst for the development of our region – to achieve this, we may need to take risks that others will not. Calculated risk-taking to enhance performance and achieve our desired outcomes is fundamental to our way of working and aligns us in our risk management strategy with the most forward looking public sector bodies.
13. At the same time we are a public body, accountable to our local communities, operating in a governance framework set and monitored by the Audit Commission. This, rightly, requires us to comply with the highest standards on legal and financial matters, and to be able to account in detail for our decisions and actions. Our risk management strategy must recognise this framework.
14. In summary, our risk management strategy is to achieve the balance in our culture, management arrangements, resource allocation and controls that support our people and partners in achieving our objectives, and ensure we operate successfully within our governance framework. Setting and promulgating this overall approach to risk management is the responsibility of the Full Council, but must be implemented by us all.

Risk Management Objectives

15. Our philosophy is to formalise in a simple manageable way, to build competencies and develop our approach as we become more experienced and skilled. As part of this philosophy, our objectives are to:
 - Develop risk management and raise its profile across the Council
 - Integrate risk management into the culture of the Council and make it part of all decision making processes
 - Actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
 - Provide a framework and support so that risks do not become an inhibiting factor in decision making

- Manage corporate risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

16. To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Policy on an annual basis
- Establishing clear accountabilities, roles and reporting lines across all directorates
- Providing staff across the Council with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council
- Developing arrangements for the reporting and recording of risks
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and delivery agents are aware of the Council's expectations on risk

17. We will review the Risk Management Strategy annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any amendments will be recommended to the Audit and Governance Committee to take forward for approval by the Executive Board. A Risk Management Policy is attached at Appendix A.

3. Definitions

18. This section provides a brief definition of the terms used within this risk strategy and the definitions that Oxford City Council is working to.

Risk

19. There are lots of definitions of risk in circulation. For example the Office of Government Commerce and the British Standards Institute define risk as:

“Risk is a condition, an act, situation or event with the ability or potential to impact on units/departments by either enhancing or inhibiting corporate/departmental performance, attainment of corporate/departmental objectives or meeting stakeholders’ expectations”.

While this is a comprehensive definition, in simple terms a risk is something that, if it happened, could prevent us from achieving our objectives.

Risk management

20. There are numerous slightly different definitions of risk management, which essentially cover the same points. Oxford City Council’s approach to risk management is based upon best practice and is defined in the Oxford Plan as:

“the process of assessing the risks in order to minimise and manage them”

21. This definition has been drawn from the definitions used by many of the agencies that advise on best practice in relation to risk management.

4. Roles and Responsibilities

22. Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with:
- the Leader and Executive Board
 - the Chief Executive and SMB.
23. In order to ensure the successful implementation of this policy, responsibilities for risk management are detailed in table 1.

Table 1 – Roles and Responsibilities

ROLE	RESPONSIBILITIES
The Executive Board	<ul style="list-style-type: none"> • Oversee effective risk management across the Council • Agree Oxford City Council’s Risk Management Strategy • Ensure that a strategic risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored • Ensure that the risk strategy and strategic risk register are reviewed at least annually • Approve the SIC
Audit and Governance Committee	<ul style="list-style-type: none"> • Ensure that risk management is delivered on behalf of the Executive Board by the Chief Executive and SMB through regular review of the risk register • Approve an annual statement on the risk management processes in place, their effectiveness, and details of any improvements required • Advise the Executive Board on the content of the SIC • Review assurances that risks are being managed on behalf of the Executive Board
Other Members	<ul style="list-style-type: none"> • Scrutinise the Executive’s decisions to ensure that they meet the requirements of effective risk management • Facilitate a risk management culture across the Council by encouraging officers to present

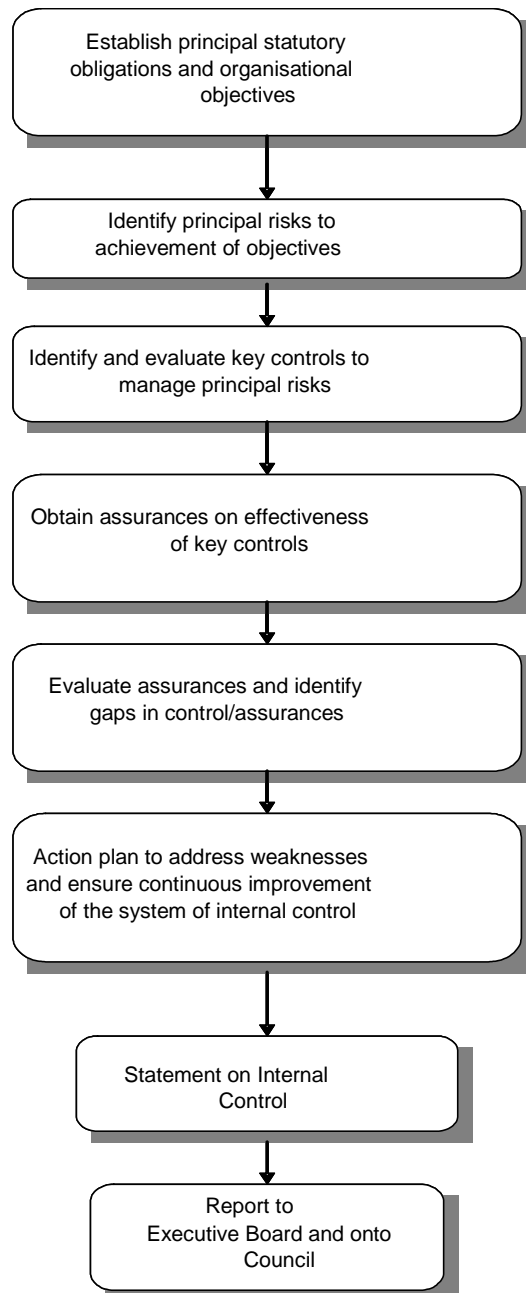
ROLE	RESPONSIBILITIES
	<ul style="list-style-type: none"> options within in a risk framework • Take decisions that have regard to risk management implications
Chief Executive and SMB	<ul style="list-style-type: none"> • Lead risk management across the Council • Advise members on effective risk management and ensuring that members receive regular monitoring reports on the status of risks • Recommend to members a risk management strategy • Ensure effective implementation, monitoring, and review of the Council’s Risk Management Strategy • Identify and manage the strategic risks and opportunities facing the Council through establishing a strategic risk register and agree this with the Executive Board • Be responsible for ensuring that the Council fully complies with all Corporate Governance requirements, including the Annual Statement of Internal Control
Strategic Directors	<ul style="list-style-type: none"> • Ensure that risk management, within their Directorate, is implemented in line with the Council’s Risk Management Strategy • Appoint a risk officer for their directorate to progress effective risk management that adheres to corporate guidelines, across their directorate • Identify and manage risks within their Directorate and ensure that mitigating actions are regularly reported • Prepare annual assurance statements for their Directorate
Risk Champion (Business Manager for Finance and Asset Management)	<ul style="list-style-type: none"> • Advise on risk management arrangements • Oversee the delivery of risk management training • Assist the Audit and Governance Committee in reviewing the effectiveness of risk management arrangements • Support all staff including directorate risk officers in delivering risk management activity
Business Managers	<ul style="list-style-type: none"> • Ensure that risk management within their area of responsibility is implemented in line with the Council’s risk Management Strategy • Identify, analyse and profile risks arising from their areas of responsibility within their Business

ROLE	RESPONSIBILITIES
	<p>Plans, and prioritise and initiate action on them</p> <ul style="list-style-type: none"> • Report systematically and promptly, to the Director, any perceived new risk or failures to existing control measures • Report the results of their unit risks to directors via team meetings in order to provide assurance on the effectiveness of controls in place to mitigate or reduce risks • Prepare annual assurance statements for Directors in line with corporate guidance
Staff	<ul style="list-style-type: none"> • Understand their accountability for individual risks • Understand how they can enable continuous improvement of risk management and risk awareness. • Report systematically and promptly to their manager any perceived new risks or failures of existing control measures • Ensure that internal controls are robust and operating correctly
Internal Audit (KPMG)	<ul style="list-style-type: none"> • Audit the key elements of the Council's Risk management process • Use the results of the Council's risk management process to focus and inform the overall internal audit plan • Assist the Council by offering risk management support and advice

5. Risk Management Framework

A. Strategic Risk Framework

- 24. To ensure the risk management process is effective and consistent it must occur within an overall framework.
- 25. Oxford City Council's strategic risk management framework consists of eight stages as set out below:



29. Paragraphs 30 - 46 provide an overview of each of these stages.

Strategic Priorities

30. The starting point for risk management is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Therefore effective risk management should be clearly aligned to the strategic planning process, and should take into account the environment within which the Council operates. Our priorities are set out in the Oxford plan and more detailed planning is within the Medium Term Financial Strategy (MTFS).

Identifying and assessing risks

31. Identifying risks involves the identification of the potential risk and the source of the risk, as well as assessing its likely impact.

32. In order to ensure complete identification of risks it is advisable to consider risk from both a strategic and an operational perspective. This involves identifying potential opportunities and risks relating to the achievement of corporate and directorate objectives. These may arise because of the general environment in which we are operating or in relation to specific decisions being made or options being considered. The types of risks that may be considered are noted below (this list is by no means exhaustive). Further categories are given at Appendix B.

Financial risk e.g. "level of reserves is not sufficient in light on ongoing financial forecast"	Project appraisal risk e.g. "projects are selected that do not deliver VFM"	Partnership capacity risk e.g. "partners may not have the skills to deliver on specific objectives"	Economic uncertainty e.g. "Levels of fees from income and charges may reduce"
Performance risks e.g. "agreed actions do not deliver intended results"	Project management risk e.g. "projects deadlines are missed"	Operational risks such as staffing, IT and security risks e.g. "key IT systems fail"	Contractual risks e.g. "A contractor may not be able to deliver services as agreed in the contract"

33. Risks should be prioritised according to their likelihood and potential impact. In considering impact, we should think about the impact on:

- Reputation
- Financial Resources
- Staff morale
- Performance objectives
- Customers and stakeholders
- Health and Safety etc

Those risks that are both highly likely and of high impact are likely therefore to be the principal risks to achievement of the objectives of the authority. At this stage, we also consider the causes of risks i.e. what are the events that might trigger the risk arising?

A risk may arise because of a number of unrelated factors. The Council uses a four by four matrix to determine the level of risk – see Appendix C for more detailed definitions. This means there are 16 possible risk categories.

Table 2 – Oxford City Council Risk Matrix

		Impact				
		Low	Medium	High	Very High	
		1	2	3	4	
Likelihood	4	Very High				
	3	High				
	2	Medium				
	1	Low				

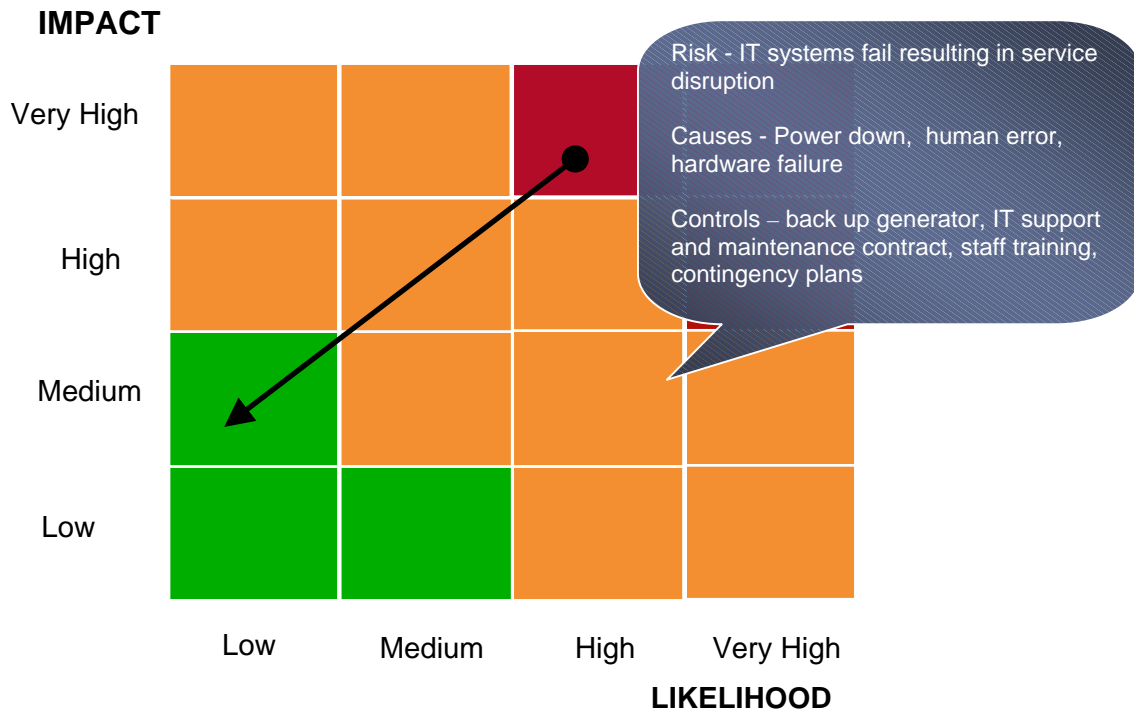
34. In the first instance, the Council assesses risks without taking into account the effectiveness of current controls. This is known as inherent or gross risk. For the most part, strategic risks are likely to have a significant impact and likelihood of occurrence if they are not controlled, so most risks will have a very high level of risk if we imagine that there are no controls in operation.

Control analysis

35. Controls are those systems, policies and procedures that management put in place to provide some assurance that objectives will be achieved and risks managed (many of which will already be in place). For each risk and potential causes, a control analysis will need to be undertaken.

36. Controls may be both preventative and detective. A list of example controls is included in Appendix D. Once controls have been matched to each risk then each risk should be revisited, and controls ranked as to their effectiveness (High/Medium/Low) and a new risk ranking (refer again to Table 2) established based on the impact and likelihood given the existing control structure in place. The new risk score will help demonstrate the

strength of controls in place and is known as the residual risk. The example below highlights this in graphical form whereby the strength of controls in place means that a risk initially ranked as Very High/High is now ranked as Medium/Low.



37. Where the revised risk score is not acceptable (this is a decision for SMB) then further action will be required. Further action can be categorised into four headings.

- Transfer - Involves transferring risk which may be done through insurance or transferring to a third party.
- Accept - In the event that the ability to control risks is limited or the cost of taking action outweighs the potential benefits, risks may be tolerated so no further action is proposed.
- Reduce - Most risks will fall into this category. The aim of treatment is to contain the risks to an acceptable level as eradication is not possible. Risks are treated through a series of internal controls.
- Avoid - In extreme cases, risks may be uncontrollable to the point where terminating the activity is the only way of managing the risk. This may not always be possible where activities form part of the organisation's statutory duties.

In deciding to reduce risk, proposed actions will be recorded on the risk register on the form of an action plan which will include:

- Action required;
- Responsibility for action;
- Timescales;
- Resources required.

Where the revised risk score is acceptable, no immediate action is required but the risk will need to be monitored via the early warning indicators/assurance plan noted on the risk register (see below).

Obtaining assurances on the effectiveness of key controls – monitoring the risk register and action plans

Step 1 - Identifying assurance needs

38. The Accounts and Audit Regulations 2003 state that authorities should establish procedures to provide sufficient assurance that risks are being managed, in other words that the system of internal control is operating effectively.
39. For each risk identified, there will be a series of “early warning indicators” or “assurance mechanisms” put in place. These indicators/mechanisms will be designed to highlight whether controls are operating effectively and whether there is a problem, which requires further action. They may include:

Management assurance activity

- KPI's
- Project status reports
- Blue and Red books and information from Core-Vu
- Management monitoring reports
- Business Continuity plan (both for the Council as a whole and individual plans for parts of it)
- Disaster Recovery Plan (for Business Systems)

External assurance activity

- Customer feedback
- Staff surveys/MORI results
- Independent surveys/research
- Performance outcome results
- Internal audit reports
- External audit reports
- Inspection reports

Step 2 - Continuous monitoring of risks and action plans

40. In order to ensure that the risk register and action plans are still relevant, they will need to be monitored on a regular basis. This will involve the following steps:
 - Updating the risk register to add new risks, delete risks or amend risk ratings
 - Updating the assessment of controls
 - Documenting the results of assurance work to confirm that the controls/mitigations identified against each risk are operating as intended. In the

event that the above evidence indicates that there may be a problem then risk scores will need to be revisited and a management decision made as to whether further action is required.

- Assessing the progress made in implementing agreed actions. Where action has been completed, then the risk scores should be revisited.
- Reporting on the current status of risks to the Audit and Governance Committee.

Step 3 - Evaluating Assurance

41. Having received assurance from various sources, the Audit and Governance Committee will review the level of assurances in relation to key risks and ask the following questions:
- What are the results of assurance work?
 - Are there any gaps in assurance over key risks?
 - Do assurances indicate that there are improvements required in the control environment?
42. The Audit and Governance Committee will then prepare an annual report to the Leader and Chief Executive, prior to the signing of the Statement on Internal Control, commenting on the effectiveness of risk management arrangements and giving a view on the adequacy of internal control arrangements.

Preparing the Statement on Internal Control (SIC)

43. The Accounts and Audit Regulations 2003 require the publication of a SIC within the financial statements. This represents the end result of the review of internal control including the process of risk management.
44. Guidance in relation to the publication of the SIC is detailed in CIPFA: The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003.
45. Prior to the preparation of the Statement on Internal Control by the Section 151 officer, each Director and Business Unit Manager should produce their own assurance statements highlighting key risks, how these have been managed and the assurance mechanisms in place (see also paragraph 48).

Completing the risk management processes

46. In documenting the risk management process, the form at Appendix E should be used as a template.

Further guidance on using this form may be obtained from the Business Manager Finance and Asset Management.

B. Risk Management activity at Business Unit level

47. Starting with the 2004-5 statement of accounts, the City Council has had a process in place which requires Business Unit Managers to prepare an annual assurance statement. The assurance statement sets out significant risks, internal controls and a description of control weaknesses. This process will again continue with slight modifications so that the Significant Control Issues grid is more closely aligned to the assertions made in the Statement of Assurance. An example is shown at Appendix F.

Completing the assurance statement

The Significant Control Issues grid should be completed at business planning stage and updated throughout the year and discussed with Directors at appropriate intervals. A brief guide to completing individual elements is noted below:

Risk issues – this section should set out the nature of the risk being considered and should represent those key risks which would prevent the achievement of business unit objectives and targets. In framing risk issues, managers should make reference to the corporate risk register, BVPI targets, feedback from stakeholders and the results of external audit, internal audit and other ad hoc work. At this stage, managers may wish to flag up risks which they believe have a significant corporate impact to their Director. Managers should be aiming to document their most significant risks.

Risk ranking – following the same methodology for corporate risks (paragraph 33), managers will need to consider the ranking of risks in relation to business unit objectives.

Controls – managers should document how risks are currently managed. In doing this, they can refer to the control menu in Appendix D.

Residual risk ranking – The residual risk ranking is important as it measures the risk after the application of controls. The residual risk score will tell managers whether risks are being managed to an appropriate level. If the residual risk ranking is still high then further action may be required. Business Unit Managers should discuss this with their relevant Director.

Actions – Where managers feel that the residual risk scores are unacceptable then further action should be planned in conjunction with the relevant Director and responsibility allocated.

Source of assurance and assurance outturn – In this section, managers should note how they will get assurance on an ongoing basis that the controls relied upon continue to operate effectively. Managers should also record the results of assurance work i.e. what does the source of assurance tell you about the effectiveness of controls? If assurance work indicates that there is a control failure this should be noted and recorded in Section 4 of the Assurance statement.

48. At the end of the year, Business Unit Managers should complete the assurance statements and provide these to their relevant Director for review.

6. Risk management activity and the control environment

49. Governance is the system by which councils direct and control their functions and relate to their communities. In other words, the way, in which they manage their business. The fundamental principles are openness, integrity and accountability. This Risk Management Strategy forms part of Oxford City Council's corporate governance arrangements and is a key part of the control environment.
50. Risk management is not something which is new to the Council. Most of the Council's activity is directed at managing risk although it may not always be described as such. Some examples of existing risk management activity are noted below:

Internal Control

51. Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of objectives.
52. A council's system of internal control is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. All staff are involved in exercising internal controls whether it be sending reminder letters to chase up outstanding debts, authorising invoices for payment or monitoring the achievement of KPI's.

Performance Management

53. Risk management is closely aligned to Performance Management. By managing performance and monitoring against targets, key risks will be managed on an ongoing basis. The Council has a well developed performance management process that includes reporting to the Executive Board and Scrutiny Committees. Staff and Councillors can:
- Access performance information via CorVu
 - Read the monthly Blue and Red financial and performance reports

Financial Management

54. The Council undertakes a range of risk management activity to manage its financial risks including establishing financial policies and procedures, putting in place arrangements to enforce compliance such as authorisation levels, delegated limits, rules for procurements and a budget monitoring process that ensures the Council achieves its spending plans.

7. Monitoring and Key Indicators of Success

55. Oxford City Council's Risk Management Strategy will be reviewed annually. Progress against the actions identified to mitigate risks will be monitored quarterly. Annual review and quarterly monitoring will be to the appropriate forum i.e. SMB, Audit and Governance Committee etc.
56. The ultimate measure of effective risk management is that the Council:
- has resilience to deliver its services and core objectives
 - is protected from the possibility of being impacted by an unforeseen risk
 - is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
 - is able to take cost-effective measures to reduce or eliminate the effects of negative risk
 - is able to identify, and take maximum advantage of, the occurrence of positive risk.
57. Oxford City Council will use both outcome and process based risk performance indicators to monitor the success of its Risk Management Strategy.
58. The outcome based risk management performance indicators are:
- no major unforeseen disasters, and foreseen risks should not have significantly greater impact than predicted and accepted
 - all members agree that they are sufficiently informed about risk management to ensure they can undertake their role
 - the council achieves its key BVPI targets
59. The process based risk management performance indicators are:
- that the council receives an improved score as part of its CPA Use of Resources assessment.

8. Training

60. To effectively embed risk management across the whole of the organisation, members and staff will need to continue to gain the appropriate skills. As part of performance appraisal, the training needs of members and staff will be considered. The Learning and Development team will oversee the delivery of risk management training as with all training provided by the Council. It is however recognised that:

- key members of staff will need specific training on the methodology and the skills required;
- other staff will need general awareness training to develop the “hearts and minds” element of the process and reinforce a culture of effective risk management across the organisation.

The first training sessions will be planned for December 2006.

Appendix A

Risk Management Policy Statement

Oxford City potentially faces a wide range of risks, threats and hazards that can limit its capacity to fulfil the delivery of the Oxford plan and associated objectives. Oxford City will therefore pro-actively manage those risks (both strategic and operational) in a balanced, structured and focused way. Oxford City Risk Management objectives will be to:-

-
- ensure risk management is part of strategic and operational management decision making, planning and implementation;
 - manage risks in accordance with best practice, as part of good corporate governance;
 - take account of internal and external changes that may impact on the organisation's risk profile;
 - respond to risk in a balanced way, mindful of the risk level, risk reduction potential, cost/benefit, and relationship to resource constraints and limitations;
 - raise awareness for the need for risk management.
-

These objectives will be met by:-

- establishing clear roles and responsibilities;
- providing training and support for those under-taking risk management activities;
- identifying risks and ensuring the identified risks are monitored and reviewed on a continuous basis in line with Oxford City's processes of accountability;
- reviewing the effectiveness of the risk management policy and strategy regularly.

Appendix B

Risk Categories

Political – failure to deliver local or central government policy	Professional – related to particular nature of each profession
Economic – affecting ability to meet financial commitments, including budget pressure, external macro economic changes, or the consequences of investment decisions.	Financial – financial planning and control and adequacy of counter fraud and corruption arrangements
Social – relating to the effects of demographic, residential or socio-economic changes on ability to deliver objectives.	Legal – related to possible breaches of legislation
Technological – capacity to use and deal with technological change, including consequences of technological failure.	Physical – related to fire, security, accident prevention and health and safety
Legislative – current or potential changes in National/European law.	Contractual – failure of contractors to deliver goods/services to agreed cost and specification
Environmental – consequences of objectives in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.	Technological – relating to reliance on operational equipment, including machinery and IT systems
Competitive – affecting competitiveness of service (in terms of cost and quality) and ability to deliver value for money.	
Stakeholders – failure to meet current and changing needs/expectations of stakeholders.	

Appendix C

Risk Methodology

Measures of Likelihood

Description	Example Detail
Very High	This risk is occurring at present and is likely to continue to do so over the next 2 years
High	This risk is likely to occur more than once over the next 2 years
Medium	This risk is likely to occur during the next 2 years
Low	This risk is unlikely to occur during the next 2 years

Measures of Impact

Description	Example Detail
Very High	Death Definite non-achievement of objectives Long-term loss of operational capability Adverse national publicity Litigation almost certain and difficult to defend Financial loss in excess of £1 million Breaches of law punishable by imprisonment
High	Extensive, permanent injury or long term sick Short term loss of operational capability Adverse local publicity Litigation to be expected Financial loss between £500,000 and £1 million Breaches of law punishable by fines
Medium	Medical treatment required or medium term injury Short term disruption to operational capability Needs careful public relations High potential for complaint, litigation possible Financial loss between £100,000 and £500,000 Breaches of local regulations / standards
Low	Short term injury Financial loss between £0-£99,000 Needs response to authorities/client Partial disruption to operation Remove potential for litigation Minor breach of regulations

Appendix D

Control Menu

A control can be described as “any method, procedure, equipment or other things that provide additional assurance that objectives will be achieved”. Controls may take different forms, some examples are given below.

<p>Purpose: Definition and Communication</p> <ul style="list-style-type: none"> • Clearly defined mission, vision • Clearly defined values • Clear service objectives • Clear personal objectives • Clear policies • Communication of objectives throughout the organisation • Policy on corporate conduct, values and standards 	<p>Direct Controls</p> <ul style="list-style-type: none"> • Physical safeguarding of assets • Reconciliations • Segregation of duties • Restricted access • Internal checks • Supervision
<p>Commitment</p> <ul style="list-style-type: none"> • Job descriptions • Performance contracts • Performance appraisal system • Promotion/advancement policies • Clear accountability lines • Disciplinary and reward policies 	<p>Indicator/measurement</p> <ul style="list-style-type: none"> • Customer surveys • Benchmarking • Complaints systems • Internal complaint/query systems • Supervisor measurement
<p>Planning and risk assessment</p> <ul style="list-style-type: none"> • Short, medium and long term planning • Contingency planning • Disaster recovery plans • Corporate risk management process • Corporate approach to continuous improvement 	<p>Employee well-being morale</p> <ul style="list-style-type: none"> • Employee surveys • Team meetings • Personal and career planning • Management feedback systems
<p>Capability/Continuous learning</p> <ul style="list-style-type: none"> • Recruitment and selection procedures • Training methods and strategy • Career planning • Performance evaluation 	<p>Process Oversight</p> <ul style="list-style-type: none"> • Committee reporting • Management monitoring/supervision

Appendix E – example risk register

Risk 4 ICT hardware/software systems are not maintained/updated over their lifecycle resulting in obsolescence, IT failures and service disruption																
Impacts																
Missed Opportunities	Management distraction	Service Disruption	Impaired Performance	Breach of Contract/asset loss	Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency	Strategy change	Impact	Probability			
■	■	■	■	□	□	□	■	■	□	■	■	H	H			
Causes								Mitigating Controls					Effectiveness (H/M/L)			
ICT is not adequately maintained								Maintenance contracts are in place to respond to service failures.					H			
There is no replacement plan for hardware/software								A plan is in place setting out key dates for hardware/software replacement. Replace Servers at end of life & cover under maintenance agreement with appropriate SLA					H			
There is no funding for ICT replacement								Capital programme being reviewed to ensure it sets out funding for IT replacement					M			
								Revised probability score					M			
								Revised impact score					M			
Action #	Specific Action	Required Outcome	Milestone date	Member/Officer Accountable	Management Response											
1	Capital programme to include ICT replacement plan	Fully funded ICT replacement programme														
2																
3																
4																
5																
Early Warning Indicator	Description of Early Warning Indicator / Source of Assurance			Monitored By ?				How often is indicator monitored / assurance required?								
1	% time lost to IT failures															
2	% of hardware/software replacement by target deadline															
3	% of ICT replacement programme funded															
4																
5																

Appendix F

Risk Register Relating to: Business Systems

Date: April 2006

	Risk/Issue	Likelihood / Impact	Management controls in existence	Residual likelihood / impact	Risk decision	Action	Source of assurance/outturn
1	ICT hardware and software systems is not maintained over its lifecycle resulting in obsolescence and IT failures (*CORPORATE WIDE IMPACT*)	Very High/High	Maintenance contracts to respond to service failures	Very High/ Medium	Reduce	Create plan for hardware/software replacement and secure capital funding Rob Sproule (Oct 06)	<u>Source</u> - % downtime lost to IT service failure - No of IT systems/hardware planned to be replaced by at least the end of the lifecycle <u>Outturn</u> - % downtime has been 0 - There are still 3 critical systems that are not included in the IT replacement programme leaving the Council still vulnerable
2	High dependence on key ICT staff which causes problems during staff absence	Medium/ High	Rota for staff holidays to ensure cover Contracts now in place with external support partners to provide support in emergencies Knowledge transfer plan ensures that there are at least 2 staff expert in each discipline	Low / Medium	Accept	No further action required	<u>Source</u> - Feedback from user departments on level of service provided - % downtime lost to IT service failure <u>Outturn</u> - % downtime has been 0 - Feedback from user depts indicates no problems