
Report to: Resources & Audit Committee

Date of Meeting: 19th June 2014

Subject: 2013/14 Year End Risk Report

Report by: Head of Strategy & Customer Services

1.0 Purpose

- 1.1. This report provides Resources & Audit Committee with an update on significant risks facing the Council, together with the Internal Controls already in place and, where appropriate, further planned actions to reduce risks to the Council.

2.0 Recommendations

- 2.1. It is recommended that the Committee reviews the report in **Appendix A** and **Appendix B**, then comments and challenges, as appropriate, and notes.

3.0 Considerations

- 3.1. **Appendix A** outlines the purpose of risk management and the methodology followed to review the corporate risk log. A summary of changes to the log in the last 6 months (to 31st Mar 2014) is then provided:
- There are currently 4 red risks, 5 amber risks and 3 green risks;
 - 9 of these risks are being Treated and 3 must be Tolerated;
 - The rating (or score) of 2 risks increased, 6 remained the same, 2 decreased, 1 new risk was added and 1 risk will be removed.
- 3.2. The full corporate risk log is then provided, showing details of previous and future work to mitigate the risks, where this is possible.
- 3.3. **Appendix B** contains the corporate risk analysis and reporting guidelines (approved by Resources & Audit Committee in December 2012), including the frequency with which corporate and service risks should be reported to the respective Committees.

4.0 Sustainability Implications

- 4.1. There are no direct sustainability implications arising from this report.

5.0 Resource Implications

5.1. Financial Details

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. Staffing

5.5. There are no direct staffing implications arising from this report.

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Corporate Risk Log

Appendix B - Risk Analysis & Reporting

11.0 Background Papers



11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Judi Richardson	Performance & Information Adviser	2105

Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Customer Services	
Nikki Bridle	Director of Finance & Corporate Services	

Appendix A - Corporate Risk Log



Purpose & Methodology

The Council produces many plans for how we will deliver services, but these can only be realistic if we also consider what might stop us achieving our goals. The Council must consider risks to the delivery of corporate objectives and ensure controls are in place to monitor and/or mitigate each risk through a systematic risk management process. Corporate risks are reported six-monthly to Resources & Audit Committee and service risks are reported quarterly to service Committees. This appendix summarises changes to, and details of, corporate risks at the end of the 2013/14 financial year.

In some cases, despite mitigating action, the rating has remained high or increased as further information becomes available. In others, mitigating action or other factors have reduced the risk. Our approach for managing risks is either 'Treat' (action is required) or 'Tolerate' (actions within our control are complete and plans in place to manage the risk, should it materialise). Risks with implications for more than half the Council, or with significant implications for a specific service, are escalated to the corporate log where they are monitored until their significance reduces.

Each review involves gathering information from internal and external sources and forums. Meetings are then held with Corporate and Service Management Teams, including:

- Reviewing existing corporate and service risks with their owners;
- Peer-reviewing the entire corporate log (including with officers in areas not directly affected by particular risks) to gain wider perspectives and discuss 'knock-on' effects;
- Assessing whether issues from the review of information sources should be added;
- Asking for suggestions of potential new risks which are, again, peer-reviewed.

As part of the 2013/14 end of year review, a number of potential new risks were raised but agreed to be inappropriate for inclusion at this time. Risks identified through the governance assurance process are listed in risk 33 (Major Governance Failure), but the most significant areas are also included as separate risks to increase awareness and scrutiny. The 2014/15 internal and external audit plans highlight various areas for investigation, referenced in the relevant risks in the log. There was also discussion around the Accounts Commission report 'An Overview of Local Government in Scotland' (27-Mar-14).

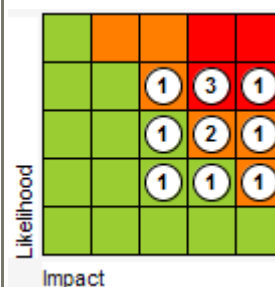
The integrity of the Convention of Scottish Local Authorities was considered, as were the implications of the Independence Referendum, or extended devolved powers. These issues, among others, have been taken into account in defining the risks regarding reactive and proactive change management. Any specific risks which arise from these areas will be considered in future reviews of the Corporate Risk Log. Corporate risk management approaches and training, as well as the format and content of reports to the Resources & Audit Committee will continue to be developed on an ongoing basis.

Summary of Changes

At the end of the 2013/14 financial year (out of a total of 12 risks), 4 are now red, 5 are amber and 3 are green. 9 risks are being Treated and 3 must be Tolerated.

- The rating of 2 risks increased: Partnerships & Relationships, and Information & Knowledge Management,
- The rating of 6 risks remained the same: Financial Resilience, Changing Demographics, Climate Change, Harm to Child(ren), Governance, and Health Emergency,
- The rating of 2 risks decreased: Welfare Reform, and Industrial Unrest,
- 1 risk was newly added to the log: Organisational Change, and
- 1 risk will be removed from the log (pending approval): Influence & Accountability (which will reduce totals above for green and Tolerate).


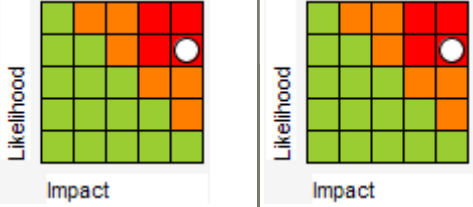
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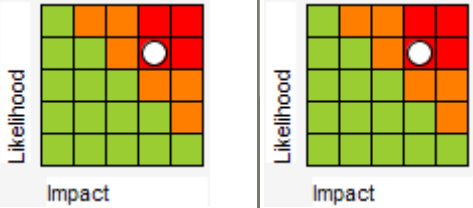



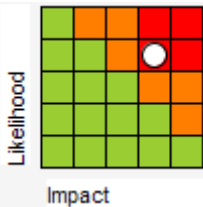
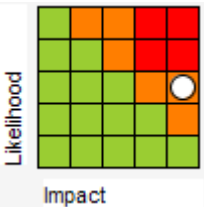
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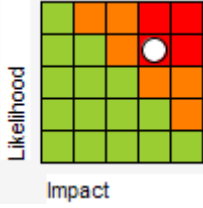
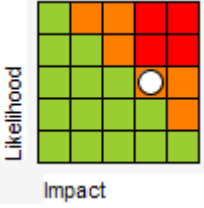
ALL	Allocations	CAR	Community & Regulatory Services	CoSLA	Convention of Scottish Local Authorities
COU	Council	CPN	Corporate Plan	CPP	Community Planning Partnership
CRR	Corporate Risk Register	CUS	Customer Services	DEV	Development Services
EDU	Education	GOV	Governance	HCS	Housing & Community Safety
HMO	Housing Management Operations	IMP	Improvement Plans	MCB	Making Clackmannanshire Better
NHS	National Health Service	RIS	Risk Mitigation Actions	SAP	Strategy & Performance
SBP	Service Business Plan	SCCS	Sustainability & Climate Change Strategy	SCH	Schools
SCS	Strategy & Customer Services	SEPA	Scottish Environmental Protection Agency	SLA	Service Level Agreement
SOS	Social Services	SSS	Shared Social Services	SUS	Support Services
TEM	Tenancy Management				


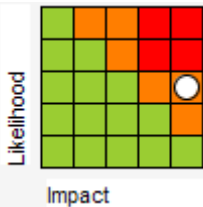
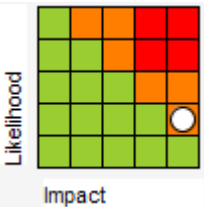
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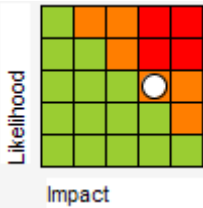
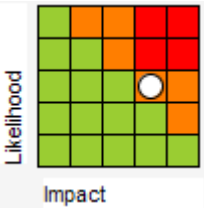
Code	COU CRR 008	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
Title	Insufficient Financial Resilience			Current Rating	20	Target Rating	20
Owner	Director of Finance & Corporate Services						
Description	The Council does not have sufficient funds to meet its liabilities and cannot meet essential service demands or customer expectations, or respond to external agendas.						
Potential Effect	Reputational damage, legal implications and severe and extended loss of service provision. Possibility of Alliance partners also being affected contributes to the potential impact, given the interdependencies.						
Related Actions	Implement budget efficiencies	CAR CAR 004	Internal Controls	Budget Challenge & Financial Monitoring			
	Ensure necessary service efficiencies/budget reductions are achieved	SCS SCS 022		Invest to Save Principles & Processes			
	Complete review of financial regulations and proposals for any amendments	SUS SUS 001		Making Clackmannanshire Better Programme			
Latest Note	At Mar-14 Council reserves are £*m, however, funding gap of £*m forecast for the period to 2017/18. Budget Strategy refocused and Budget Challenge sessions review progress. Reviews of procurement, priorities, performance and service delivery models will be required to establish a sustainable cost base.						


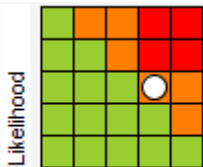

Code	COU CRR 032	Priority Outcomes	1. The area has a positive image and attracts people and businesses; 5. Vulnerable people and families are supported	Status		Change Since Last Review	D
Title	Council & Community Impact of Welfare Reform			Current Rating	16	Target Rating	16
Owner	Head of Housing & Community Safety						
Description	The welfare reform agenda increases deprivation in the area, removes between £8 million and £10 million from the local economy and requires the Council to provide additional services and support due to a national priority of reducing welfare expenditure.						
Potential Effect	Potential reversal of efforts to reduce deprivation and improve economic development in the area, as well as reputational, budget and staffing implications of providing new services (the impact of the transfer to Universal Credit cannot yet be quantified).						
Related Actions	Review tenant rent levels for different types and sizes of properties, in partnership with Revenues Services.	HCS SBP 018	Internal Controls	Welfare Reform Working Group			
	Implement new Allocations Policy	HMO ALL 002		Crisis & Community Grants			
	Implement risk assessment and early intervention framework for those at risk of tenancy failure.	HMO TEM 002		Housing Options Service			
Latest Note	In addition to the Clacks Works and Housing Options services, a multi-agency group is producing plans and providing information to staff, politicians and local groups, and advising CoSLA and the Scottish Government. Continued funding has been secured, there has been a lower than expected uptake in areas such as Discretionary Housing Payments, and predicted difficulties with rent increase inflation is now likely to be less severe than expected.						


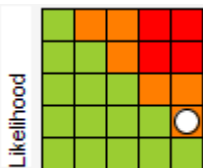
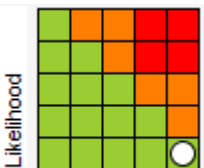
Code	COU CRR 009	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
Title	Poor Information & Knowledge Management			Current Rating	16	Target Rating	15
Owner	Director of Finance & Corporate Services						
Description	Organisational information and knowledge are not effectively managed due to poor information sharing, records and absence management and succession planning, increased dependence on unstable IT systems and unrecorded knowledge held by staff members.						
Potential Effect	Increased difficulty and time to access information and loss of tacit information and knowledge when staff leave or are absent, resulting in duplication or non-completion of (possibly statutory) duties. Loss of productivity when systems do not operate effectively, causing frustration and impact on staff morale.						
Related Actions	Gain council approval and Implement the revised People Strategy to support MCB programme	SCS SAP 019	Internal Controls	People Strategy			
	Gain council approval and Implement the revised Communications & Marketing Strategy to support Making Clackmannanshire Better	SCS SAP 020		Information Management Strategy Information & Communication Technology Strategy			
Latest Note	Assessment of adherence to guidance on the iDox document management system and retention schedule carried out. Work ongoing in the areas of Freedom of Information and Data Protection, and Business Continuity Plans being revised in light of move to Kilncraigs. Revised Information Management, ICT, and People Strategies have been developed and recommendations provided by Internal Audit.						

Code	COU CRR 028	Priority Outcomes	5. Vulnerable people and families are supported; 9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
Title	Mis-management of Partnerships & Relationships			Current Rating	16	Target Rating	12
Owner	Chief Executive						
Description	Failure to effectively manage partnerships and relationships due to a lack of agreement on or articulation of a clear purpose, goals or delivery model, or resource-sharing or performance management arrangements. Particular risk to major partnerships, such as Shared Services with Stirling Council and Health & Social Care Integration.						
Potential Effect	Reduced momentum for further integration, failure to meet needs or statutory requirements if customer focus lost, with significant consequences for vulnerable groups. Impact on staff morale and productivity, and need for further redesign, recruitment, retraining or retendering if partnerships fail, with financial and reputational implications.						
Related Actions	Address the challenges of Social Housing and changes in legislation by promoting efficient and integrated services in and out with the Council	COU CPN 008	Internal Controls	Single Outcome Agreement			
	Review joint resourcing to maximise impact of collective resources including a review of potential opportunities for co-location of key staff	CPP CPP 005		Service Level Agreements			
	Develop a proposal with NHS to lead the service into Health and Social Care integration.	SOS SSS 017		Shared Services Programme Board			
Latest Note	Prioritisation of improving outcomes, sharing best practice, achieving efficiencies and clarifying objectives and resource needs. Effective communication plans, Trade Union engagement and options appraisal. Governance processes, Internal Audit and SLA monitoring ensure sound practices are followed. Rating has increased as previously focussed solely on Shared Services, and due to impact of Health & Social Care Integration on budget and workforce profile of Council.						

Code	COU CRR 005	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	-
Title	Failure to Respond to Changing Demographics			Current Rating	15	Target Rating	10
Owner	Director of Finance & Corporate Services						
Description	The Councils fails to appropriately redesign services due to not predicting or acting on predictions of changing needs or behaviours or increasing demand for services, in areas such as the 'ageing population' (including more single-person households) and increasing school roles.						
Potential Effect	Inappropriate allocation of resources and assets, misalignment of corporate objectives with customer needs, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to situations that have not been planned for.						
Related Actions	Develop a revised Corporate Customer Service Strategy	SCS CUS 002	Internal Controls	Customer Service Excellence Preparation/Surveillance			
	Gain council approval and Implement the revised Communications & Marketing Strategy to support Making Clackmannanshire Better	SCS SAP 020		Communications Strategy Community Engagement Process			
Latest Note	Improvements in community engagement and planning and work towards Customer Service Excellence standard ongoing across services, improving availability and accuracy of customer insight, performance and demographic information. Further work required to demonstrate how this informs decisions on service redesign and ensure staff and customers fully aware of why and how changes are being made so that expectations are realistic.						



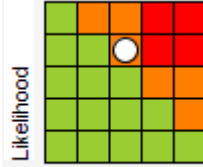
Code	COU CRR 027	Priority Outcomes	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status		Change Since Last Review	-
Title	Failure to Adapt to Changing Climate			Current Rating	12	Target Rating	12
Owner	Director of Services to Communities						
Description	The Council fails to use and develop sustainable practices and/or does not plan effectively for climate change causing extreme weather events, leading to flooding, heat waves, droughts, fires or severe winter weather, of which the Council must manage the consequences.						
Potential Effect	Significant service disruption, including to telecoms and roads infrastructure, and damage to property. Staff unable to get to work and increased workload in Emergency Planning, Housing, Roads and Customer Services, with financial, reputational and legal implications, as well as negative impact on local residents and businesses.						
Related Actions	Implement Sustainability and Climate Change Strategy.	CAR DEV 009	Internal Controls	Forth Valley Local Resilience Partnership			
	Include climate change impacts in service risk register guidance.	CAR SCCS 01.2		Sustainability & Climate Change Strategy Flood Management Plan			
Latest Note	While work has started on climate change adaptation strategy, emerging threat of coastal flooding means risk rating remains consistent. Council is member of various Forth Valley advisory groups and contributes to SEPA's national flood hazard mapping, informing local strategies. Council has flood warning scheme, prioritised watercourse clearance regime, flood page on Clacksweb and provides guidance to developers on considering flood risk.						



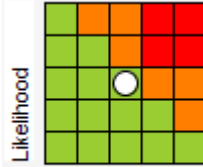
Code	COU CRR 034	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	N
Title	Insufficient Pace of Organisational Change			Current Rating	12	Target Rating	8
Owner	Chief Executive						
Description	The Council fails to proactively drive the fundamental redesign of services and organisational practices with the speed required to address the funding gap due to ineffective change management						
Potential Effect	Inefficient and unsustainable processes and working practices and increasing, rather than mitigating, financial and customer risks. Lack of clarity and focus on statutory and priority areas with disruption to service delivery and harm to vulnerable individuals with associated audit/legal implications and reputational damage.						
Related Actions	MCB programme management & development of target operating models - support communication of vision	SCS SAP 010	Internal Controls	Communications Strategy			
	MCB Workstream 1 Making it Happen - Tullibody Pilot	SCS SCS 002		People Strategy Making Clackmannanshire Better Programme			
Latest Note	Senior Managers' Forum briefed on MCB Programme, with workstreams: Making it Happen (the Tullibody Pilot), Focussing on Early Intervention, Developing Integrated & Sustainable Services, Making Best Use of Assets & Resources and Making Our Organisation Stronger. Revised People and Communications Strategies being implemented to support programme and work continues on developing and piloting target operating models.						



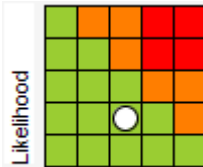
Code	COU CRR 011	Priority Outcomes	5. Vulnerable people and families are supported; 6. Substance misuse and its effects are reduced	Status		Change Since Last Review	-
Title	Harm to Child(ren)			Current Rating	10	Target Rating	5
Owner	Head of Social Services; Head of Education						
Description	A lack of intervention or action by the Council fails to prevent the serious harm of a child/children.						
Potential Effect	The effects of the injury or death on the individual, family, friends and staff members, and reputational harm or criminal proceedings, with associated costs, as well as the impact of reputational damage and negative publicity on morale, workforce development and sustainability.						
	Related Actions	All early years establishments will have suitably qualified staff.	EDU SCH 014	Internal Controls	Corporate Parenting Strategy		
		Develop action plan and allocate resources to review operational procedures and guidance	SOS RIS 004		Child Protection Performance & Quality Assurance Framework		
Increased focus on Workforce Planning and Workforce Development	SOS RIS 009	Integrated Children's Services Plan					
Latest Note	Significant progress with recruitment reducing employees' caseloads and improving skills and experience. Planning processes more robust, receiving positive comment from Children's reporter and panel members, and better management and increased capacity allows for earlier intervention. Parental substance misuse and domestic violence remain notable issues and are correspondingly prioritised. Further action will be based on findings of Children's Services inspection.						


Code	COU CRR 033		Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	
Title	Major Governance Failure				Current Rating	8	Target Rating	4
Owner	Senior Support Services Manager							
Description	A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls of procedures.							
Potential Effect	Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery.							
Related Actions	Governance Improvement Plans across all services		COU GOV IMP	Internal Controls	Scheme of Delegation			
					Resources & Audit Committee			
					Governance & Audit Processes			
Latest Note	Governance and audit processes identify service and corporate improvement actions. Corporate themes: workforce development, business transformation, procurement, roles and responsibilities of elected members and officers, risk management, shared service governance and information management. Further actions and progress in Council restructuring, including reviewing roles and responsibilities will be reported to Resources & Audit Committee.							


Approach Tolerate


Code	COU CRR 022	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review		
Title	Public Health Emergency			Current Rating	12	Internal Controls		
Owner	Chief Executive							
Description	Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic.			Business Continuity Plans				
Potential Effect	Depending on the nature of the health emergency, potentially short- and long-term health implications for members of the public and staff absence if either ill themselves or caring for family and/or friends. Substantial disruption to back-office support functions and front-line service provision, including to customer groups already considered vulnerable.			Pandemic Flu Plan				
				Major Incident Operational Procedures				


Code	COU CRR 023	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review		
Title	Industrial Unrest			Current Rating	9	Internal Controls		
Owner	Chief Executive							
Description	Industrial action by Council staff (including shared service staff employed by Stirling Council), partners or suppliers arises, normally in relation to local or national budget-related changes to terms and conditions, or restructuring.			Business Continuity Plans				
Potential Effect	Impact on staff morale and productivity with associated impact on service delivery, costs and reputation, as well as significant impact on customers dependent on services. In the case of partner or supplier strike action, we may decide not to complete all aspects of normal service delivery, such as not using certain equipment during a Fire Service strike. Strike action by suppliers, such as utility or fuel providers, may require negotiation with partners to prioritise resource allocation, with service provision reducing or ceasing temporarily in non-priority areas.			Forth Valley Local Resilience Partnership				
				Trade Union Communications Protocol				


Code	COU CRR 029	Priority Outcomes	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review		
Title	Loss of Local Influence & Accountability			Current Rating	6	Internal Controls		
Owner	Chief Executive							
Description	The Council is unable to retain the influence that it currently has over how Council, Health, Police and Fire services are delivered locally, and loses local accountability over these services, due to public service reform.			Single Outcome Agreement				
Potential Effect	Loss of autonomy on how services are delivered locally and dilution or reduction of community involvement in service design, with associated reputational damage and potential for services to fail to meet customer needs. As Police and Fire service reforms are embedded and management and reporting structures re-aligned, this risk has not materialised as expected and will be demoted from the corporate log to any relevant service logs if concerns still exist in specific service areas.			Resources & Audit Committee				
				Management Structures/ Restructuring				


 Low risk - 9 or below

 Medium risk - 10 to 15


 High risk - 16 or above

 Rating has increased

 Rating is consistent

 Rating has decreased

 Newly added

 Remove from log

Appendix B - Risk Analysis & Reporting Guidelines

Analysing a Risk

Risk management is a key planning tool that is an integral component of corporate and service business planning. It involves, on at least an annual basis, identifying things that could stop the Council or Service from delivering on its objectives, so they can be systematically managed and taken into account when making decisions. The risk management cycle is outlined in the flowchart below. Risks must focus on specific issues and be as explicit as possible about their impact on the Council, though this is often difficult when speculating about hypothetical scenarios. Risk registers don't need infinite detail on every possible thing that could go wrong, but they should provide a clear and succinct view of the main issues. The four areas to be analysed in relation to a risk are:

- Cause** The source or trigger of a risk. Risks generally originate from wider issues in the internal or external environment, often outwith our control. Examples are: climate change, the aging population, legislative changes or issues relating to the nature and culture of the organisation. Note: the cause is **not the key focus of the risk**.
- Event** How the cause specifically affects the Council. This may be a single point in time, such as Council staff not delivering services (cause: industrial action), or it may develop more gradually, such as inability to meet increasing demand for services (cause: the effects of the financial crisis on local citizens). Several events may arise from the same cause (e.g. the financial crisis may also cause budget overspend or reduced staff numbers) each of which should be analysed and recorded separately.
- Consequence** The result of the event occurring. This should be more specific than 'inability to deliver services' as this is the fundamental consequence of any risk to the Council. As much detail as possible should be given of the stakeholders and services affected, and the potential extent of reputational, legal or financial implications.
- Approach** Whether the Council should treat or tolerate an identified risk. This decision is closely related to cause and event. If the cause of the risk is outwith the Council's control, e.g. pandemic flu or climate change, treat is unlikely to be a realistic prospect. In such circumstances the risk would be tolerated, though contingencies could be considered within business continuity arrangements. If the cause or trigger is considered within the Council's control, e.g. regulatory criticism or customer dissatisfaction, then action should be considered to treat the risk.

Evaluating a Risk

Once the nature of the risk has been analysed, as many elements as possible should be clarified, or even quantified. While evaluation and scoring are an approximation and can't be determined using entirely scientific methods, they should take into account as much management, organisational and environmental information as possible. Risk evaluation should include looking at:

- **The past** - whether it's happened before, what caused it, and whether it was managed effectively.
- **The present** - whether similar circumstances are developing, and how others are managing it,
- **The future** - whether forecasts and projections suggest it will happen again in the near future,
- **Organisational changes** - whether changes to leadership, policies or resources affect the risk,
- **External changes** - whether PESTEL¹ factors will influence how the risk should be managed,
- **Relevant actions** - how Council projects and initiatives increase or decrease the risk,
- **Performance indicators** - to tell us if the risk's occurring, or if we're managing it effectively.

Perceptions of risk can vary substantially and personal experience or a widely publicised example can make a risk appear more significant. Similarly, if press coverage of a certain issue reduces, it may imply that the risk has reduced (such as reduced reporting on the flu pandemic, despite this still being a significant threat). Different individuals may also have different perceptions of risk. It's therefore important to document key information about the risk, including a justification of the scoring and any supporting statistics and facts. Peer reviews are also useful for challenging the risk evaluation to ensure that it's robust and not purely based on someone's subjective impression of an issue.

¹ Political, Economic, Social, Technological, Environmental and Legislative.

Scoring a Risk

The likelihood of a risk occurring, and the impact if it does occur are each scored on a scale of 1 to 5, with 1 being the least likely or the least significant impact. The Original rating does **not** take into account mitigating actions, the Current rating takes into account completed actions, and the Target rating takes into account actions planned to take place before the next assessment (see page 3).

Likelihood

Evaluation information should help in assessing how likely it is that the risk will happen. This is only ever a 'point in time' judgement as circumstances can change significantly between assessments.

- | | |
|-------------------|---|
| 1. Unlikely | There is little evidence that the risk is likely to occur |
| 2. Possible | There is a fairly low chance of the risk occurring |
| 3. Quite Possible | There is a reasonable chance of the risk occurring |
| 4. Likely | There is a strong chance of the risk occurring |
| 5. Very Likely | It is fairly certain that the risk will occur, or it has already occurred |

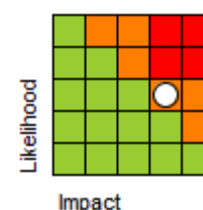
Impact

This is an assessment of the extent of the risk's impact. It's highly unlikely that the impact will involve only one of these elements, so the more elements involved, the greater the impact score will be.

Score	Financial ²	Reputational	Harm	Disturbance	Audit/Legal
1. Not material	Less than 0.01% of budget	Managed incident, no customer impact but in the public domain	Minor injury	Minor disruption to one service	Query from audit body or mention in Shared Risk Assessment
2. Material	0.01% - 0.5% of budget	Local media interest and/or customer complaint	Multiple minor injuries or serious injury	Minor disruption to multiple services	Negative audit/inspection report
3. Serious	0.5% - 5% of budget	Regional (central Scotland) media interest and/or multiple customer complaints	Multiple serious injuries	Serious disruption to multiple services and/or some loss of service	Follow-up action or repeated negative audit/inspection reports
4. Very serious	5% - 10% of budget	National media interest and/or serious loss of confidence	Death	Major disruption and/or loss of multiple services	Legal action
5. Catastrophic	Over 10% of budget	Major national media interest	Multiple deaths	Extended loss of service	Legal action from multiple sources

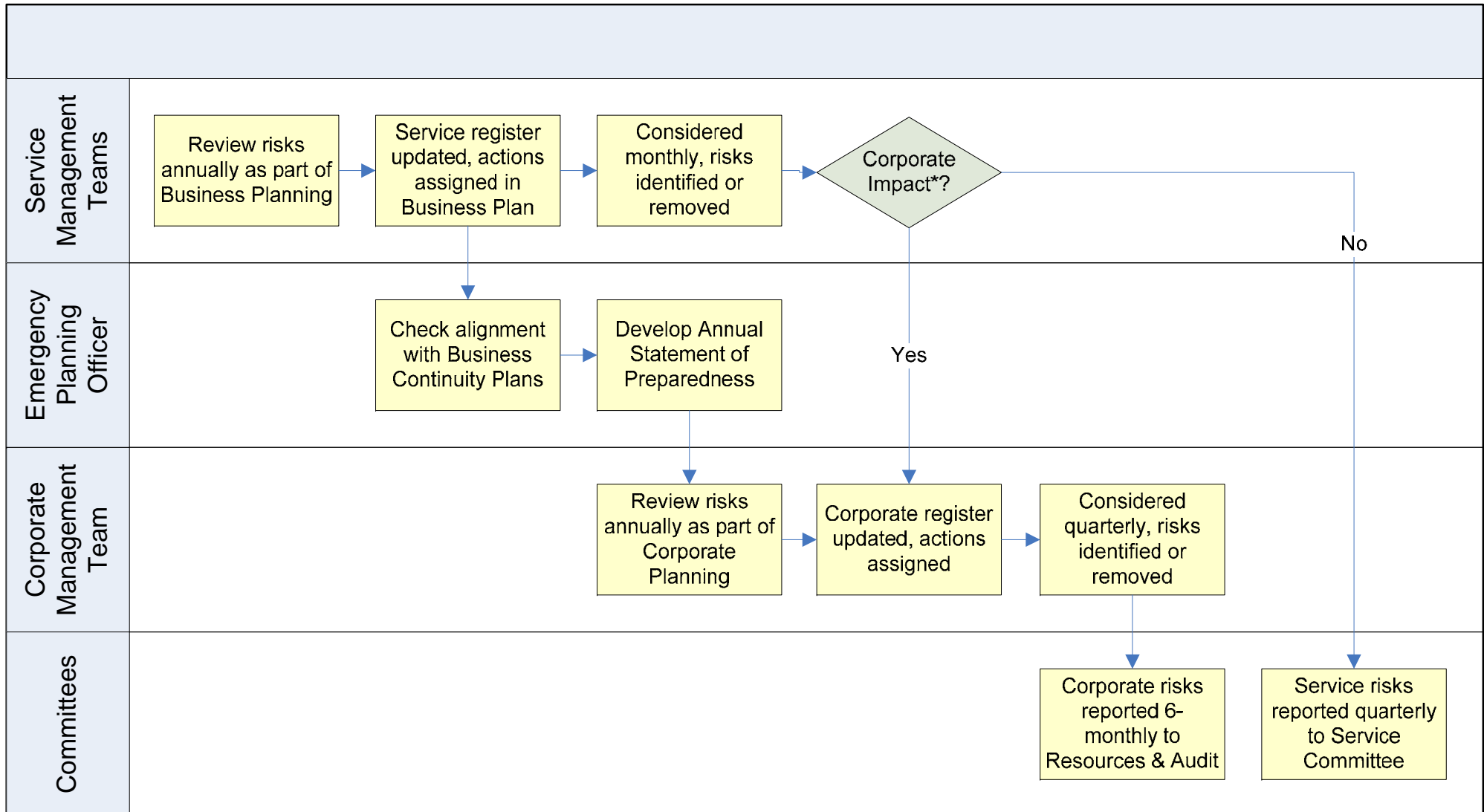
Overall Risk Rating (or Score)

The result of multiplying the likelihood and impact scores is the risk rating (or the risk score). This example shows an impact of 4 and a likelihood of 3, so $4 \times 3 = 12$, therefore the rating is 12 and the risk is amber. As risk registers need to focus on the most significant risks, it's common for there to be more amber and red risks than green. The highest possible rating is $5 \times 5 = 25$.



² The total service expenditure budget for 2012-13 is around £104m so for corporate risks the financial values are roughly: 0.01% = £10,000; 0.5% = £500,000; 5% = £5m; 10% = £10m. The percentages above should be used to calculate financial values for service logs based on the service budget.




The Risk Management Cycle



*Risks should be considered for inclusion on the corporate log if there is a 'corporate impact': risks potentially affecting more than half of Council services (4 of the 7 services), or potentially significant risks for less than half of the Council (red risks on a service register).

Recording a Risk

When defining or reviewing risks, the following areas should be recorded:

ID (or Code)	The code used to refer to a risk, which will remain the same regardless of changes to the details or scoring (this does not indicate the risk's severity). Codes for the corporate risk register are assigned by the Performance & Information Adviser. Coding for service registers should be discussed with the appropriate superuser.
Title	A brief summary of the nature of the risk.
Description	Key details of the risk including the cause and event (see page 1). While the cause of a risk may be external to the Council, it is the event (the way the Council is directly affected) that a risk should focus on.
Potential Effect	The possible consequences of the risk materialising (see page 1). This may refer to the groups of staff, customers or other stakeholders affected, the specific effects on particular areas of service provision, and potential extent of reputational, legal or financial implications.
Approach	Whether the risk is to be <u>Tolerated</u> or <u>Treated</u> .
Related Links	The decision to <u>Treat</u> a risk should stimulate an action or actions. Actions should be captured in business plans, linked to risks, and monitored via established processes.
Internal Controls	Existing strategies, processes and arrangements that are relevant to the risk should be selected from the Internal Controls list (superusers can add items to this list).
Latest Note	To be completed where the approach is <u>Treat</u> . Progress made in mitigating the risk, including planned or completed actions, and how this has/will impact the risk rating. Relevant statistics or performance information should also be included.
Rating (or Score)	<p>The score of a risk's severity, calculated by multiplying the likelihood of it occurring by the impact of it occurring (see page 2).</p> <p>Original What the rating would be if we had no controls in place. Though this doesn't appear in some reports, it can be a useful starting point for assessing the Current rating. This is not just the first score, but the 'gross' score if we had nothing in place to mitigate the risk.</p> <p>Current The rating which reflects the present position, taking into account actions that have already been completed and external factors.</p> <p>Target The rating we aim to achieve by the next review of the register (quarterly or 6-monthly), taking into account planned actions and external factors.</p>
Managed by	The owner, or person responsible for managing the risk. For the corporate register, this will be the Chief Executive, Director or Head of Service, depending on the service areas impacted by/responsible for the risk. It should be ensured that service owners have appropriate authority to manage the risk effectively.
Status	<p>Whether the risk is currently grouped as red, amber or green, depending on its 'Current Rating' (see diagram on page 2):</p> <ul style="list-style-type: none">  Red - risks with a current rating of 16 and above,  Amber - risks with a current rating from 10 to 15,  Green - risks with a current rating of 9 or below.
Change	<p>A symbol indicating how the rating's changed since the last review. Sometimes mitigating actions are cancelled out by a worsening external situation, so ratings may remain the same despite our efforts. (There's currently no Covalent field to record this in so the symbol's added once the report's exported into Word).</p> <ul style="list-style-type: none"> I Increased rating (more likely to occur or a greater impact) D Decreased rating (less likely to occur or a lesser impact) = Consistent rating (remaining the same) C Corrected rating (the previous rating is judged to have been inaccurate) N The risk has been newly added to the register R The risk should be removed from the register