



**AGENDA ITEM NO.**

## Report Cover Sheet

|   |   |
|---|---|
| <b>Name of Meeting:</b>   | Executive   |
| <b>Date of Meeting:</b>   | 22 <sup>nd</sup> October 2007   |
| <b>Report Title:</b>  | Risk Management Scoring System  |
| <b>Summary of report:</b>   | Report advises on system that is used to score the risks identified in both the service risk registers and the corporate and strategic risk register. |
| <b>For Further Information Please Contact (report author):</b>  | Richard Barr, Audit and Risk Manager  |
| <b>Would the recommended decision be contrary to the Policy Framework:</b>  | No  |
| <b>Would the recommended decision be contrary to the Budgetary framework:</b>   | No  |
| <b>Wards of the District directly affected by this decision:</b>  | None  |
| <b>Key Decision?</b>  | No  |
| <b>Included within the Forward Plan?</b>  | No  |
| <b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b> | No  |
| <b>Date and name of meeting when issue was last considered and relevant minute number:</b>  | N/A   |
| <b>Background Papers:</b>   | Warwick District Council Risk Management Policy and Strategy  |

### Consultation Undertaken

| Consultees  | Yes/ No | Who |
|---|---------|-----|
| Other Committees                                  | N/A     |     |
| Ward Councillors                                  | N/A     |     |
| Portfolio Holders                                 | N/A     |     |
| Other Councillors                                 | N/A     |     |
| Warwick District Council recognised Trades Unions | N/A     |     |
| Other Warwick District Council Service Areas      | N/A     |     |
| Project partners                                  | N/A     |     |

|  |             |                |
|--|-------------|----------------|
| Parish/Town Council  | N/A         |                |
| Highways Authority   | N/A         |                |
| Residents  | N/A         |                |
| Citizens Panel   | N/A         |                |
| Other consultees   | N/A         |                |
| <b>Officer Approval</b>  |             |                |
| <b>Officer Approval</b>  | <b>Date</b> | <b>Name</b>    |
| Relevant Director(s)   |             | Mary Hawkins   |
| Chief Executive  |             | Not applicable |
| CMT  |             | Not applicable |
| Section 151 Officer  |             | Mary Hawkins   |
| Legal  |             | Not applicable |
| Finance  |             | Not applicable |
|  |             |                |
| <b>Final Decision?</b>   |             | Yes            |
| <b>Suggested next steps (if not final decision please set out below)</b> |             |                |
|  |             |                |

## **1 RECOMMENDATIONS**

- 1.1 That members note the appendices and their contents.

## **2 REASON FOR RECOMMENDATIONS**

- 2.1 Members wished to see the scoring system applied to risks set out in the Council's risk registers.

## **3 RISK SCORING SYSTEM**

- 3.1 The appendix sets out the scoring system applied to risks set out in the Council's risk registers. This is based on best practice gleaned from the practices at other local authorities, the advice of CIPFA's risk management advisor and publications on risk management produced by ALARM, CIPFA and the Audit Commission.

## **4 ALTERNATIVE OPTION(S) CONSIDERED**

- 4.1 Not applicable.

## **5 BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective risk management framework helps to ensure that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## **6 POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, risk management is an essential part of corporate governance and will be a major factor in shaping the Policy Framework, Community Plan and Council policies.

## WARWICK DISTRICT COUNCIL METHODOLOGY FOR SCORING RISK

### Overview

Risk registers are maintained for all Council services containing the following information:

**Activity** - What the Council does as part of its day-to-day business

**Risk** - The risk or hazard present in the Council carrying out the activity

**Cause** - The factors that could lead to the risk occurring

**Effect** - A description of the consequences of the risk occurring

**Likelihood** - The probability of the risk occurring, assessed as Low (L), Low to Medium (L/M), Medium (M), Medium to High (M/H) or High (H), carrying the scores of 1, 2, 3, 4 and 5 respectively (see below for further explanation)

**Severity** - The impact if the risk materialises, assessed as Low (L), Low to Medium (L/M), Medium (M), Medium to High (M/H) or High (H), carrying the scores of 1, 2, 3, 4 and 5 respectively (see below for further explanation)

**Risk score** - The assessment of the risk expressed as a numbered score from 1 to 25, derived from multiplying the likelihood score by the severity score.

**Action** - The action to be taken, or being taken, to manage the risk. This may comprise, in the case of a low-scoring risk, accepting the risk, i.e. doing nothing about it, controlling the risk, modifying or eliminating the activity which is creating the risk, or transferring the risk through external insurance or budgetary provision. In determining the appropriate action, account should be taken of the causes, the effects, and the overall assessment of the risk (i.e. the score).

**Responsibility** - The person or group of persons responsible for managing the activity and the risk appertaining to it.

### Method for scoring likelihood and severity

The following definitions are applied for the measurement of risk in respect of probability and consequences:

#### Likelihood

Ratings based on likelihood of frequency of occurrence and apply to all factors

- 1 - Most unlikely to ever happen
- 2 - Could happen very occasionally e.g. every 30 years/generation
- 3 - Could happen within 5-30 years
- 4 - Likely to happen every 3-5 years

5 - Almost certain to happen at least once a year

## **Severity**

### **Financial factors**

#### Ratings based on budgetary impact

- 1 - No or very small budgetary effect
- 2 - Can be accommodated within budgets
- 3 - Relatively small (say £50,000 ish) which would require budget supplement
- 4 - Significant effect on budget: £100,000 - £200,000
- 5 - Very significant effect on budget: greater than £200,000

### **Health and safety factors**

#### Ratings based on level of injury sustained

- 1 - Incident with very limited consequences
- 2 - Minor injury
- 3 - Incapacitating injury
- 4 - Loss of limb
- 5 - Fatality

### **Legal ratings**

#### Ratings based on prospect of litigation arising from Council error

- 1 - No or very small prospect of litigation
- 2 - Small prospect of litigation
- 3 - Reasonable prospect of litigation
- 4 - Very high prospect of litigation
- 5 - Certain prospect of litigation

### **Political sensitivity**

#### Ratings based on level of embarrassment arising from Council error

- 1 - No or very limited embarrassment
- 2 - Small amount of embarrassment
- 3 - Medium but passing embarrassment
- 4 - Significant and sustained embarrassment
- 5 - Total loss of confidence by public

### **Service delivery – disruption ratings**

#### Ratings based on level of disruption, whether service is statutory and level of effort required to recover

- 1 - No or very limited disruption
- 2 - Small amount of disruption of a non-statutory service easily recovered from
- 3 - Small amount of disruption to a statutory service or fair amount of disruption to a non-statutory service

- 4 - Large amount of disruption of a statutory service requiring significant effort to recover from
- 5 - Long term failure to deliver statutory service

Note that where there are several factors needing to be considered for severity, the score applied is the highest.