Royal Borough Windsor and Maidenhead

Approach to Management of Risk

1 April 2024 – 31 March 2025

Date: 28/05/24

Our corporate plan 2024-2028 sets out our vision of 'A borough of safer, greener and cleaner communities, with opportunity for all' and is framed around five key aims:

1. Put the council on a strong financial footing to serve the borough effectively.
2. A cleaner, greener, safer, and more prosperous borough.
3. Children and young people have a good start in life and opportunities through to adulthood.
4. People live healthy and independent lives in supportive communities.
5. A high-performing council that delivers for the borough.
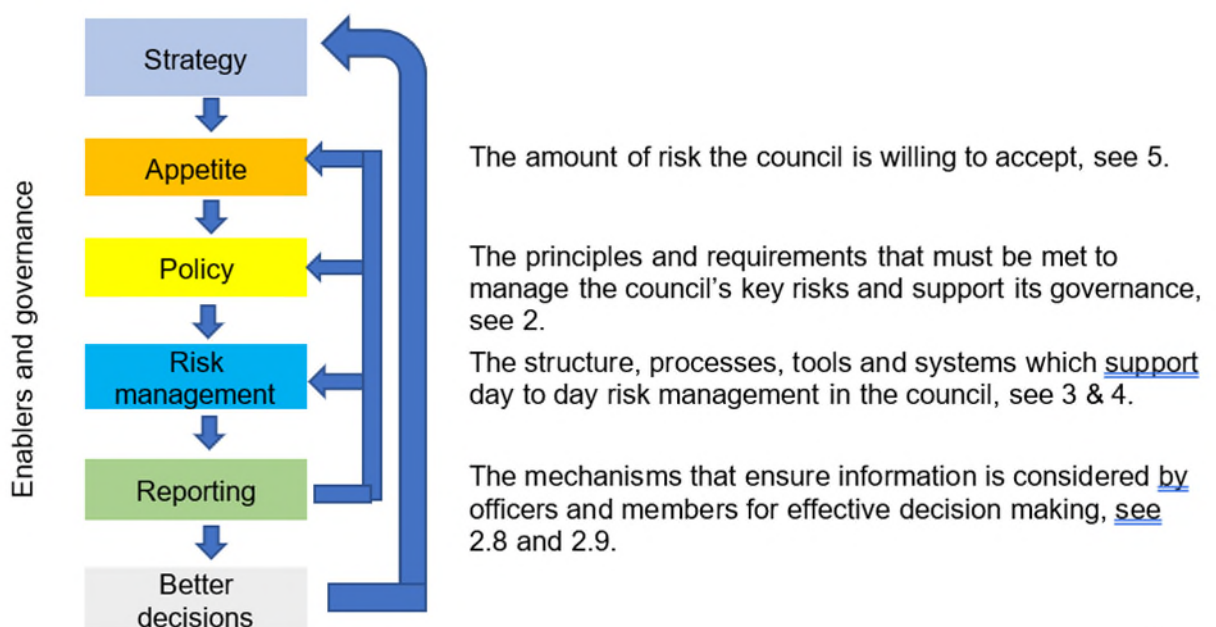
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1. INTRODUCTION

1.1 This document sets out the working definitions of risks and issues and how RBWM approaches risk management. Like any business we are exposed to risk as part of our normal activities. We can achieve better outcomes through a realistic assessment our challenges, informed decision making and targeted risk mitigation.

Definitions

1.2 Risk is defined as "the chance of something happening which may have an impact on the achievement of an organisation's objectives".

1.3 Risk management is defined as "the culture, processes and structure that are directed towards the effective management of potential opportunities and any threats to the organisation achieving its objectives".

1.4 An issue is defined as an event that is happening right now or has already happened. There is the possibility for a risk to turn into an issue when it is realised.

1.5 The difference between a risk and an issue is one of timing and likelihood. Issues demand immediate attention and resolution because they have already happened, whereas risks require proactive analysis and planning to mitigate potential outcomes because the event might happen. Since an issue event has already happened there is no uncertainty element and thus no need to assess probability.

RBWM's approach to risk management stems from the ALARM[1]/Airmic[2]/IRM[3] enterprise risk management approach, summarised below:

Strategy

Appetite — The amount of risk the council is willing to accept, see 5.

Policy — The principles and requirements that must be met to manage the council's key risks and support its governance, see 2.

Risk management — The structure, processes, tools and systems which support day to day risk management in the council, see 3 & 4.

Reporting — The mechanisms that ensure information is considered by officers and members for effective decision making, see 2.8 and 2.9.

Better decisions

Enablers and governance

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[1] ALARM is the primary voice for public sector risk management in the UK.
[2] Airmic promotes the interests of insurance buyers and those involved in enterprise risk management.
[3] The IRM (Institute of Risk Management) provides risk management related education.

1.6 Risk is a normal part of business. The understanding and management of risks is an integral part of the RBWM corporate governance framework.

1.7 RBWM employees will adopt a consistent and systematic approach to managing risk. The management of risk is a responsibility of all senior managers in the council. It is important that the identification of risks is timely to support effective service delivery.

1.8 Risk management should be incorporated within RBWM's normal management and governance processes, not treated as a separate compliance exercise.

1.9 RBWM manages specific project risk through a stand-alone system where the risk assessment methodology is scaled to the project under consideration.

1.10 Risks relating to health and safety are addressed through a separate policy[4].

1.11 How successful RBWM is in dealing with the risks it faces can have a major impact on the achievement of the council's strategic priorities. When management of risk goes well it often remains unnoticed. Consequences of failure can be significant and high profile, for example, inefficient use of or wasted resources, financial loss, service disruption, adverse publicity, litigation or failure to meet objectives. Hence the need for effective risk management.

1.12 Our risks are classified as either strategic or operational:

- Strategic risk is that which threatens the council's plans to set and achieve its business objectives and overall strategy.
- Operational risk refers to the potential for losses that may result from disruptions to the day-to-day business operations of the council.

2. THE COUNCIL'S 2024/25 RISK MANAGEMENT POLICY

2.1 This policy is fundamental to the council's approach and appetite towards risk.

2.2 The objective of risk management is not to eliminate all possible risks - that is not possible – but to recognise risks and deal with them appropriately. Underpinning the implementation of the council's risk management strategy are the following principles:

- The **informed acceptance** of risk is essential to good business strategy.
- Risk management is an effective means to enhance and **protect the council**.
- **Common definition and understanding** of risks is necessary in order to better manage those risks and make more consistent and informed business decisions.
- Management of risk is an **anticipatory, proactive** process.
- All risks are to be **identified, assessed, measured, monitored** and reported on in accordance with this strategy.

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[4] https://rbwm.sharepoint.com/sites/intranet/our-council/health-and-safety

- Officers will **ensure cabinet members are aware** of all key risks in a timely way.

2.3 Consequently, staff will need to understand the nature of the risks in their areas and systematically identify, analyse, assess, treat, monitor and review those risks.

2.4 Risk management encompasses both external and internal influences.

External influences

2.5 Risk management is an important element of corporate governance. The council must demonstrate that it complies with regulations[5] in relation to the publication of an annual governance statement[6]. One of its core principles is a requirement for RBWM to demonstrate how it manages risk and ensure that it has a system of controls that mitigate those risks that may affect the achievement of its objectives. The leadership team must make a rigorous assessment of the principal risks to the council's business model and ability to deliver its strategy.

2.6 CIPFA[7] in their 2022 publication "audit committees – practical guidance for local authorities and police" emphasise that a core function of the audit committee is to review the effectiveness of the risk management arrangements. This role is fulfilled by the remit of RBWM's Audit and Governance Committee.

Internal influences

2.7 The council's risk register draws together all the potential consequences of failing to deliver service and strategic objectives. It classifies the relative importance of these potential problems and assigns responsibilities for attempting to reduce the likelihood and/or impact to the preferred risk appetite if they do occur.

2.8 The terms of reference of the Audit and Governance Committee[8] specify their responsibilities for monitoring the effective development and operation of risk management. The committee also approve the annual risk management strategy.

2.9 Including specific risk management commentaries as part of reports to members and executive leadership team ensures that any risks inherent in a decision or situation are more noticeable and hence subject to improved scrutiny. The report template requires writers to reference any relevant risks from the corporate risk register.

2.10 Risk management therefore requires:
- A consistent management framework on how best to manage risk.

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[5] Regulation 6 of the Accounts and Audit Regulations 2015. The council's financial management arrangements similarly conform to the governance requirements set out in CIPFA's 'the role of the chief financial officer' (2016).
[6] The 22/23 governance statement was presented to the Audit and Governance Committee at their 20 July 2023 meeting.
[7] "Chartered Institute of Public Finance and Accountancy". The only UK professional accounting body that specialises in the public sector.
[8] B11 in the RBWM Constitution (version 24.1).

- Risk being everyone's business. All staff must be competent in and accountable for managing risk within their area of responsibility.
- Relevant legislative requirements and political, social, environmental and economic environments to be considered in managing risk.
- Good quality information.

3. RISK MANAGEMENT FRAMEWORK AIMS AND OBJECTIVES 2024/25

3.1 The risk management framework aims to achieve an environment in 2024/25 where risk management is an integral part of our "Future Shape RBWM" transformation programme, management processes and the general culture.
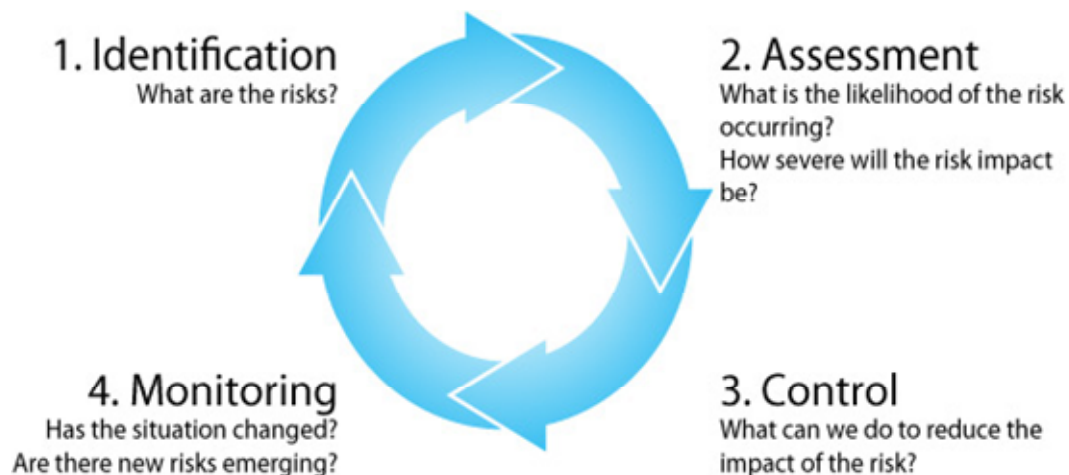
3.2 It will achieve this through implementing the following objectives:

- Assessment of the challenges faced by the council, through improved decision-making and targeted risk mitigation and control.
- Implementing transparent and responsible risk management processes, which align with accepted best practice.
- Minimising risk to customers who use council owned/operated assets.
- Providing a sound basis for the corporate risk financing strategy (insurance).
- Detailing the justification of the level of balances held as reserves in each year's budget report.
- Providing suitable training to officers and elected members.

4. RISK MANAGEMENT PROCESS

4.1   The approach to risk management in RBWM follows a four-stage process, see diagram 1. Each service area is assessed, by the relevant manager, against the process and a judgement drawn on the level of risk.

Diagram 1: Four stage process

1. Identification
What are the risks?

2. Assessment
What is the likelihood of the risk occurring?
How severe will the risk impact be?

4. Monitoring
Has the situation changed?
Are there new risks emerging?

3. Control
What can we do to reduce the impact of the risk?

Stage 1: Recognise those circumstances – risks – that might prevent service/team/decision objectives being reached. A variety of techniques and methods can be used to identify risks. ISO 31000[9] guidance notes the following:

- Brainstorming/Delphi technique[10]
- Structured risk analysis meetings
- Networking/peer group analysis including horizon scanning
- On-site internal and external Inspections and surveys
- Failure Mode and Effect Analysis[11]
- Bow-tie analysis

And for more detailed analysis -

- Stress testing and scenario analysis[12]
- Reverse stress testing[13]

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[9] ISO 31000:2018 provides principles and generic guidelines on managing risks faced by organisations.
[10] A technique based on the principle that forecasts (or decisions) from a structured group of individuals are more accurate than those from unstructured groups.
[11] A step-by-step approach for identifying all possible failures in a design e.g. consequences, causes and frequency, severity and chance of detection of a particular mode of failure.
[12] Evaluating the potential effects of a set of specified changes in risk factors, corresponding to exceptional but plausible events.
[13] A stress test that starts with the identification of a pre-defined outcome e.g. the point at which the organisation can be considered as failing or its business model becomes unviable.

All council officers should be able to input into the risk identification process. This will ensure all risks are identified.

The existing risk registers can also be reviewed with three questions in mind:

1. Has the impact or likelihood of any of the risks recorded changed significantly?

2. Are any risks missing from the risk register?

3. Is anything planned over the next 12 months to present a significant risk?

Stage 2: Evaluate the likelihood, impact, confidence level in these assessments along with the appetite position for the risk:

- Impacts and likelihoods are scored on a four-point scale. At the lower end 1 represents a minor impact and/or "very unlikely" and 4 represents an extreme risk and/or "very likely". See appendix 1 for a detailed explanation on impacts and timescales which also illustrates indications of the timeframe over which likelihood is judged. Because likelihood judgements are subject to more volatility in their assessment – an unlikely event may nevertheless still occur - those scores, whilst not without limited use - are less significant in the risk assessment.
- Protocols exist to guide officers in making these judgements. A note detailing the criteria is attached (appendix 1).
- Key risks are those identified as high risks with consideration also given to those where the implications of failure carry the most damaging consequences i.e. a risk with an inherent impact of "extreme" which scores 4.

4.2   In terms of assessing each risk the assessment is detailed in four situations:
- Inherent – the natural level of risk inherent in a process or activity without doing anything to reduce the likelihood or mitigate the severity of a mishap, or the amount of risk before the application of the risk reduction effects of controls[14].
- Current – how the risk stands at the present time.
- Controlled – how the risk looks once all possible mitigations are implemented.
- Appetite - where RBWM considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

4.3   The critical part is recognising and appreciating the risks to enable informed decisions to be made.

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[14] Enterprise Risk Management: A Methodology for Achieving Strategic Objectives, G Monahan 2008

Diagram 2: Risk assessment heat map

IMPACT	1	2	3	4
4	4	8	12	16
3	3	6	9	12
2	2	4	6	8
1	1	2	3	4
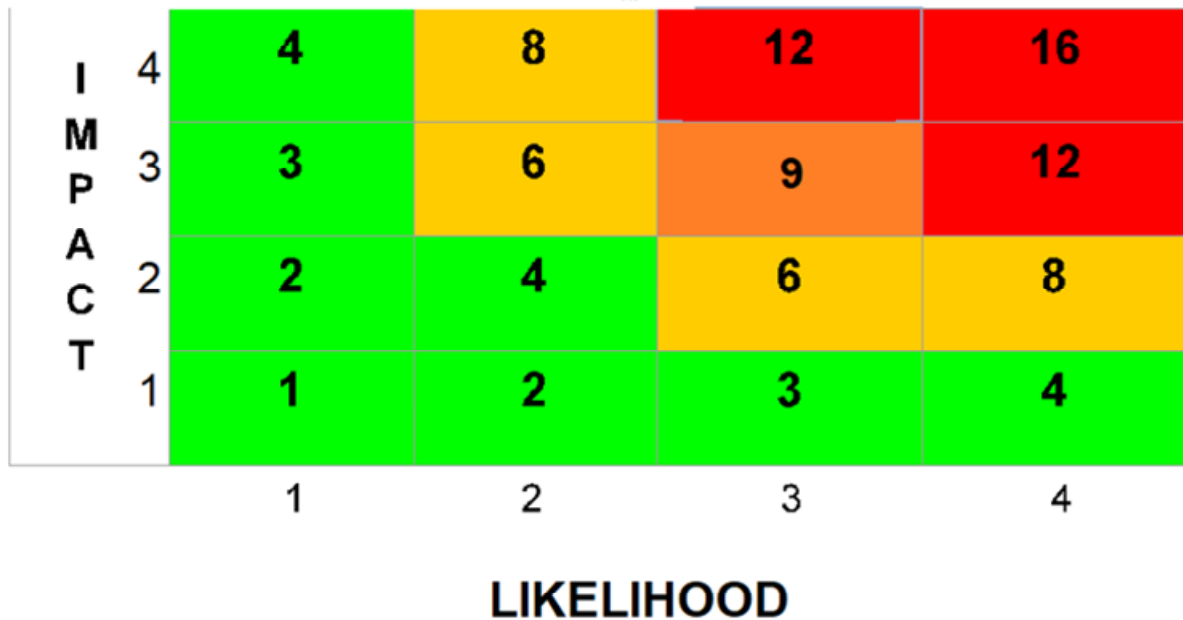
LIKELIHOOD

Stage 3: Treat the risks in order of priority. Mitigation measures address whether the likelihood and/or impact can be reduced or the consequences changed. Each situation should receive careful attention so that the risk mitigation measures are aligned as directly as possible to the risks.

▪ Controls have different characteristics:

- Preventative – designed to prevent a risk event occurring.
- Detective – through either pro-active or reactive risk analysis, detective controls identify risk events or losses and help assess causes.

Certain risks in their entirety or limited aspects of them may be considered as suitable to be transferred to another party e.g. through contractual agreements. In some circumstances the matter giving rise to the risk may be terminated. However, much of the council's activity is determined and created by statute. Thus, the opportunity to undertake the transfer or terminate options is likely to be limited and the council would remain as the body with the statutory responsibility.

The exposure from certain risks could be tolerated without further mitigation e.g. the level of resources required may be more than the risk owner[15] is willing to commit to its control. It is important that relevant officers/members understand the potential impacts for these situations.

Stage 4: This is a monitoring and review process. Whilst key risks will be constantly considered by the risk owner i.e. directors, senior leadership team and cabinet

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[15] An individual officer, who is closely involved with the risk, can monitor the risk and has sufficient authority to initiate action if the risk becomes more serious.

members as part of their typical responsibilities, a formal recorded review must be undertaken quarterly. This process adds scrutiny to ensure:

- The correct risks are being identified.
- Treatment measures are legitimate.
- Correct individuals are assigned as risk owners.
- Systematic scanning for novel and unexpected threats as well as dealing with identified risks is, as far as possible, considered a core part of management responsibilities.
- There are challenges to what we "know" to ensure that our particular belief system is based upon the most up to date knowledge.
- Early warning systems exist so information can filter up quickly and easily.

4.4 If, at the review, the group is assured that mitigation of the key risk has reduced it to an acceptable level then it can be regraded and deescalated from the key risk register if appropriate.

4.5 Reviews are carried out to assess whether the control is appropriately designed to achieve the objective of the residual risk level desired. Controls are ranked according to their performance e.g., a high/medium or low effect on controlling the risk.

4.6 For all non-key risks, the review period is at least quarterly.

4.7 The threshold for escalating service risk information for corporate consideration is determined by the inherent risk assessment. The scoring approach enables officers to recognise when issues cannot safely be contained and must be escalated to ensure senior management are aware of the situation and suitable mitigations put in place (if possible). Risks with an "extreme" impact will always be considered as high risk to the council and identified as potential key risks. Officers must ensure that the matter is raised with their line manager without delay.

4.8 Formal notification takes place through discussion or submission of the service/ directorate risk register/s with/to the insurance and risk manager.

4.9 Each risk is classified into one of a comprehensive set of eleven categories (appendix 2). These can be used to:
- Aggregate risks from various parts of the organisation for management purposes.
- Help with the detection of mutating risk. A mutating risk is an existing risk which starts connecting with other threats or factors to generate new outcomes.

4.10 Much effort is currently applied to develop a capability in identifying emerging risks[16]. These risks have characteristics differentiating them from 'business as usual' risks:
- They are marked by a high degree of uncertainty.

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[16] Defined by Lloyd's as an issue that is perceived to be potentially significant, but which may not be fully understood or allowed for.

- Basic information, which would help adequately assess the frequency and severity of a given risk, is often lacking.
- They may arise and evolve quickly and/or unexpectedly or may never actually happen.
- Emerging risks may have a massive economic loss potential at a macro level for society and subsequently may impact the council directly or indirectly.

5. RISK APPETITE

5.1   Due to its diverse range of services the council does not have a single risk tolerance and appetite for risk. Risk appetite is the phrase used to describe where RBWM considers itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks in service delivery.

5.2   Considering and setting risk appetite enables the council to increase its rewards by optimising its risk taking and accepting calculated risks within an appropriate level of authority. A clearly defined risk appetite takes much of the guesswork out of putting limits on new business. Equally, it reduces the likelihood of unpleasant surprises. Risk appetite enhances the content of the risk registers by considering:
- Capacity – the actual physical resources available and physical capability of the organisation. The council's capacity must have limits; therefore, its capacity is finite and breaching those limits will cause RBWM problems it cannot deal with.
- Tolerance – the factors that the council can determine, can change and is prepared to bear. Risks falling within tolerances for quality and range of services can be accepted. Tolerance changes more frequently than capacity and should therefore be stress tested more often.

5.3   There are an overarching series of qualitative and quantitative risk appetite statements (appendix 3) which no unit or service area can exceed, based on the capacity and tolerance levels of the council.

5.4   All risks are expected to carry an appetite position.

6. CONFIDENCE LEVEL

6.1   A metric is ascribed to the level of conviction the risk assessor has in the assessment score. By showing a confidence level the risk assessor can mitigate the problem that the decision makers, members etc. may be expecting precise numerical calculations because (unless told otherwise by the risk assessor) the assessments get interpreted as completely accurate depictions of the risk.

6.2   Low confidence level (score between 0-25%)
- Assessment is based on purely subjective opinion, is qualitative and not especially well documented because we don't have the data.
- No scientific consensus exists on estimating approach.

- Scores are, on balance, quite arbitrary and could be off by more than one measure (high vs high/medium vs medium vs. medium/low v low). It is no more probable that the reported score is correct than a lower or higher score is correct.

6.3   Medium Confidence Level (26% - 60%)
- Assessment is based on similar conditions observed previously and/or qualitative analysis. Qualitative analysis is based on unverified models and/or data.
- Expert opinion might fall in here but should be treated with caution if that's all there is. Some documentation exists.
- Literature relying on this estimating approach exists. We are confident that, if scores above are wrong, they are, on balance, only off by one ordinal.

6.4   High Confidence Level >60%
- Assessment is based on testing, modelling or simulation, use of prototype or experiments.
- Qualitative analysis is based on verified models. Quantitative assessment is based on an historical basis and/or data. Impact estimate is quantitative and well documented.
- Scientific consensus exists on estimating approach. It is highly probable that the reported score is correct (this could, for example, mean within one standard deviation).

7. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

7.1   **Chief Executive**
The Chief Executive takes overall responsibility for RBWM risk management performance and ensures that:

- decision-making is in line with RBWM policy and procedures for risk management;
- adequate resources are made available for the management of risk;
- there is an understanding of the risks facing RBWM.

7.2   **Cabinet members**
- take reasonable steps to consider the risks involved in their decisions;
- understand the key risks falling within their portfolio.

7.3   **Audit and Governance Committee**
- consider and approve the risk management strategy annually and communicate it to other elected members;
- receive an annual report on risk management and monitor the effective development and operation of corporate governance;
- receive six monthly reports on the effective management of risks facing RBWM;
- oversee a comprehensive, inclusive and risk management approach to the annual governance statement process.

7.4   **Executive Director of Resources and Section 151 Officer**

- ensures that a risk management policy and strategy is developed and reviewed annually to reflect the changing nature of the council;
- champions the process of risk management as good management practice and a valuable management tool.

7.5 **Executive Directors and the Executive Leadership Team**
- challenges the contents of the corporate risk register to ensure that it reflects any significant new risks emerging and that monitoring systems are suitably robust;
- review and refresh directorate and corporate risk registers and continue to report publicly on a quarterly basis to cabinet and scrutiny committee as part of the quarterly performance report arrangements.
- support and promote risk management throughout RBWM;
- ensure that, where appropriate, key decision reports include a section demonstrating that arrangements are in place to manage identified risks;
- recognise any service specific issues relating to risk management which have not been explicitly addressed in the strategy;
- disseminate the detail of the strategy and allocate responsibilities for implementation to service managers and staff;
- understand the risks facing the council.

7.6 **Insurance and Risk Management Team**
- develop the strategy and oversee its implementation across the council;
- share experience and good practice on risk and risk management;
- develop and recommend the strategy to the audit and governance committee, head of finance and the senior leadership team;
- provide a clear and concise system for reporting risks to elected members.

7.7 **Internal Audit**
- take the content of the key risk registers into account when setting the internal audit programme;
- undertake audits to assess the effectiveness of the risk mitigation measures;
- feedback audit opinions on a predetermined scale so they can be included in the risk register.

7.8 **Assistant Directors/Managers**
- take primary responsibility for identifying and managing significant strategic and operational risks arising from their service activities;
- recommend the necessary training for employees on risk management;
- maintain a risk register for their service area and ensure that all employees are aware of the risk assessments appropriate to their activity;
- be responsible for production and testing of business continuity plans.

7.9 **All staff**
- recognise emerging or changing risks in their job and feed this back to their line manager.

8. CORPORATE RISK FINANCING STRATEGY

8.1 RBWM uses its risk financing arrangements to protect it from the financial implications of unexpected accidental events. This helps in providing continuous services in the event of serious losses.

8.1 The level of cover bought will depend on the council's appetite for risk, based on its ability to self-fund claims and the strength of its risk management.

8.2 RBWM is exempt from most requirements regarding compulsory insurance[17]. Nevertheless, most public sector organisations purchase external insurance. Without this, the council funds all such exposures from its own resources.

8.3 If RBWM were to insure without taking substantial excesses against most of the risks that it faces then this would incur significant annual premiums.

8.4 Having strong risk management arrangements across RBWM allows us to retain some risks either by deciding to self-insure these risks in their entirety or by purchasing insurance for losses that arise over a certain value.

8.5 **Objectives**
- Provide financial protection to the council's assets, services and employees.
- Maintain an appropriate balance between purchasing external cover and internal risk retention.
- Ensure the internal insurance fund is maintained at an appropriate level.
- Ensure resilient claims handling arrangements and insurance fraud detection.
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.

8.6 **Achieved by**
- Using claims modelling and other risk assessments to determine exposures.
- Monitoring changes in legislation, civil justice protocols and case law.
- Maintaining claims handling protocols in line with statutory requirements.
- Undertaking periodic actuarial fund reviews.

8.7 **Procurement of insurance**
- All insurance procurement complies with the relevant EU procurement rules.
- All hard copies of policies are retained indefinitely with policy documentation from 2012/13 stored soft copy.

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[17] Under the Local Government Act 1972 the only insurable aspect of the council's operations it is obliged to make specific financial provision for is against the risk of financial fraud by staff.

9. APPENDICES

1. Impact and likelihood assessment scoring.
2. Risk classifications.
3. Qualitative and quantitative risk appetite statements.

Appendix 1: Impact scoring

Factor	Score	Effect on level of service	Effect on quality of service	Embarrassment/reputation	Failure to provide statutory duties/meet legal obligations	Financial loss
Extreme	4	Massive loss of service, including several important areas of service and /or protracted period; service disruption 5+ days	Quality of service deteriorates by over 80% from accepted (ideally defined by PI's) operating parameters.	Adverse and persistent national media coverage; adverse central government response, involving (threat of) removal of delegated powers; officer(s) and/or members forced to resign	Litigation/ claims/fines from departmental £250k + corporate £500k +	Costing over £500,000 Up to 75% of budget
Major	3	Complete loss of an important service area for a short period; major effect to services in one or more areas for a period of weeks; service disruption 3-5 days	Quality of service deteriorates by between 25% to 60% from accepted (ideally defined by PI's) operating parameters.	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community; adverse local publicity of a major and persistent nature; statutory prosecution of a serious nature.	Litigation/ claims/fines from departmental £50k to £125k corporate £100k to £250k	Costing between £50,000 and £500,000 Up to 50% of budget
Moderate	2	Moderate effect to an important service area for a short period; adverse effect to services in one or more areas for a period of weeks; service disruption 2-3 days	Quality of service deteriorates by between 10% to 25% from accepted (ideally defined by PI's) operating parameters.	Adverse local publicity /local public opinion aware; statutory prosecution of a non-serious nature	Litigation/ claims/fines from departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000 Up to 25% of budget
Minor	1	Brief disruption of important service area; significant effect to non-crucial service area; service disruption 1 day	Quality of service deteriorates up to 10% away from accepted operating parameters.	Contained within section/unit or directorate; complaint from individual/small group, of arguable merit	Litigation/ claims/fines from departmental £12k to £25k corporate £25k to £50k	Costing less than £5,000 Up to 10% of budget

Appendix 1: Likelihood scoring

FACTOR	SCORE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence.	Expected to occur in most circumstances. Circumstances are very frequently encountered - daily/weekly/monthly.
Likely	3	40% - 75% chance of occurrence.	Likely to happen at some point within the next 1-2 years. Near misses frequently encountered (a few times a year).
Unlikely	2	10% - 40% chance of occurrence.	Not expected to happen but there is the potential. Circumstances occasionally encountered. Any near misses are infrequent (e.g. every 3 years or more)
Very unlikely	1	Less than 10% chance of occurrence.	Has happened rarely or never. The earliest event is likely to be several years in the future.

Multiplying these likelihood and impact scores together gives a result assessed as either "high risk" (value 12 - 16), "high/medium risk" (value = 9), "medium risk" (value 6 - 8) or "low risk" (value 1 - 4) as can be depicted in the following diagram.

IMPACT		LIKELIHOOD		
	1	2	3	4
4	4	8	12	16
3	3	6	9	12
2	2	4	6	8
1	1	2	3	4

Appendix 2 – risk classifications

1   Business processes

       Design, operation and application activities.

2   Assets

       Infrastructure including hard assets e.g., roads, buildings, vehicles, along with other physical responsibilities such as trees, open spaces. Excludes IT.

3   Communications

       The approach to and culture of communication, consultation, transparency and information-sharing, both within and outside the council.

4   Political and operating contexts

       Perceived or potential conflicts between private and public interests, members and officers, national and local government or contractors and the council.

5   Financial management

       The structures and processes that ensure sound management of financial resources and compliance with financial management policies and standards.

6   Governance, strategic direction and organisational transformation

       Management skills and capacity, the approach to leadership and decision-making. The approach to significant structural or behavioural change.

7   Human resources management

Staff/management turnover; employment/work culture; recruitment, retention and staffing processes and practices; succession planning and talent management; employee development, training and capacity.

8   Information technology

Capacity and sustainability of information technology and both the infrastructure and utilisation of technological applications.

9   Knowledge and information management

Collection and management of knowledge, including intellectual property, operational information, records and data.

10   Legal

Management of RBWM's legislative, advisory and litigation activities, including the development and renewal of, and compliance with, laws, regulations and policies.

11   Demographic and social factors

The direct needs of residents, visitors and the general public.

Appendix 3 – Qualitative and quantitative risk appetite statements.

Risk definitions

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Avoidance of risk and uncertainty is a key organisational objective.	Preference is for ultra safe business delivery options that have a low level of inherent risk and only have a potential for limited reward.	Preference is for safe delivery options that have a low degree of inherent risk and likely to only have limited potential for reward in most circumstances.	Willing to consider all potential delivery options and choose the one most likely to result in successful delivery while also providing an acceptable level of reward.	Eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risks.

Authorisation definitions

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Insignificant consequences requiring line manager (or even staff) approval	Moderate consequences requiring HOS approval	Medium consequences acceptable by director.	Potential major consequence acceptable only with chief officer authorisation.	Potential catastrophic consequences unacceptable without highest possible level approval

Monitoring arrangement

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Accept	Low level monitoring	High level monitoring	Remedial action and/or senior monitoring	Urgent remedial action or senior monitoring

Risk appetite statements 1 – 3 are quantitative assessments, 4 – 8 are qualitative assessments each acknowledging a willingness and capacity to take on risk.

1. Maximum tolerance for losses

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Costing <£5K. It is likely to cost about this much to manage an occurrence of this risk. Little stakeholder concern and can usually be managed in the directorate concerned with normal reporting to head of finance. Little impact on service delivery in other areas due to the financial impact of this occurrence.	Costing £5K - £25K. It is likely to cost about this much to manage an occurrence of this risk. Pockets of some stakeholder concern and can usually be managed in the directorate concerned with normal reporting to head of finance. Little impact on service delivery in other areas due to the financial impact of this occurrence.	Costing £25K - £50K. It has often cost around this sum to manage this risk in similar projects or programmes. Moderate stakeholder concern. Some impact to service delivery in other areas due to the financial impact of this occurrence.	Costing £50K - £100K. The exposure is demonstrably around this sum in order to manage an occurrence of this risk. Reasonably high interest by stakeholders in the level of loss. Notable impact to service delivery in other areas due to the financial impact of this occurrence. The head of finance is to be alerted when a risk reaches this impact.	Costing >£100K. The exposure is demonstrably around this sum in order to manage an occurrence of this risk. Very significant interest by stakeholders in the level of loss. Major impact on service delivery in other areas due to financial impact of this occurrence. The head of finance is to be alerted when a risk reaches this impact.

2. Headroom after impact on capital funding strategy

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
£2M upwards	Between £1M - £2M	Between £500k - £1M	Between £250k and £500k	<£250k

3. Minimum cash balance

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
At least £5M	Between £4M and £5M	Between £3M and £2M	Between £2M and £1M	No lower than £1M

4. Regulatory risk

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
In the event any statute is breached, it carries little damaging financial or reputational impact i.e. fines <£10K concerning a localised technical matter. Avoid anything that could be challenged, even unsuccessfully.	Relatively low profile statutory requirement may not be delivered adequately Fines >£10K up to £25K if council found in breach of relevant Act Want to be very sure we'd win any challenge.	Well established statutory requirement may not be delivered adequately Fines £25K - £50K if council found in breach of relevant Act Limited tolerance for sticking our neck out. We want to be reasonably sure we would win any challenge.	Important statutory requirement may not be delivered with potentially serious implications. Fines £50K - £250K if council found in breach of relevant Act Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Fundamental statutory requirement may not be delivered satisfactorily with potentially very serious implications. Fines over £250K if council found in breach of relevant Act. Chances of losing are high and consequences serious. However, a win would be seen as a great coup.

5. Reputation risk

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
A low level of interest in a particular council activity. A sideline in specialist press. Localised criticism. Managed situation with director/head of service briefed.	Front page news in local press. No particular national interest beyond sidelines. Managed situation with managing director/leader briefed.	Some national publicity or media criticism for no more than two/three days. Sustained criticism over 1-2 months amongst local press/public and/or specialist press. Could take up to a month to restore credibility.	Some national publicity or media criticism lasting no more than a week. Sustained criticism over 3-4 months amongst local press/public and/or specialist press. Could take up to three months to restore credibility. Reputation tarnished in longer term. Senior officers criticised for actions undertaken by the council.	Widespread criticism originating from all quarters of the press / the general public. It will take more than 6 months to restore credibility amongst stakeholders. Reputation is massively damaged and confidence lost towards senior officers and elected members.

6. Council services

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Has low level impact on the council's ability to deliver key services. May affect an aspect of performance management but overall target likely to remain unaffected. 1 day disruption.	Moderate impact on the delivery of any key service. Recoverable but will be delays of up to 2-3 days in returning to normal.	Has a medium level impact on the council's ability to deliver key services. Recoverable but will be delays of up to a week in returning to normal.	Impacts one key element of the council's strategic plan. Takes over a week but less than a fortnight to recover and return to pre-risk occurrence state.	Has a high level impact on the ability of the council to deliver more than one key element of the council's strategic plan. Over a fortnight to return to normal.

7. Operational risks in the execution of business plans

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
The uncontrolled impact would be no more than moderate at operating unit level. It would be controllable to a lower assessment status and not affect the wider council	The uncontrolled and/or controlled impact would be no more than moderate at operating unit level. It would be controllable and not affect the wider council. Small delays to major project.	Would have a major uncontrolled impact at the directorate level that may possibly lead to a wider council impact. Key milestones to major project or initiative slip.	Would have a major uncontrolled impact at the directorate level and with clear reasons that would likely lead to a wider council impact. Key milestones to major project or initiative slip.	Significant council wide impact. Major failing in the delivery of a key project or initiative. Would meet criteria for key operational risk.

8. Risk related decision making, especially in relation to new business opportunities

low appetite	low/medium appetite	medium appetite	medium/high appetite	high appetite
Many such opportunities undertaken at local levels. Clear precedents exist with apparent transparent benefits. Little or no change to council's existing business structure. Minimal tolerance for any decisions which could lead to scrutiny of the council	Reasonably common area of business but without a vast number of competitors e.g. <10. Council required to make minor adjustments to address new ways of working. Tolerance for risk taking limited to those events where there is no chance of any significant repercussions for the council	New area of business with a small number of precedents. Moderate adjustments to address new ways of working. Some moderate staffing level changes.	Only one or two examples of similar work undertaken in the local authority environment. Significant modifications to address new ways of working. Considerable changes to staffing levels/methods. Appetite to take decisions with the potential to expose the council to additional scrutiny.	Completely new business area never assumed by any public sector organisation. Benefits cannot be based on previous experience because there isn't any. Appetite to take decisions that are likely to bring scrutiny of the council but where potential benefits are huge. Desire to break the mould and challenge current practices.