

Audit Committee – 24 July 2018

Risk Management Update and Strategic Risk Register

1. Summary of the report

- 1.1 This report presents an update on the work to refresh the council’s risk management approach and progress with the action plan to embed the new risk management strategy. The updated Strategic Risk Register (SRR) is included as at July 2018.
- 1.2 The risk management action plan previously presented to Audit Committee, as part of the Strategy for approval, is underway. All the planned Corporate Management Team (CMT) and Departmental Management Team (DMT) sessions have been completed and in June we reported progress back to CMT, providing them with a draft Strategic Risk Register, resulting from the workshop sessions to date.
- 1.3 Engagement from Management has been good during the sessions and lots of positive input has been received to inform the next steps of the action plan. The planned actions continue past July 2018 with more activities to help strengthen the risk management framework. The timing of some future actions has been revised to ensure deadlines remain achievable. Additional actions have been identified; review of all Departmental Risk Registers produced in line with new strategy expectations and; work to develop an assurance map of high risk areas.
- 1.4 As well as the need to periodically report back to Committee with regards to the update of the risk register additional reasons to engage include the need to continue to ensure there is appropriate challenge to the direction of travel.

2. Recommendations

- 2.1 Audit Committee is recommended to:
 - I. Consider the progress to date, and future action plan, providing comment and challenge regarding direction of travel.
 - II. Note the Strategic Risk Register and provide comment and challenge that can be considered as we enter the first full update cycle under the new strategy requirements.

3. Resource and legal considerations

- 3.1 The statutory requirements are detailed in the risk management section below.

4. **Citizen impact**

- 4.1 Good risk management supports delivery of the council's objectives as set out in the Corporate Plan, which has a direct impact on the lives of people and our communities.

5. **Performance and Risk Management Issues**

- 5.1 Audit Committee's responsibility for risk management includes:

- Reviewing the mechanisms for the assessment and management of risk.
- Giving assurance about the process.
- Ensuring that the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2015 (reg 4(1), "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

- 5.2 Audit Committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed. This report enables Audit Committee to exercise its responsibilities in respect of risk management by reviewing the current SRR; calling in key business risks for review; and seeking assurance that risk management is thoroughly embedded within the organisation.

- 5.3 Walsall Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Corporate Management Team.

- 5.4 The Authority needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Authority's business - including Members, regulators etc. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the council's core operational services, and the second line comprises the oversight functions such as risk management.

6. Consultation

6.1 The SRR has been developed by CMT and consultation held with senior managers accordingly.

Background papers

Previous reports and minutes to the Committee.



Vicky Buckley – Head of Finance
13th July 2018

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Risk Management Update

Background

In January 2018 the updated Risk Management Strategy was approved by Committee subject to some minor changes. The Strategy was refreshed following a workshop with the Corporate Management Team regarding the risk management framework and what was needed for the council going forward.

The need to consider the arrangements in place was in part due to feedback from the Audit Committee regarding how the existing framework and reporting arrangements was not fulfilling their needs.

Changes to the Strategy included:

- some changes to terminology – CMT will own a Strategic Risk Register (SRR) and the terms Original and Current Risk will be used;
- the requirement to consider ‘Target Risk’ has also been included;
- the introduction of Risk Appetite and Tolerance concepts;
- the grid has been amended to five by five.

In addition to the above, to recognise that the change needed to be embedded an action plan was incorporated into the Strategy.

Update

The table below outlines the actions since the strategy and plan were agreed and the current status of the actions.

Ref	Implementation Action Plan	Estimated Timing By ----- Status
1	Facilitated Corporate Management Team session to inform a refresh of the Strategic Risk Register. <i>Confirm principles of new approach.</i> <i>Timed to feed into the 2018/19 audit plan.</i>	February 2018 <i>Complete (22nd February 2018)</i>
2	Sessions with Departmental Management Teams / Project Teams to cascade the top down Strategic Risks for consideration at the Operational/Project level as well as Operational level ‘bottom up’ risks facing services to be captured and considered. <i>Communicate the principles of the new approach.</i>	April 2018 <i>Children’s and Adults April 2018</i> <i>Resources and Transformation and Economy and Environment</i> <i>May 2018</i>

Ref	Implementation Action Plan	Estimated Timing By ----- Status
3	Review of Risk Management for the Head of Internal Audit Opinion. <i>Any recommendations from the review to be included in future steps of action plan.</i>	April 2018 <i>Completed May 2018</i>
4	Presentation of refreshed Strategic Risk Register to Audit Committee. Audit Committee Member briefing/training session.	June 2018 <i>Planned for July 2018</i>

The session with CMT reinforced the need for them to own the council's SRR as well as ensuring that they have sufficient assurances with regards to operational risks that are corporate in nature to consider their inclusion as required.

The conversations at DMT's have been positive and reinforce the view that robust risk management is operating within services across the council. Management have been receptive to new ideas and openly discussed the risks they are managing locally as well as ones they feel are relevant corporately. This insight was captured and shared with CMT to inform the most recent update of the strategic risks.

Meetings have also been held with other teams and individuals who are integral to the risk management framework currently. This includes Performance Management, Health and Safety, Emergency Planning and Business Continuity and the newly formed Programme Office. Again, positive input and commitment to the proposed changes and the direction of travel have been shared.

A refreshed SRR is contained as Appendix 1 of this report. The draft register included six strategic risks owned by CMT, which were identified through a workshop in February 2018.

As part of the process to review the SRR, all the high original rated corporate risks of the organisation were considered for escalation to the SRR. These risks sit at directorate level while the risk rating is within the CMT's tolerance. As this changes, the relevant Director can escalate the risk to CMT for review and consideration. Internal Audit independently challenge that this escalation mechanism is robust. As at June 2018 it was the corporate risk around finances that has been escalated to the SRR as all Directorates considered this to be high risk to them.

Possible changes identified to process and procedure as a result of these meetings include:

- the need to increase consistency in risk register templates used.

- the need to distinguish between Strategic, Corporate, Operational or Business as Usual and Project Risks and ensure management are clear on reporting and escalation expectations within the council;
- the need to ensure the risk management process does not become over complex or bureaucratic.

Following completion of the steps 1-4 of the action plan the remaining actions have been reviewed and time line to deliver updated.

Ref	Implementation Action Plan	Estimated Timing By ----- <i>Revised Timing</i>
5	<p>Complete sessions with service teams to roll out new strategy and support them to embed.</p> <p>Undertake a skills gap analysis and provide training to address.</p> <p>Consideration of training and induction provided to officers and members to ensure no future gaps in skills appear.</p>	<p>June</p> <p><i>July and August 2018</i></p>
6	<p>Review the Strategy and procedural documentation to ensure they fully reflect developed practices including the refreshed Corporate Plan and Change Programme.</p> <p><i>Also consideration of how some other processes will be affected by the changes in the risk management framework or how changes in how risk is managed or appetite and tolerance might impact on other business processes.</i></p>	September 2018
New	Review and provide challenge to all Departmental Risk Registers produced in line with the requirements of the new Strategy.	September 2018
New	Develop an Assurance Map for the High Original Rated Corporate Risks to streamline the communication of assurances within the organisation as well as strengthening the links between the Departmental Risk Registers and the Strategic Risk Register.	September and October 2018
7	<p>Updated Strategy is approved at Committee</p> <p><i>Timing and style of future reporting on risk to Committee to be formally agreed.</i></p>	December 2018

Strategic Risk Register 2018/19



July 2018

No.	Risk <i>Cause and Effect</i>	Corporate Goal	Type	Existing Controls <i>Assurances</i>	Impact	Likelihood	Risk score	Status & Trend	Further Actions/Planned Mitigations	Deadline
1	<p>Opportunities for Regeneration and to generate Economic Growth are not identified or maximised by the Council</p> <ul style="list-style-type: none"> • <i>Economic uncertainty reduces external investment opportunities;</i> • <i>Not enough available land for development;</i> • <i>Not enough money to develop land;</i> • <i>Loss of EU funding with no UK funding streams</i> <p>The effect would be reduced future income streams for the council, increased unemployment and reliance on services from the community, reduced aspirations for next generation.</p>	Economic Growth	Strategic	<ul style="list-style-type: none"> • Reviewing investment options for development sites. • Economic Growth Programme. • Strategies and Policies in place. <p><i>Strategy and Policy monitoring is part of the ongoing performance management of the organisation so takes place as part of DMT and CMT meetings as well as the input from Members when Policy and Strategy is set and/or reviewed.</i></p> <p><i>Internal Audit work on Growth Fund – signed off as satisfactory.</i></p>	4	4	16	Red	<ol style="list-style-type: none"> 1) Place pipeline sites seeking capital funding from Black Country LEP and West Midlands Combined Authority (for example, Phoenix 10 site). 2) West Midlands Housing Deal with focus on Walsall – Wolverhampton corridor and up to £100m of Government investment. 3) Continued use of Economic Growth Programme funding to support capacity and programmes (such as Walsall Works). 4) Continuing to influence the scope and design of the UK Shared Prosperity Fund (which will follow EU funding) through our Technical Assistance Team. 5) Continued promotion of investment opportunities in a range of media, including Walsall Town Centre and Junction 10 cluster as priorities in West Midlands Investment Prospectus. 6) Procurement of specialists to assist the development of a Walsall Town Centre masterplan. 7) Site Allocation Document and Area Action Plan to be shortly found sound, subject to Planning Inspectorate sign off this summer. 	March 2019
				Target Score				Amber		
					3	3	9			

Reducing inequalities and maximising potential

Strategic Risk Register 2018/19



July 2018

No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline		
	<i>Cause and Effect</i>			<i>Assurances</i>								
2	<p>The Transformation Programme does not achieve the outcomes required to ensure that available resources are directed to deliver the greatest outcomes for the community.</p> <ul style="list-style-type: none"> • Lack of commitment to change; • IT infrastructure does not support change; • Departments and Services work in disparate way; • The organisation does not have the skills or expertise required to deliver change; • The programme is not focused on the right changes or stretching enough to achieve the targets and outcomes identified. • Lack of capacity to deliver change. <p>The effect would be that costs of service provision remains above optimum level and opportunity cost of this cannot be removed. The Council would not become fit for purpose to face future challenges.</p>	ALL	Strategic	<ul style="list-style-type: none"> • Transformation work programmes have been identified. • Cabinet and CMT commitment to establishing a refreshed transformation programme via stocktake. • Partner chosen to deliver stock. • Additional ongoing IT infrastructure and staffing investment approved and being implemented for 2018/19 budget • Capital Investment approved and project underway in relation to IT infrastructure and move to Cloud based services. • Corporate Programme Office has been established. • Monthly oversight by CMT of transformation programmes. • Work Force Strategy approved and being implemented. <p><i>Internal Audit work on ICT Strategy – Substantial Assurance.</i></p> <p>This risk will remain red for the current financial year. It is anticipated the current risk will reduce before the end of March 2019. The target risk score is envisaged to be achieved in 2019/20.</p>	Current Score		4	4	16	Red	<p>1) A stock take is underway to assess the transformation programme and where required refocus efforts to ensure the objectives are clear and the organisation is configured to deliver them.</p> <p>2) Ensure the Corporate Risk Management Framework supports the refreshed transformation programme activity and this is interconnected with the wider framework.</p>	September 2018
Target Score		4	2	10	Amber	December 2018						

Strategic Risk Register 2018/19



July 2018

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	<i>Cause and Effect</i>			<i>Assurances</i>						
3	<p>Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.</p> <ul style="list-style-type: none"> • <i>Non vibrant voluntary sector;</i> • <i>Weak relationships with Partners;</i> • <i>Lack of supply chain resilience / suppliers of services in market;</i> • <i>Provider fails;</i> • <i>Financial pressures in other sectors reduce the resources they can deploy;</i> <p>The effect of this risk materialising would be increased future costs for the Council to deliver the same or reduced services or service disruption due to provider or contractor failure.</p>	Communities	Strategic	<ul style="list-style-type: none"> • Development of a strategic partnership board and a range of thematic boards to oversee delivery of the priorities in Walsall. • Contract Management Procedures in place. • Robust Relationships with Police/Health/Housing/FE/Schools/Fire/VCR/CDM sector. • Care Home Closure Procedures in place for provider failure. • Major contracts have robust response plans in place to be activated if the company fails. <p><i>Internal Audit work on :</i></p> <p><i>Contract Management, Controlling Migration Fund (Substantial Assurance),</i></p> <p><i>Market Management (Limited Assurance),</i></p> <p><i>Domiciliary Care (Limited Assurance).</i></p>				<p>Current Score</p> <p>4 4 16 Red</p> <p>Target Score</p> <p>4 2 8 Amber</p>	<ol style="list-style-type: none"> 1) Corporate Procurement Team to do a risk assessment for major contractors. 2) New outcome focused contracts to be agreed at Cabinet. 3) Additional resources in ASC identified for quality audit and monitoring. 4) Bring together key stakeholders with collective responsibility for the quality of (all) care provision. 5) Re-commissioning of the ASC community based services (CBS) Framework in 2019 to ensure the procurement exercise is completed in a timely manner, alleviating the need for a transitional contract. 6) Work is still on going with providers receiving reports regarding their performance. It is the intention of the Directorate to address contract compliance of the CBS Framework through the corporate Contracts Compliance team as required. 	<p>31 March 2019</p> <p>September 2018</p> <p>September 2018</p> <p>September 2018</p> <p>September 2019</p> <p>September 2018</p>

Strategic Risk Register 2018/19



July 2018

No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>			<i>Assurances</i>						
4	<p>The Council is unable to maintain service standards to support the most vulnerable in society.</p> <ul style="list-style-type: none"> • Demand pressures exceed available resources; • Vacancies in the teams mean caseloads become harder to manage; • Breakdown in communication with partner 	People	Strategic	<ul style="list-style-type: none"> • New process in front end for screening safeguarding concerns – adults. • Deep dive monthly to review projects and demand management - adults. • Case by case reviewing and tracking of children who are looked after. • The new safeguarding practice standards have been reviewed and 						
					Current Score					
					4	4	16	Red		
					Target Score					
									1) Recruitment Campaign. 2) Review and set realistic service standards. 3) Access & Care Management Team Managers / Safeguarding Lead to embed adherence to	September 2018 September 2018 June 2018

Strategic Risk Register 2018/19



July 2018

No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<p><i>Cause and Effect</i></p> <p><i>organisations.</i></p> <p>The outcome could be death or harm to an individual known to or under the care of the authority and partners or a negative inspection report which would reduce moral and cause reputational damage.</p>			<p><i>Assurances</i></p> <p>issued to staff.</p> <ul style="list-style-type: none"> • Permanent officers at manager grade. • Remodelling of access, assessment and care management underway. • Interim Agency Staff secured for adults. • New LSCB chair in post to drive partnership working in relation to safeguarding <p><i>Internal Audit work on:</i></p> <p><i>ASC Safeguarding (Limited Assurance),</i></p> <p><i>ASC Domiciliary Care (Limited Assurance).</i></p>	4	2	8	Amber	<p>procedure and monitor performance.</p> <p>4) Internal file audit of safeguarding cases is planned June. Report to be produced by the Safeguarding Lead Officer and Principal Social Worker.</p> <p>5) Internal audits of safeguarding cases will commence on a monthly basis once an appointment to the Safeguarding Advanced Practitioner post has been filled.</p> <p>6) Monthly safeguarding meetings with Group Manager and Team Managers to review performance data and agree resulting actions.</p> <p>7) Work with the providers has been on going to establish whether or not there are any service user's reviews outstanding on transitional contracts.</p> <p>8) Work is ongoing with providers to stimulate the placement market to ensure timely and appropriate response to demand associated with growth and placement breakdown.</p>	<p>September 2018</p> <p>June 2018</p> <p>July 2018</p> <p>June 2018</p>

Strategic Risk Register 2018/19



July 2018

No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>			<i>Assurances</i>						
5	<p>External Changes in Political and/or legislative environment.</p> <ul style="list-style-type: none"> Changes in political direction from government; Changes in priority locally. <p>The effect of this risk materialising is that some of the generational change required for example long term regeneration plans or public health driven initiatives may be subject to changing landscape where strategic direction or political landscape changes.</p>	All	Strategic	<ul style="list-style-type: none"> CMT oversight of national and local policy direction ensures organisation remains flexible to change. Regular statutory officers meetings review and consider national and local environment. Main record of the Council's statutory obligations are contained within the Constitution. The council monitors legislative and policy changes and implements change where necessary to ensure it acts lawfully. Medium term financial strategy and rolling 4 year medium term financial outlook in place and regularly reviewed and updated for national and local changes in policy and legislative changes. Enables and supports forward planning and responsiveness to change. Focus on ensuring there is cross party support and the business driver is the Corporate Plan. <p><i>Management mechanisms in place – no unexpected or unforeseen changes in last 12 months.</i> <i>Peer Review 2017.</i> <i>Internal Audit work on RIPA - Substantial Assurance</i></p>	3	3	9	Amber	<ol style="list-style-type: none"> CMT review of Strategic Risks (quarterly). Formal horizon scanning exercise at least annually for emerging risks, to ensure that on-going activity feeds the processes and formal proactive action plans are in place when is most efficient and effective to do so. Reshaping of transformation programme. 	<p>SRR being updated – first report to July Audit Committee.</p> <p>January 2019</p> <p>December 2018</p>
					Current Score					
					Target Score					
					3	2	6	Amber		

Strategic Risk Register 2018/19



July 2018

No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>			<i>Assurances</i>						
6	<p>There is a lack of community cohesion and resilience placing increased pressure on public sector resources.</p> <ul style="list-style-type: none"> • Demographic changes in the Borough; • Increase in hate crime and a feeling of segregation; • Expectations in community around public services are increasing when funding is reducing. <p>The effect of this is reduced satisfaction of residents and increased cost pressure in the future.</p>	Communities	Strategic	<ul style="list-style-type: none"> • Close work with police and other partner organisations. • Demographic data used to inform the corporate planning process. • Increased focus on outcomes in the corporate plan as well as preventive activities to reduce burden on public sector e.g. homelessness reduction. • Locality Panels. • Communication and Education of Public. • Communication Cohesion and Integration Strategy and action plan published in November 2017 and now being implemented. working with partners. Key projects include school twinning, New to Walsall (mapping new communities), review of hate crime reporting, interfaith events, engagement with Gypsies and Travellers. • Successful in gaining the Controlling Migration Fund for Walsall People Project (housing standards, school admissions, community safety, clean and green, volunteering). Also gained funding for Let's Talk About It project to provide better English as a Second Language provision. <p><i>Contract Management, Controlling Migration Fund (Substantial Assurance).</i></p>				<p>Current Score</p> <p>4 4 16 Red</p> <p>Target Score</p> <p>4 2 8 Amber</p>	<ol style="list-style-type: none"> 1) Further communication and Education of Public. 2) Stocktake of transformational activity. 3) Walsall has been chosen as one of 5 local authority pathfinders for the national Integrated Communities green paper. The council is currently preparing a local integration plan and there is potential for further funding to improve integration and cohesion in Walsall. The full programme is to be approved in September 2018. 	<p>September 2018</p> <p>September 2018</p> <p>September 2018</p>

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No.	Risk	Corporate Goal	Type	Controls	Impact	Likelihood	Risk score	Status & Trend	Further Actions	Deadline
	<i>Cause and Effect</i>			<i>Assurances</i>						
7	<p>Failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium Term Financial Plan to be delivered.</p> <ul style="list-style-type: none"> <i>Demand increases in statutory services;</i> <i>Unforeseen expenditure via a fine or extraordinary event;</i> <i>Failure in budget management across multiple departments;</i> <p>The effect of this would be to have to use reserves to balance the budget putting future stability and sustainability of finances at more risk. Having to set an even more challenging savings programme in future years to address lack of achievement from current plans, which would impact services and result in reputational damage.</p>	Communities	Corporate	<ul style="list-style-type: none"> Robust financial planning and budget monitoring processes (per 2017 LGA Peer Review, Internal Audit of core financial systems). External audit conclusion on the council's arrangements for securing value for money. Annual review of MTFs and savings tracker by Finance, CMT and Cabinet Regular reporting of financial performance to Cabinet and Scrutiny. Transformation Programme with clear links to savings targets in most cases. CEO/CFO/HOF Monthly meetings include review of financial performance and savings realisation. Annual report to Council by CFO on robustness of the Budget Estimates and Adequacy of Reserves. Comprehensive financial risk assessments in place as part of budget setting process. Adequate corporate reserves and provisions to manage unforeseen financial issues. Service demand trackers in place in ASC and Children's to monitor, report on and manage volatile areas of demand (care packages, LAC, etc). <p><i>Internal Audit work on:</i></p> <p><i>Budgetary control and savings realisation (Good Assurance),</i></p> <p><i>Streamlining Services (Substantial Assurance)</i></p>				<p>Current Score</p> <p>4 4 16 Red</p> <p>Target Score</p> <p>3 3 9 Amber</p>	<ol style="list-style-type: none"> Review and refresh of transformation activity following stocktake, which will inform the MTFP. Review of Green Paper due on ASC Funding and review of consultation on revised ASC needs formula and impact analysis on MTFO. Review and impact analysis of expected funding announcements: Spending Review, new National Funding Formula, etc 	<p>September to December 2018</p> <p>As above / when published</p> <p>As above / when published</p>

Reducing inequalities and maximising potential

Risk Management Quick Guide

Current – with the current controls/mitigations

Target – the score that brings the rating to within appetite for the risk.

Direction of Travel (Trend):

↑ Risk score reduced ⇔ no change to risk score ↓ risk score increased

Risk Matrix

Risk tolerance level – Risks above this level will need particular resources and focus

I
M
P
A
C
T

Risk acceptance level (activity below which attracts minimum effort and resources)

5 Catastrophic			15	20	25
4 Severe			12	16	20
3 Material	3			12	15
2 Minor	2	4			
1 Negligible	1	2	3		
	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Almost Certain

LIKELIHOOD

Risk Ratings: 1 – 4 = low risk (Green) / 4 – 10 = medium risk (Amber) / 12 – 25 – high risk (Red)

Reducing inequalities and maximising potential

Likelihood and Impact guide.

Likelihood			Impact		
Score 1-5	% chance	Time Frequency	Score 1-5	Disruption to Services	Budget
1 Rare	< 10%	Rare occurrence	1 Negligible	Minor disruption to services	>1%
2 Unlikely	10 - 30%	Once in 5 years	2 Minor	1-2 weeks	>5%
3 Possible	30-60%	Once 2 years	3 Material	Up to one month	5-10%
4 Probable	60-90%	Once a year	4 Severe	1 – 3 month	10-20%
5 Almost Certain	> 90%	within 6 months	5 Catastrophic	Over 3 month	20%