

What is a risk?

- A risk can be defined as “an event or set of events that could impact on the achievement of objectives”
- A risk should be assessed against an objective.
- A risk is measured in terms of likelihood and impact. (see Tables below)
- It is important to note that if the likelihood of the event occurring is *less than* 100%, i.e. it is not a certainty
- A risk may never 100% mitigated, but its risk score may reduce to an acceptable level
- A risk can be dealt with in 4 ways – Treat (mitigate), Tolerate (accept), Transfer to a third party or Terminate (avoid).

How to use the Risk Scoring Matrix

To assess a risk, first consider the likelihood of that risk occurring. Consult the Likelihood Classification Table below and choose the most appropriate description e.g. **Moderate**, which has a score of 2. Next, consider the impact of that risk occurring using the Impact Classification Table. There may be several impacts of a risk e.g. service disruption and financial loss, choose the highest rated impact e.g. **High** which has a score of 3. It is essential to take into account, when scoring, any existing measures that either reduce the likelihood or/and impact of the risk occurring. Using the Risk Matrix below a likelihood score of **Moderate (2)** and an Impact of **High(3)** gives a risk score of **6 (Amber)**. The Risk Definition table indicates the meaning of that score in terms of management action required.

Likelihood Classification

Score	Likelihood Description	
4	Extremely Likely	Expected to occur in most circumstances (>75%)
3	Likely	Will probably occur in most circumstances (51% - 75%)
2	Moderate	Fairly likely to occur (26% - 50%)
1	Remote	May occur only in only exceptional circumstances (<25%)

Impact Classification

Impact Type	Service disruption	Financial Loss	Reputation	Performance	Health and Safety
Extreme (4)	Total failure of service for a significant period	Financial loss in excess of £1,000,000	Government intervention in running of services and adverse national media coverage	Failure to achieve a strategic theme or major corporate objective in the Council's strategic plan	Fatality of employee. Service user or other stakeholder
High (3)	Significant service disruption	Financial Loss in excess of £500,000	Adverse national media coverage	Failure to achieve one or more strategic plan objectives	Serious injury/permanent disablement of one or more employees/service users
Medium (2)	Disruption to service	Financial loss in excess of £100,000	Adverse local media coverage/significant service-user complaints	Failure to achieve a service plan objective	Injury to staff resulting in loss of working time
Low (1)	Some minor impact on service	Financial loss under £100,000	Isolated to service user complaints	Failure to achieve a team plan objective	Minor injury to one or more staff/ service users

Risk Matrix

Extremely likely (4)	4	8	12	16
Likely (3)	3	6	9	12
Moderate (2)	2	4	6	8
Remote (1)	1	2	3	4
	Low (1)	Medium (2)	High (3)	Extreme (4)
Impact				

Risk Score definitions

RED (High) (Score 8 -16)	Red (High) indicates the risk is very significant and requires immediate comprehensive management attention.
AMBER (Medium) (Score 4-6)	Amber (Medium) indicates that the consequences of a risk materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan
GREEN (Low) (Score 1 -3)	Green (Low) indicates the likelihood and impact of the risk relatively unimportant.



**To deliver
RESULTS
think
RISK**

TH Net>Staff Services>Business Planning and Performance>Risk Management
for more information please contact the Risk Management team on ext 4051



Think RISK

- Record your objectives
- Identify the risks to achieving your objectives
- Select and prioritise the risks that need attention
- Keep the risk in check

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**Deliver
RESULTS**

- Right first time
- Enhanced ability to evidence decisions
- Successful delivery of your objectives
 - Underpins best value
 - Legal and regulatory compliance
- Targeting resources where most needed
 - Satisfied customers/clients

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