

Risk Management – Quick Reference Guide

Purpose of the quick reference guide

This guide provides an overview of the Council's Risk Management process that can be applied to range of business activities, long, medium and short term. It is intended to serve as quick guide to all those staff involved in managing risk.

For further information, advice and guidance please contact the Risk Management Team on ext 4051. Please also see the [Risk Management pages](#) on TH Net.

Approach to Risk Management

What is Risk Management? It is the ability to systematically identify, assess and respond effectively to risks that may impact the delivery of objectives. The council's approach is to pursue its objectives providing risks have been well thought through, they are actively managed and the benefits justify the risk being taken.

Why is risk important? Some risk taking is inevitable if the Council is to achieve its objectives. If the Council is risk aware it will actively manage its potential problems, significantly contributing to the successful achievement of its objectives. Risk Management can deliver a range of other benefits including: effective decisions, fewer sudden shocks and surprises, better use of resources, reduce waste/fraud, improved service delivery, reduced management time in fire fighting, improved innovation to name but a few.

When should Risk Management start? Risk Management can be applied to any business activity and at any level within an the Council such as to a strategic initiative, major transformation programme, projects, procurement as well as service and team plans. Ideally it should be applied at the beginning, when planning a business activity but also throughout the life of the activity. Most risks are predictable therefore can be avoided or managed using a structured and systematic approach.

Who is involved in risk? The simple answer is that all Council staff are responsible for managing risk in their work activities. Those who are responsible for delivering services/programmes/projects, at all levels within the Council, will have specific responsibilities for managing risk effectively. A copy of the [Council's Risk Management policy](#) can be found on TH Net.

What is a risk?

- A risk can be defined as “**an uncertain event or set of events which should they occur have an effect on the achievement of objectives**”. A risk can have a negative or a positive impact.
- A risk is measured in terms of likelihood and impact.
- 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 – Reduce the risk (Treat), accept it (Tolerate), transfer the risk (to a third party) or avoid it (Terminate).

How should you identify risks?

- Risk must always be **assessed against the objectives** of a planned activity e.g. service initiative or a project
- Risks can emerge from a number of sources e.g. financial, legal, regulatory, stakeholders (e.g. staff/customers), resources, project governance, environmental, HR etc.
- Ask yourself – what can happen? How can it happen? When might it happen? (See Risk ID techniques overleaf).
- Use **If** and **Then** statement to identify risks e.g. If there is lack of effective contract management (on x contract) then the contractor may fail to perform tasks resulting in poor customer service, value for money and reputation damage to the council

Risk Management process



1. **Identify Context** - obtain information about the planned activity e.g. the objectives, scope, stakeholder views, assumptions etc
2. **Identify Risk** that could affect the planned business activity , based on knowledge, stakeholders, workshops or progress. Once identified, a clear risk description should be articulated and recorded. Identify a risk owner.
3. **Assess** the impact of an identified risk and score them against *impact* and *likelihood* for risks. This will provide a view on the significance of a risk relative to other risks, which will then enable managers to escalate risks requiring immediate management attention. See details on how to score risks below.
4. **Plan** for the mitigation of the risk by developing a list of control actions based upon the 4 T's approach - Treat, Terminate, Transfer or Tolerate. The actions generated should be clearly defined and have agreed owners and due dates for completion
5. **Implement (and monitor)**. Control actions now need to be implemented. Progress should be closely monitored by the manager and reported and recorded on the risk register, These updates need to be done so that senior managers are kept regularly informed of the significant risks at appropriate management meetings (e.g. team/service, directorate or project/programme levels)

Techniques for Identifying Risks

There are many ways to identify risks. These can include, for example individual interviews, use of check lists ([see the generic service risk assessments on TH Net](#)), bringing key stakeholders together in a workshop format, questionnaires and many more. Ideally there should be agreement with the key stakeholders about the risk descriptions, scores and actions. The Risk Management team can provide advice and assistance to managers on the best techniques to use.

How should risks be managed?

Risk Management Standards

- All known risks should be identified and recorded in the Council's Risk Management System (JCAD) unless otherwise agreed.
- Risk descriptions should be clear and concise and avoiding jargon. Use the **Cause, Event and Effect** statement to describe risks.
- Risk impacts should be clearly articulated and the agreed with your team
- Every risk and control must have an assigned owner who is aware of and understands their role
- All risks should be scored on *impact* and *likelihood*, which helps to rate risks relative to each other and hence identify risks requiring management action and possible escalation to a senior manager. See scoring system below.
- All mandatory fields in the risk register must be populated.
- Control (mitigation) actions against each risk should be clearly defined.

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 below indicates management action required based on risk score.

Likelihood: Score 5 = Almost certain (Expected to occur in most circumstances, > 80% chance of happening). **Score 4 = Likely** (Will probably occur in most circumstances, 51% - 80% chance of happening), **Score 3 = Possible** (Fairly likely to occur, 21% -50% chance of happening), **Score 2= Unlikely** (Could occur at some point, 6%- 20% chance of happening), **Score 1 = Rare** (Extremely unlikely or virtually impossible, < 5% chance of happening)

Impact

Impact Type / Impact description	Service disruption	Financial Loss	Reputation	Performance	Health and Safety
Very High 5	Total failure of service for a significant period	Financial loss in excess of £1,000,001	National adverse media coverage for more than 3 days. Possible resignation of chief/senior officer's)	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 4	Significant service disruption	Financial Loss between £500k to £1,000,000	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 3	Disruption to service – causing some concern	Financial loss between £51k - £500k	Adverse local media coverage/significant no of service-user complaints	Failure to achieve a service plan objective	Injury to staff/service user resulting in loss of working time
Low 2	Minor impact on service	Financial loss between £5k and 50k	Service user complaints contained with directorate	Failure to achieve several team plan objectives	Minor injury to service user/staff
Negligible 1	Annoyance but does not disrupt service	Financial loss under £5k	Isolated service user complaints	Failure to achieve unit level objective	Slight injury to an employee/service user

Risk Matrix

Likelihood						
Almost certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Negligible	Low	Medium	High	V High

Risk Score definitions

Red (Severe)	Serious concern. Comprehensive Management action required immediately.
Amber (Significant)	Significant concern. Some immediate action required plus comprehensive action plans.
Yellow (Material)	Consequences of risk are of some concern although treating the risk will <u>usually</u> be through contingency planning. Risk to be kept under regular monitoring
Green (Manageable)	The risk is relatively low, however risk should be monitored.