

Impact Identification, Assessment & Definitions

Establishing Context

The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives for the subject on which the risk assessment is being undertaken (i.e. the organisation and the overarching corporate objectives, a particular service and local objectives, etc.). In this regard, risks are managed across the following levels within the organisation:

Service Level:	the risks arising from service operations.
Programme / Project Level:	the risks from initial business case stage throughout the project lifecycle.
Directorate Level:	the risks which could impact upon the delivery of the annual service plan for a directorate.
Leadership / Strategic Level:	the key risks facing the authority and the achievement of its corporate objectives.

Risk Definition

Once risks have been identified the risk matrix is the main tool for prioritising each risk so we can establish which risks are most significant and therefore are in need of greater attention, effort and resources. It also allows us to compare different types of risk with each other across the council.

Each risk should be analysed for the likelihood it will happen and the impact if it did happen. This assessment should be made after considering controls that are already in place and working effectively – this is referred to the 'current risk'. It is the risk owner's responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered at this stage, no matter how soon they will be implemented.

The impact should be considered against the relevant objectives - corporate risks should be scored against the organisations objectives; departmental risks scored against departmental objectives; project risks scored against the objectives of the project and so on.

Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed among the relevant management team.

When considering the likelihood of a risk happening you should select the number from 1 to 5 from the risk matrix that you think it will be over the next 12 months (it can be longer or shorter; some risks in the Strategic Risk Register are better considered over 3 to 5 years, some operational risks will be considered over 3 to 6 months).

This score will require an element of judgement when considering how likely an event is to occur and you should consider the following:

- Has this event happened before in the Council? (How frequently?) Has this event happened elsewhere? (How frequently?)
- How likely is it that one or more of the causes/ triggers of the event will occur?
- Has anything happened recently that makes the event more or less likely to occur?

When you select the impact you should give consideration to the factors outlined in the risk matrix. For example, if the risk you are scoring has a low financial impact but a high impact on our reputation then you would select the most appropriate number between 1 and 4 that relates to the level of reputational impact. Once again, this score will have an element of judgement.

Risk Impact Assessment

Impact	Very High	5	10	15	20	25
	High	4	8	12	16	20
	Moderate	3	6	9	12	15
	Low	2	4	6	8	10
	Very Low	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Likelihood						

Risk Likelihood Key

The following table provides some support in quantifying the risk in terms of likelihood and impact.

Score 1: Very Low 0 - 20% chance of occurrence	Previous experience at this and other similar organisations makes this outcome highly unlikely to occur.
Score 2: Low 20 - 40% chance of occurrence	Previous experience discounts this risk as being unlikely to occur but other organisations have experienced problems.
Score 3: Medium 40 - 60% chance of occurrence	The Council has in the past experienced problems in this area but not in the past three years.
Score 4: High 60 - 80% chance of occurrence	The Council has experienced problems in this area in the last three years.
Score 5: Very High 80%+ chance of occurrence	The Council is currently experiencing problems in this area or expects to within the next 12 months.

Risk Impact Key

Risk Impact	Very Low	Low	Moderate	High	Very High
Financial	Small financial loss, less than £25,000	Financial loss between £25,000 and £100,000	Financial loss between £100,000 and £250,000	Sizeable financial loss between £250,000 and £500,000	Substantial failure in accountability or integrity. Large financial loss over £500,000
Service Impact	Brief disruption of important service area with a small impact on customer service	Moderate disruption to service delivery or alternative delivery models for up to one week	Substantial impact to service delivery or alternative delivery models for up to one month	Sustained loss of service delivery or alternative delivery model beyond one month	Complete breakdown in service delivery or failure of a strategic partnership or significant alternative delivery model
Staff	No impact on staff turnover, limited impact on staff morale	Slight impact to staff morale, limited impact in staff turnover	Damage to staff morale, minor increase in staff turnover	Staff dissatisfaction, increase in staff turnover	Major staff dissatisfaction, short term strike action, staff turnover including key personnel

Reputation	Little or no adverse local public opinion or media attention	Limited and short term adverse local public opinion	Short term adverse publicity with detrimental impact on local public opinion	Adverse local publicity / local public opinion noticeable impact on local public opinion	Intense political and national media scrutiny.
Health and Safety	No health and safety implications	Minor injury, short term, sickness less than three days	Minor injury, short term, sickness more than three days.	Serious injury or extensive minor injury, semi-permanent, sickness more than three days.	Life threatening or multiple serious injuries or prolonged workplace stress
Legal & Statutory Compliance	Scrutiny required by internal committees or internal audit.	Internal Review	Internal review with potential for involvement of external agencies	Scrutiny required by external agencies e.g. Ofsted.	Possible criminal or high profile civil action against council, members or officers
Project Delivery & Deadlines	Negligible delays or impact on the costs or quality of the project	Minor delays, c. 5% impact on cost and marginal change to project specification	Delays, c. 15% impact on cost and notable change to project specification.	Significant delays, increased costs and potential for reduced quality of project deliverable	Project benefits not realised, punitive costs that require financial re-planning and service cuts elsewhere or result in project no longer being sustainable.

Mitigation Plan

Once risks have been identified and scored based on current controls the next step is to decide what action should be taken to manage or treat them. Generally speaking, there are four approaches to treating risk and the Council will refer to these as: Reduce, Accept, Prevent / Contingency or Transfer:

Approach	Reduce	Accept	Prevent / Contingency	Transfer
Description	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	Not undertaking the activity that is likely to trigger the risk	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.
Options	Reducing the likelihood of the risk occurring AND / OR Mitigating the impact if the risk does occur	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an "informed" basis.	Changing the direction or strategy and revisiting objectives or improving channels of communication Obtaining further information from external sources or acquiring expertise Reducing the scope of the activity or adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to a consultant or external suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is or reputational damage to