# City of London Corporation

## Risk Management Strategy

Version 2.03

Approved by the
Audit & Risk management
committee
13 May 2014

**CITY**
**OF**
**LONDON**

# Contents

# Version History

This strategy builds on and replaces earlier versions of the risk management handbook and is intended to be a high level document that provides a framework to support the City Corporation's statutory responsibility for managing risk.

It also allows the City to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

## Version control:

| Date | Version Number | Comments |
|------|----------------|----------|
| 21/04/11 | 1.0 | - Risk Management Handbook created |
| 22/04/14 | 2.0 | - Refreshed Risk Management Handbook and renamed as Risk Management Strategy |
| 21/10/14 | 2.01 | - Minor typographical changes |
| 23/10/14 | 2.02 | - Minor typographical changes |
| 28/10/14 | 2.03 | - Job title change |

# CITY OF LONDON CORPORATION'S
# RISK MANAGEMENT POLICY STATEMENT

**THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY[1] TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.**

**In pursuit of this policy COL has adopted a risk management strategy that captures the following key objectives:**

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on COL's success;
- COL recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the Corporation culture;

**These key objectives will be achieved by:**

- Establishing clear roles, responsibilities and reporting lines for risks and their controls at all levels;
- Ensuring that Members, Chief Officers, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the Bribery Act 2010, the Health and Safety at Work Act, the Local Government Act and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

# APPETITE FOR RISK

**City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:**

    i.   **The risks have been properly identified and assessed;**
    ii.   **The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);**

**The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.**

APPROVED BY:

| | |
|---|---|
| Alderman Nick Anstee | John Barradell |
| (Chairman of the Audit and Risk Management Committee) | (Town Clerk and Chief Executive) |

[1]Accounts and Audit Regulations 2011

# Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

The interlocking challenges faced from budget pressures, supplier failures, security issues, and so on, has created a complex matrix of risks, all requiring some level of management.

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:


**"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."**


Only by active management of risks will the City of London Corporation be able to meet its corporate objectives which in turn will enhance the value of services provided to the City.

**What is risk and risk management?**

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk[2] has been adopted by the City of London Corporation:

*"The effect of uncertainty on objectives"*

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. Our risk management definition is[2]:

*"The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses"*

[2] OGC: Management of Risk

**Purpose of this strategy**

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, Children's Act 2004, Care Bill 2014,and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);

- Protecting and enhancing the City of London Corporation's reputation;

- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;

- Increased innovation, value for money and visual improvements in service delivery;

- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;

- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);

- Common understanding of risk management for consistency and ease of application;

- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risks are being controlled;

- Effective resilience to changing environmental conditions, to protect key services.

# Chapter 2: Managing risks

**Why manage risks**

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Corporation is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;

- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;Greater transparency in decision making and enhanced ability to justify actions taken;

- Improved resilience against sudden changes in the environment including, but not limited to, natural disasters and risks related to supplier failures;

- Reduction of the Corporation's insurance costs, in turn protecting the public purse;

- Improved safety for staff, partners and residents; and

- Minimised losses due to error or fraud across the Corporation.

**Choosing whether to eliminate or innovate**

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

> ***Good risk management is about being "risk aware" not "risk averse"!***

**Roles and Responsibilities**

The City Corporation considers risk management to be an intrinsic part of the Corporation's system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

| Tier | Responsibility |
|---|---|
| Court of Common Council | Overall accountability for risk management. |
| Audit and Risk Management Committee | Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member Risk Champion. |
| Service Committees | Oversee the significant risks faced by Departments in the delivery of their service responsibilities. |
| Chief Officers Group | Collective responsibility for management of Corporate risks. |
| Chief Officers Summit Group | Promoting, steering and monitoring risk management for the Corporation. The Chief Officers Summit Group oversees the strategic elements of risk management. |
| Business Support Director | Officer Risk Champion, promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee. |
| Risk Management Group | Promoting and embedding risk management, with key outcomes reported to the Chief Officers Summit Group. The Risk Management Group oversees the operational elements of risk management. |
| Head of Audit and Risk Management | Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment. |
| Corporate Risk Advisor | Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London's Corporate Risk Register. |

| Tier | Responsibility |
|---|---|
| Individual Chief Officers | Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated. |
| Risk Owner | The person that is accountable for the overall management of the risk, including bidding for resources to control the risk. |
| Control Owner | The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner. |
| Departmental Risk Coordinators | Promoting, facilitating and championing the implementation of risk management within their department. |
| Service/ Project Managers | Accountable for effective management of risk within their areas of responsibility. |
| Employees | Maintaining an awareness and understanding of key risks and management of these in day-to-day activities. |

Outcomes of this strategy will be achieved by working closely with many key teams within departments such as Health and Safety, Insurance, Corporate Performance & Business Development, Project Management, Contingency Planning and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk. However, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

# Chapter 3: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Corporation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure.  In undertaking the activity there will be a number of factors which needs to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks.  It is about:

- Identifying the objectives and what can go wrong;

- Acting to avoid it going wrong or to minimise the impact if it does;

- Realising opportunities and reducing threats.

**The risk management cycle**

The risk management process is broken down into five steps illustrated below:

Step 1: Clarify Objective(s)

Step 2: Identify and Analyse Risk(s)

Risk Analysis

Step 5: Monitor and Review

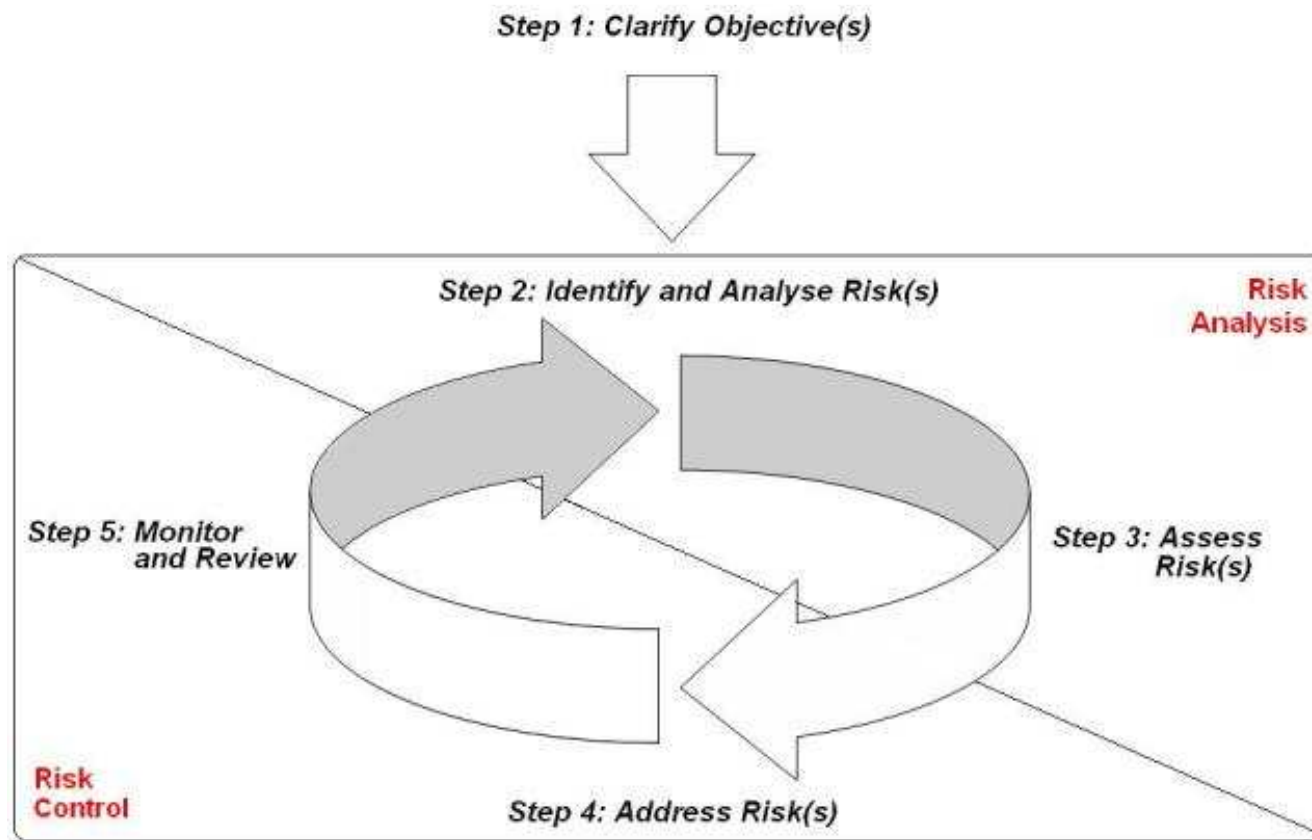Step 3: Assess Risk(s)

Risk Control

Step 4: Address Risk(s)

*Figure 1: City of London's risk management cycle*

**Step 1: Clarify Objectives**

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include an understanding of:

➢ The corporate/departmental/project objectives;

➢ The scope of the activity;

➢ The assumptions that have been made;

➢ The list of stakeholders; and

➢ How the activity sits within the corporate/departmental/project structure.

*This includes:*

- Making sure that everyone is clear about the relationship between the services and its wider environment;

- Identifying internal and external stakeholders;

- Understanding the Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

**Note:** Risks will always be linked to a Service, Departmental or Corporate objective.

**Step 2: Identify and Analyse risks**

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

- ➢ What might prevent the achievement of the stated objectives?

- ➢ Has it gone wrong before?

- ➢ Who should own this risk?

- ➢ When should we start managing this risk?


It is widely recommended to identify risks through workshops and/or training sessions. However, there are many other methods which can be used such as questionnaires, a Strengths - Weaknesses - Opportunities - Threats analysis, brainstorming sessions, and more.


During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect;

- The nature of the risk – for example, political, financial, reputation, and more; and

- The name of the individual taking responsibility for the risk (i.e. the risk owner).

**Step 3: Assess Risks (4x4)**

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See Appendix 1 for details on how risks should be scored.

The risk score is placed on the Risk matrix (Figure 2) and is used to help prioritise and assist risk owners in the actions they need to take to manage the risk.

**Impact**

| X | Minor (1) | Serious (2) | Major (4) | Extreme (8) |
|---|---|---|---|---|
| Likely (4) | 4 | 8 | 16 | 32 |
| Possible (3) | 3 | 6 | 12 | 24 |
| Unlikely (2) | 2 | 4 | 8 | 16 |
| Rare (1) | 1 | 2 | 4 | 8 |

(Likelihood is the vertical axis label)

*Figure 2: COL risk matrix*

Step 5 highlights how often risks should be reviewed and Chapter 4 highlights how the risk scores are used for reporting purposes.

**Step 4: Address Risks**

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Reduce**: A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to acceptable levels, e.g. mitigation action, contingency planning and more;

- **Transfer**: Shifting part of the responsibility or burden for the loss to another party, e.g. through outsourcing, insurance, etc;

- **Avoid**: An informed decision not to become involved in a risk situation. This can be challenging as the City of London Corporation may not be able to avoid risks associated with its statutory functions;

- **Accept**: An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

**Ownership of Risks and Controls**

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;

- A person who can be accountable for the delivery in the area where the risk would have an effect;

- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Control Owner

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner.

It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different department to the Risk owner;
- A risk may contain many controls, therefore many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

Control owners can be any officer within the organisation, but must have an adequate reporting line to the Risk owner.

**Step 5: Monitor and Review**

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

| Risk Type | Standard Review | Programmes, projects and partnerships |
|---|---|---|
| Red Threats | 1-3 months | Monthly |
| Amber Threats | 3 months | Monthly |
| Green Threats | 6 months | Quarterly |

**Note**: At least annually, each risk register should be reviewed in its entirety.

# Chapter 4: Reporting risks

**Reporting framework**

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.

Page 16 illustrates the reviewing and reporting framework to support this escalation and assurance process.

**Role of Audit and Risk Management Committee**

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible for monitoring and overseeing the City Corporation's risk management strategy and needs to be satisfied that the assurance framework properly reflects the risk environment. It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

**Role of Other Committees and Departments**

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be.  The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk.  The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

# Review and Reporting Framework

Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.
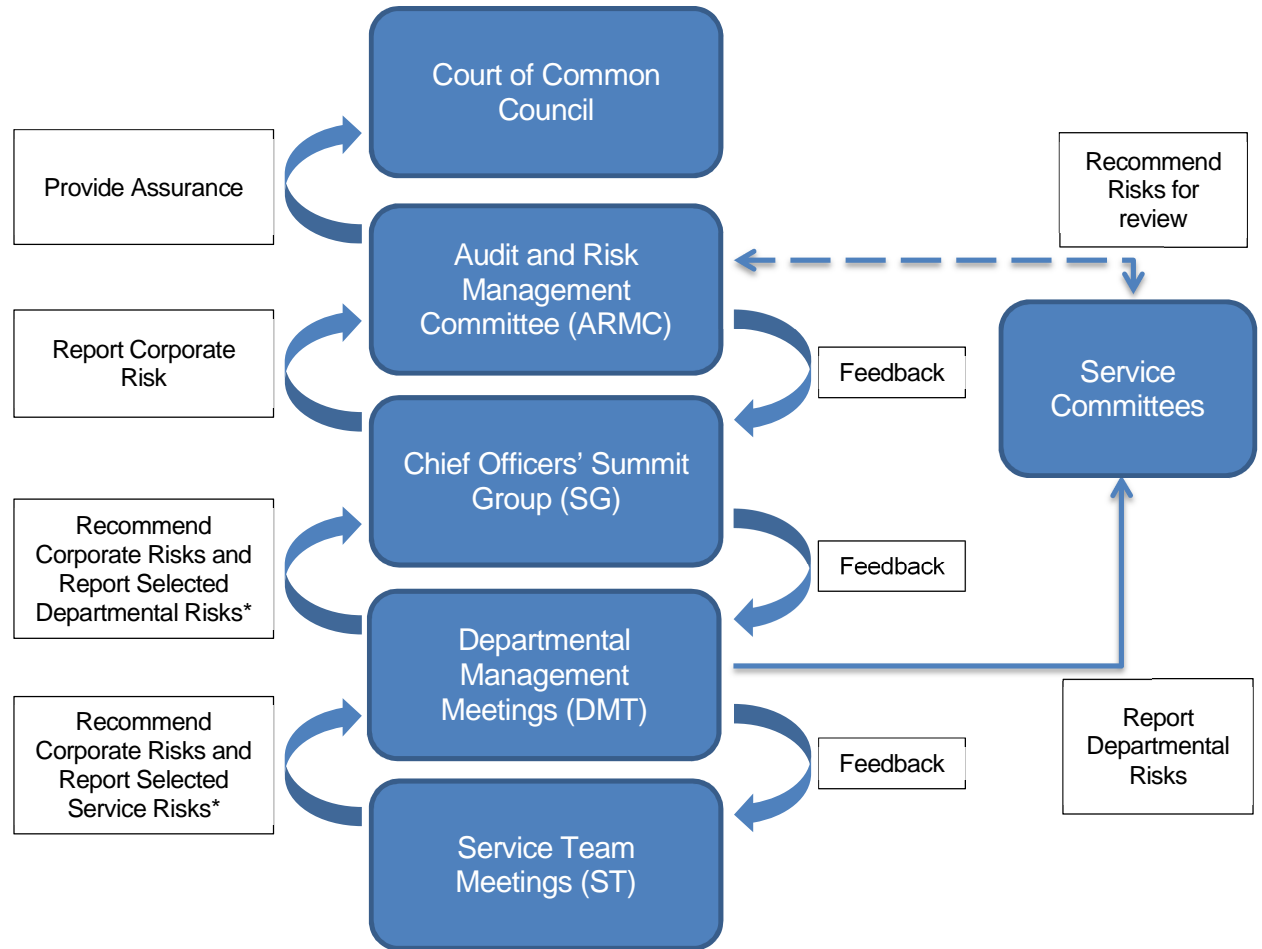
Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

Annual review of all risks should be undertaken as a minimum.

## Reporting Criteria

| | | |
|---|---|---|
| **Corporate reviews** | **ARMC** | Oversee Corporate risks |
| | **SG** | Identify Corporate/Departmental risks and review all Departmental risks of score 24 or more. |
| **Departmental Reviews** | **DMT's** | Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more |
| | **ST's** | Identify Corporate/Departmental risks and review all Service risks of score 6 or more |
| | **Team meetings /121's** | Identify potential Corporate/Departmental risks and review all current risks |

Court of Common Council

Provide Assurance

Audit and Risk Management Committee (ARMC)

Recommend Risks for review

Report Corporate Risk

Feedback

Service Committees

Chief Officers' Summit Group (SG)

Recommend Corporate Risks and Report Selected Departmental Risks*

Feedback

Departmental Management Meetings (DMT)

Recommend Corporate Risks and Report Selected Service Risks*

Feedback

Report Departmental Risks

Service Team Meetings (ST)

*exception basis

**Risk Registers**

Key risk registers are listed below along with their escalation criteria (based on risk score).

| | |
|---|---|
| Corporate Risk Register | The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporation's risk system as directed by the Members and approved by the Town Clerk and Chief Officers (See Glossary for definition of Corporate Risk). |
| Top Risk Register | This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officer's Summit Group (SG).<br><br>Risks which are escalated here are those with a risk score of 24 or more. |
| Departmental risk register | This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's).<br><br>Risks which are escalated here are those with a risk score of 16 and above. |
| Service risk register | This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (ST's).<br><br>Risks which are escalated here are those with risk score of 6 and above. |
| Programme and Project risk registers | Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Project Vision and managed through the corporate Project framework. |

**Challenging environment**

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

| | |
|---|---|
| Audit and Risk Management Committee | On a periodic cycle each Corporate risk and a nominated Departmental risk register is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Members to directly question any areas of interest. |
| Chief Officers' Summit Group | Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk Management Committee. |
| Departmental Risk Coordinators | The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support. |
| | The Risk Coordinators meet as a group on a 6 monthly basis with representatives from the City of London Police, Internal Audit, Health and Safety, Contingency Planning, Corporate Performance & Business Development and Insurance. |

# Chapter 5: Strategic Improvement

This strategy is based on strengthening and improving the City's approach to risk management, enhancing its ability to deliver its corporate aims and objectives successfully. It is recognised that to significantly improve the risk management capability and the maturity of the Corporation will be a journey requiring continuous review and improvement activity.

The Risk Management Strategy will be regularly reviewed. Further activities to enhance existing arrangements will be identified by reviewing emerging best practice and assessing their suitability for implementation in the context of the aims, objectives and organisational culture of the Corporation. Once assessed and agreed, further improvement activities will be implemented through the risk management improvement plan.

Below lists some of the key activities/projects which will assist in delivering the strategy.

| Project / Task | Brief summary | Target date / Frequency |
|---|---|---|
| Introduce a Risk Management Information System | To procure an online risk register tool ensuring consistency, transparency and a clear audit trail for risks and controls. | Aug 2014 |
| Improve skill set and raise awareness of risk management | Create a suite of tools to raise awareness and assist officers in the management of risks. | Jan 2015 |
| Review new framework | Review the risk maturity of the organisation on a yearly cycle. | Annual review |
| Introduce Opportunity Risk Management | Subject to the organisations risk maturity level, introduce the opportunity risk methodology and look to report opportunity risks. | Review in 2015/16 |

# Glossary

Consistent understanding and application of language provides a sound basis for embedding risk management.  To promote this consistency, the following key terms are defined:

| Term | Definition |
|---|---|
| Cause | Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty.<br><br>Causes themselves are not uncertain since they are facts or requirements. |
| Control Evaluation | A measure to determine how effective the controls are. |
| Control Owner | The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner. |
| Controls | Measures taken to control the impact or likelihood of risks to an acceptable level. |
| Corporate risk | Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.<br><br>One or more of the following criteria must apply:<br><br>▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.<br><br>▪ A risk that has significant impact on multiple operations if realised.<br><br>▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk.<br><br>Corporate risks can also be those requested by the Audit and Risk Management Committee specifically. |
| Current / Net risk | The re-assessed level of risk taking in to account the existing controls. |
| Effect | Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring.<br><br>Effects are contingent events, unplanned potential future variations which will not occur unless risks happen. |
| Operational Risk | Risks arising from or relating to the execution of day-to-day operations and service delivery. |

| Term | Definition |
|---|---|
| Original / Gross risk | The assessed level of risk on the basis that no mitigating controls are in place. |
| Risk | The effect of uncertainty on objectives. |
| Risk Management | The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives. |
| Risk Owner | The person that is accountable for the overall management of the risk, including bidding for resources to control the risk. |
| Strategic risk | Risks arising from or relating to long term departmental objectives. |
| Target risk | The level at which the risk will be deemed as acceptable. |

# Appendix 1 - Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collectively than leave it to one person's judgement.

## Definitions

1. **Original/Gross score**: the level of risk perceived before any mitigating actions/controls have been put in place.

2. **Current/Net score**: the level of risk currently perceived by the user/management, taking in-to account any controls.

3. **Target score**: the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

## Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

## Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

|  | **Rare** | **Unlikely** | **Possible** | **Likely** |
|---|---|---|---|---|
|  | **1** | **2** | **3** | **4** |
| Criteria | Less than 10% | 10 – 40% | 40 – 75% | More than 75% |
| Probability | Has happened rarely/never before | Unlikely to occur | Fairly likely to occur | More likely to occur than not |
| Time period | Unlikely to occur in a 10 year period | Likely to occur within a 10 year period | Likely to occur once within a one year period | Likely to occur once within three months |
| Numerical | Less than one chance in a hundred thousand (<10-5) | Less than one chance in ten thousand (<10-4) | Less than one chance in a thousand (<10-3) | Less than one chance in a hundred (<10-2) |

## Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

| | | Minor | Serious | Major | Extreme |
|---|---|---|---|---|---|
| | | **1** | **2** | **4** | **8** |
| THREATS | Service Delivery / Performance | Minor impact on service, typically up to 1 Day | Service Disruption 2-5 Days | Service Disruption > 1 week to 4 weeks | Service Disruption > 4 weeks |
| | Financial | Financial loss up to 5% of Budget | Financial loss up to 10% of Budget | Financial loss up to 20% of Budget | Financial loss up to 35% of Budget |
| | Reputation | Isolated service user/stakeholder complaints contained within business unit/division | Adverse local media coverage/multiple service user/stakeholder complaints | Adverse national media coverage 1-3 days | National publicity more than 3 days. Possible resignation of leading Member or Chief Officer. |
| | Legal / Statutory | Litigation claim or fine less than £5,000 | Litigation claim or fine between £5,000 and £50,000 | Litigation claim or fine between £50,000 and £500,000 | Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000 |
| | Safety / Health | Minor incident including injury to one or more individuals | Significant Injury or illness causing short term disability to one or more person | Major injury or illness/disease causing long term disability to one or more person. | Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more persons |
| | Objectives | Failure to achieve Team plan objectives | Failure to achieve one or more service plan objective | Failure to achieve a Strategic plan objective | Failure to achieve a major corporate objective |

## Risk Matrix

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (*Likelihood of*) **4 x** (*Impact of*) **4 =** (*Risk Score of*) **16**

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.



*Figure 2: COL risk matrix*

## What the colours mean (as a guide):

- Red            -            Urgent action required to reduce rating
- Amber          -            Action required to maintain or reduce rating
- Green          -            Action required to maintain rating