OLDHAM
Metropolitan Borough

Oldham Metropolitan Borough Council

RISK MANAGEMENT TOOLKIT

A general guide to the management of day-to-day risks

December 2007

Table of contents

Section 1: Introduction

1.1 The Council's RM Policy and Strategy

Oldham MBC is aware that some risks will always exist and will never be eliminated. The Council has a moral and statutory duty to manage risk and by doing so to safeguard the public and public assets. The Council has adopted a risk management (RM) policy and strategy to ensure a focus and structured approach to the management of risk arising from Council activities, and to ensure that it is an integral part of governance of the authority at both strategic and operational level. The policy and strategy have been endorsed by the Leader of Council and Chief Executive and have the full support of the Council and Senior Management Group. They are available via the Risk Management pages of the Council's intranet.

Appendix I of the RM Strategy is a one page summary of the Council's standard approach to risk management. This document sets out clear guidance on the application of that approach, which has been endorsed by the Corporate Risk Management Group and formally approved by members. Taken together, the Strategy and Toolkit provide practical guidance to assist officers in the effective identification, evaluation and control of risk that may impact upon the achievement of the corporate, directorate and service objectives and priorities that we have all set ourselves.

In this way risk management is intrinsically linked to the Council's positive aspirations and achievements rather than solely focussed on negative factors. Risk management across the organisation should, therefore, be viewed as a tool to support achievement rather than simply another compliance procedure.

1.2 Embedding risk management

Risk management needs to be embedded into the processes and culture of the organisation, through service planning processes and also processes relating to the management of projects and partnerships. Whilst the standard approach to risk management is to be applied consistently across the authority, the particular risks associated with projects and partnerships need to be recognised and addressed. In addition to this general guide, therefore, the Council has developed two additional supplementary Toolkits entitled:

- Risk managed: a project manager's toolkit; and
- Risk managed: a partnership manager's toolkit.

1.3 Implementing the Council's RM Policy and Strategy

This Toolkit, like the supplements referred to above, has been written with the busy manager in mind. It outlines a simple approach to using risk management techniques to improve the way services are provided. This approach can be used at both strategic and operational level, in the context of the Council's corporate, directorate or service plans. In short, it can be used to manage risks of any initiative, at whatever level, provided that you are clear about your aims and objectives.

This guidance should be read in the context of the Council's RM Policy and Strategy, which sets out the important benefits of implementing RM effectively across all activities. In view of the significance of these potential benefits, compliance with the approved approach is mandatory.

1.4 Engaging in the process

Finally, it is worth pointing out that the process that a management team goes through when identifying and evaluating risks can often be as useful as the outcome of the risk assessment itself. It can help to stimulate new approaches, encourage innovation, as well as building stronger and more effective management teams. We hope that this Toolkit helps with that process.

Barbara Cotton
Risk and Insurance Manager

Section 2: Risk Management Basics

2.1 RM in context

If risk is to be recognised correctly it should be viewed as a positive aspect of the Council's business culture. Managers and elected members need to embrace risk and, in doing so, actively consider it in undertaking and performing their day to day duties and responsibilities.

In this positive context ***risk*** can be viewed as arising as much from failing to capture business opportunities when pursuing strategic and operational objectives as it does from a threat that something bad will happen. In a similarly positive way, ***risk management*** can be viewed as the culture, processes and structures that are directed as much towards the effective management of potential opportunities, as they are to threats to the organisation achieving its objectives.

Section 2 of the Council's RM Strategy puts risk management fully into context of the Council's overall arrangements for governance and management.

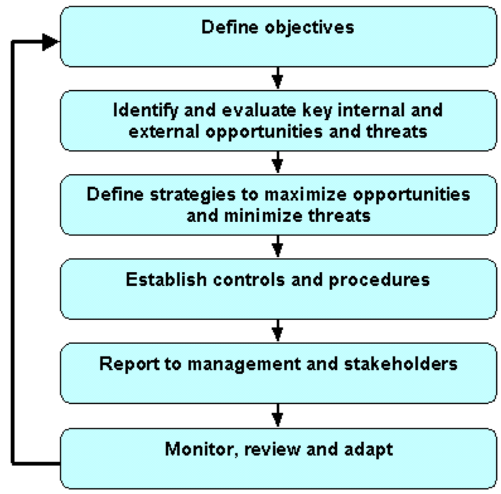
2.2 Balancing threats and opportunities

Risk is one of life's few certainties. Nothing is achieved without some element of risk. If we fail to evaluate and manage risk, or if it is approached informally, we may not do enough to reduce the Council's exposure to threats. Similarly, we may miss out on good opportunities because we shy away from some particular threat associated with them. By applying sound risk management techniques, we can evaluate and balance threats and opportunities to make well-informed decisions and provide sustainable improvements in service delivery.

> ***"If you don't have effective risk management, you don't have effective management."***
>
> "Chance or Choice", SOLACE/ZM, 2000

2.3 Risk management and business planning

The risk management process closely follows the business planning process. It can be applied at corporate or service level and applies equally to the planning process for partnerships and projects. The process is summarised in the diagram below.



It should be noted that the risk management process is continuous. In addition, risk management should be integrated from the beginning of the planning process. This applies equally, of course, in the context of projects or partnerships.

Clearly, at whatever level of planning, great care must be taken to establish from the outset clear aims, objectives and critical success factors. These provide the basis from which success or failure may be defined, and threats or opportunities identified and assessed.

2.4 When should we use risk management techniques?

As a key business tool for managers, risk management should be integrated into the following activities:

- In setting strategic aims, and developing service strategies;
- In setting targets as part of the business planning process;
- From the initiation to completion of projects, as a key part of the project management process;
- In planning for and delivering services in collaboration with partners and other delivery agents;
- Options appraisal, in reports to the Management Board and Elected Members;
- In planning service improvements to deliver best value; and
- In relation to private finance initiatives.

2.5 How do I use this toolkit?

This guide is designed to take you and your management team through the process of identifying and assessing risk without unnecessary bureaucracy. **This process is best done as a group exercise.** Remember - risk management is not a "bolt-on extra". It should be recognised as part of your normal management process - just like undertaking regular appraisals of your staff or holding team meetings. Eventually it should become a habit.

2.6 Who should be involved?

The best people to identify and manage risk are those responsible for delivering the undertaking. This could be, for example:

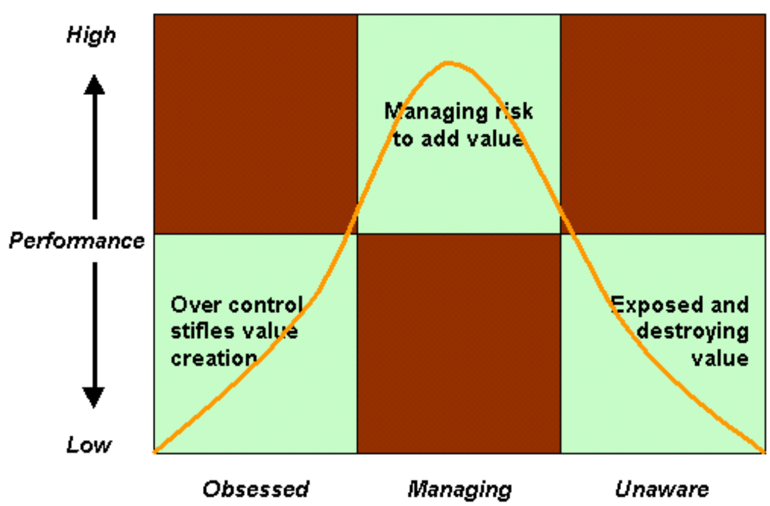
- The senior management team;
- The directorate management team;
- The operational management team;
- The partnership board;
- The project team and so on.

You should also encourage participation of other key stakeholders or partners, (including, where appropriate, elected members). It may even be useful to use the services of an "interested friend" to facilitate a session, for example the Risk & Insurance Manager, or your Directorate risk champion.

This is not a purely quantitative process; it relies on the judgements and informed decisions of the team/individual conducting the assessment. To help you at each stage of the process a number of document templates are attached as appendices to this Toolkit.

2.7 Getting the balance right

The main focus should be on the achievement of your objectives rather than the risk management process itself. Obviously too little awareness and control can damage performance, but an obsessive level of involvement in the fine details of risk could easily become overwhelming.



Between these two extremes is a turning point, a balanced area of high performance. This is the status to aim for.

Remember that the effort expended in managing risk should be proportionate to the intended outcomes. The need for this balance was referred to by the former Prime Minister, Tony Blair, in the *document "Risk: Improving Government's Capacity to Handle Risk and Uncertainty", 2002.* Mr Blair made the following statement:

> *"Risk management - getting the right balance between innovation and change on the one hand, and avoidance of shocks and crises on the other - is now central to the business of good government."*

2.8 What do we mean by "risk"?

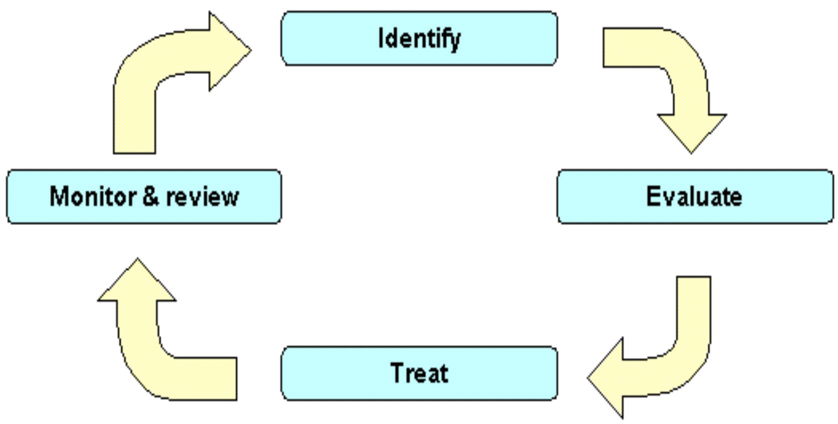
In essence, risk is the chance of something happening that will have an impact on objectives. That impact may be positive (i.e related to an opportunity) or negative (i.e related to a threat). Putting it simply, there are three elements to a risk, namely: **an EVENT** that has a **CONSEQUENCE** that leads to an **IMPACT** on our stated objectives. In assessing risk we must also, however, consider the likelihood of the event actually happening.

In the risk identification process we are concerned with identifying the events that can impact on business objectives - "what could happen".

2.9 The four steps to risk management

Throughout this Toolkit we are going to take a simple 4-step approach to the management of risk. This is illustrated in the figure below. As you work through this Toolkit you will be guided as to which documents are relevant at each step in the process.

The process begins with the identification of risk, and moves on to risk evaluation, risk treatment



and monitoring & review. It is not enough simply to have carried out a risk identification exercise some time ago. The process should be comprehensive - completing all 4 steps - and continuous.

Section 3: The Risk Management Process Step 1 - Identify Risk

3.1 Be clear about your objectives

At this stage we are concerned with identifying the events that can impact on business objectives - "what could happen". Remember that this may have a positive effect on objectives, rather than just negative - they are two sides of the same coin. This can be done through a simple group session to create a list of positive risks (opportunities) as well as negative (threats).

These principles apply equally to service objectives, partnerships or projects, as long as the objectives are clearly defined.

3.2 Consider the full scope of risks

Risk management is concerned with far more than simply Health & Safety or insurable risks. The modern Council recognises the full scope of possible risks (whether positive or negative) facing the Council. These are typically classed as either "strategic" or "operational" in nature. ***Strategic risks*** are those that need to be taken into account in judgements about the medium-to-long term goals and objectives of the Council. Managing strategic risks is a core responsibility for senior managers in close liaison with elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning process, and as a key element of service reviews. ***Operational risks*** are risks that managers and staff will encounter in the daily course of their work.

CHART 1 sets out descriptions for the various categories of risk utilised in the Council's methodology.

It should be noted, however, that the categories are neither prescriptive nor exhaustive. Nor are they mutually exclusive. Risks will often fall into more than one category. They do, however, provide a useful framework for identifying and categorising a broad range of risks facing the Council.

So - using the example of a school; at a strategic level the school would consider threats to its long-term objectives - issues such as expansion, raising standards, recruiting staff and demographic factors. At an operational level it would be more concerned with the day to day running of he school - issues such as the physical hazards to the students and/or staff, budget shortfalls, the performance of external contractors etc. Remember - the important thing is not to get too bogged down with categorisation. The categories are just a general guide to help your thinking.

3.3 Identify your risks

Using ***CHART 1*** and your business objectives, quickly run through the categories of risks and identify as many risks as you can using the categories as a guide or aide-memoire. Of course, there may be one objective but a number of risks which arise from that objective (it may help to write them on "post-it" type notes and attach them next to the relevant category of risk.) You may find it useful to break into a number of small groups to do this, each group looking at different categories and then each other's identified risks.

At this stage it is extremely important that all views are heard, and that the whole team is willing to identify risk without fear of retribution or criticism. It's important to allow this session to be as free-flowing as possible - remember that each risk you identify means that you face one less unpleasant surprise!

It is also very important that risks are expressed as a clear statement. This can be a bigger challenge than it seems. Care should be taken to avoid stating impacts that may arise as being the risks themselves, and to avoid stating risks which do not impact on objectives. Equally, care should be taken to avoid defining risks with statements that are simply the converse of the objectives. A statement of risk should encompass the specific **event**, the **consequence**, and the **impact** to the objective that may arise. This is illustrated below, by reference to an example provided in guidance published by HM Treasury.

Objective: to travel by train from A to B for a meeting at a certain time	
Risk identified	**Is this a clear and appropriate statement?**
Failure to get from A to B on time for the meeting.	✗ - this is simply the converse of the objective.
Being late and missing the meeting.	✗ - this is a statement of the impact of the risk, not the risk itself.
There is no buffet on the train so I get hungry.	✗ - this does not impact on achievement of the objective.
Missing the train causes me to be late and miss the meeting.	✓ - this is a risk that can be controlled by making sure I allow plenty of time to get to the station.
Severe weather prevents the train from running and me from getting to the meeting.	✓ - this is a risk which I cannot control, but against which I can make a contingency, such as contributing to the meeting by conference call or video-conference link.

3.4 Record your risks

You can use ***CHART 2***, the Risk Assessment Form, to record your risks. In doing so, you should ensure that you assign each risk a unique reference number and identify not only the risk ("short name") but also:

- how the Council, directorate, department or team is vulnerable;
- the **event** that could trigger the risk; and
- all the potential **consequences** or **impacts**.

Remember - follow the sequence **EVENT …** leads to …**CONSEQUENCE…** resulting in **IMPACT.**

For example, rather than describe a risk as "no qualified staff", we should describe the risk as…."inability to recruit qualified staff leads to skill shortages resulting in failure to deliver services to the required standard".

Opportunities rather than threats

At this stage, you may well have identified some risks that, because of their political or controversial nature you may feel uncomfortable about recording. However, these may be just the risks that need managing most. It is possible to phrase these risks as opportunities that need to be taken, rather than threats that need to be avoided. For example, one of the risks to a partnership arrangement may be that one of the Council's partners is reluctant to share information. This could be expressed as an opportunity, for example - "Improving communication between partners leads to more effective decision-making and implementation of shared objectives."

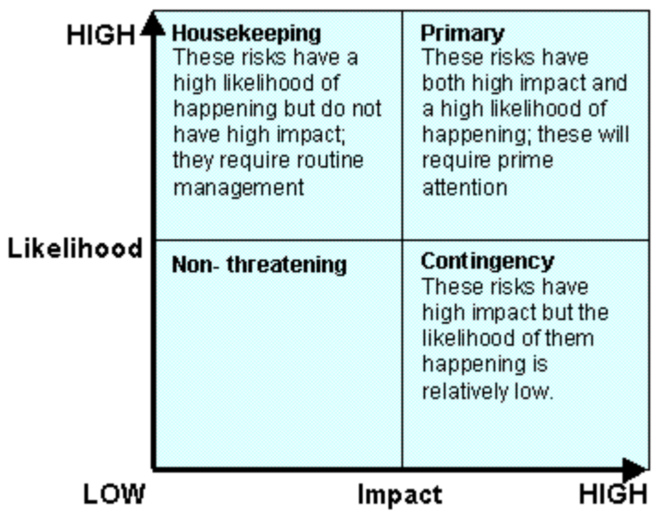
Remember - the purpose of this process is to "tame" risk, not to hide from it.

Section 4: The Risk Management Process Step 2 - Evaluate Risk

4.1 Estimating likelihood and impact

By now you should have a list of risks, each with a unique reference number. The next step is to **estimate** which of these risks is going to pose the greatest threat (or opportunity). We do this by looking at both **likelihood** and **impact.** Simply put, as the likelihood and severity of impact increases so does the significance of the risk.

This process of evaluation allows us, therefore, to begin to prioritise risks and identify those we



wish to look at in more detail. This is illustrated very simply in the figure below

It is, of course, important that when we assess potential likelihood and impact we do so on the basis of a common understanding of the relevant criteria. We have, therefore, defined a series of criteria for you to use as a point of reference when you make your assessments. These are shown in ***CHART 3***. These help us to start making decisions about the significance to the Council of our identified risks and whether each risk should be accepted or treated, i.e do we live with it, or do we do something about it.

4.2 Taking account of current controls

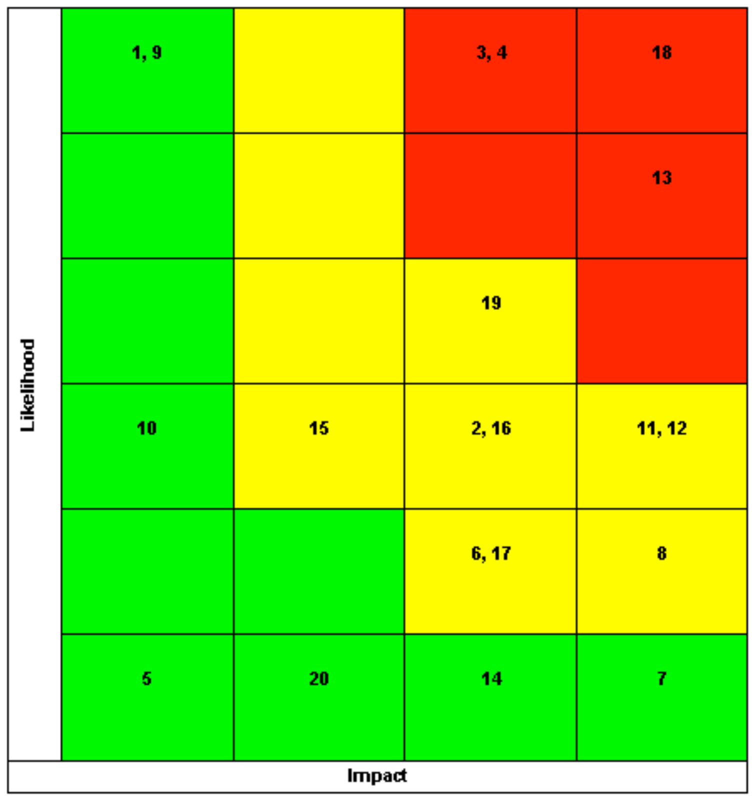
It is important to note that at this stage you are assessing risks in the current circumstances, i.e taking account of the controls currently in place.

4.3 Scoring and recording risks

The next action is to analyse the current position regarding each risk, and score them in terms of likelihood and impact using the criteria provided in ***CHART 3.*** These scores should be recorded on the Risk Assessment Form (***CHART 2***) and also marked on the Risk Map template (***CHART 4***). This will give you a prioritised list (or risk profile) of those risks that need most immediate attention, and by plotting them on the matrix will also provide a graphic representation of the relative significance of those risks.

In terms of an overall rating for risks, they are defined as low, medium or high risks. This is colour coded on the risk map, so that high risks are coded **RED**, medium risks are coded **AMBER** and low risks coded **GREEN**.

Your risk map may look something like this (**Note**: Numbers represent risks identified on the risk assessment form):



Those risks that you have placed in the red boxes are where you need to start a more detailed analysis – these are your **primary** or **top risks**.

For smaller scale exercises it may be enough to simply take your "post-it" notes with the identified risks and place them in the most appropriate square on the map. However, in the vast majority of cases you will need to make a more considered analysis.

4.4 Risk tolerance

Don't be surprised if you don't find many risks that are real "show-stoppers" – a list of your 10-15 **primary risks** is probably more than enough to begin with. Alternatively, you may set a level of tolerance by drawing a line across the map and focus mainly on those risks above the line.

This is a good time to ask yourself whether there are any risks in the other boxes suitable for a "quick fix" - eg "What do you mean we only have one set of door keys?" It is also worth taking a quick look at those items in the low green box – it could indicate that these areas are over-controlled, thus stifling innovation.

In addition, this is the opportunity to examine the existing control measures and ask whether they are still the most effective and cost effective available.

4.5 Preparing a Management Action Plan

CHART 5 is a template for a Risk Management Action Plan. You should record the results of the risk evaluation on this form. Note that the document requires you to record actions/controls already in place. These details are important, and should be identified as part of the discussion on each risk.

You may find it useful to rescore your risks with further controls in place, to arrive at the ‘Target Risk Score’ (it must, so far as possible reduce the risk to "low risk"). The original score should be shown on the matrix in the left hand corner, with the matrix in the right hand corner recording the risk number, current risk score and the target which is to be achieved.

Once this is done all the current controls need to be stated, with further management actions or controls needed clearly identified. It is vital that the person responsible for taking action is identified, together with any indicators or "success factors", qualitative or quantitative, which would demonstrate achievement of the controls. Finally the risk plans should be reviewed at least quarterly, preferably in line with service or departmental improvement plans, and any key dates for review inserted.

If possible, some consideration should be given to the adequacy of those controls – it is often useful to get an external view on that, perhaps from the risk manager or business auditor.

Section 5: The Risk Management Process Step 3 - Treating Risk

5.1 Addressing your primary risks

Now that high level identification and prioritisation of risks has been achieved we need to identify what measures we will have to take to lower our **primary risks**. (With **opportunities**, you should be looking for ways to maximise them.)

It may help to ask these three questions:

- Can we reduce the probability of occurrence?
- Can we reduce the impact, should the risk become a reality?
- Can we change the consequences of the risk?

There are basically 4 approaches to controlling risk:

- **Avoid** – stop doing the activity or find a different way of doing it, introduce alternative systems/practices;
- **Reduce** – put procedures and controls in place to reduce the chance of a loss happening, or the frequency of a loss, or the severity of the incident; or formulating a contingency plan to reduce interruption to services, new internal systems and practices, staff training, physical risk improvements, continued assessment & monitoring;
- **Retain** – decide to bear losses out of normal operating costs, informed decision to retain risk, monitor situation; and
- **Transfer** – place indemnity clauses in a contract, insurance cover, outsource services.

It is important to establish the cost of implementation of your risk treatment measures. Remember – the cost of the treatment actions should be proportionate with the risk that they are addressing.

5.2 The need for co-ordination

Some measures will be relatively easy to implement; others may have serious budgetary/resource implications and may need a phased approach. Also, you may have identified risk treatment measures that fall outside your immediate area of influence (eg another Directorate). If that is the case, the issue should be raised through the Corporate Risk Management Group, which will help co-ordinate control measures between services. There may be a number of different possible risk reduction actions to take (the alternative measures could also be risk scored to identify the most effective).

5.3 Record key details

The Risk Management Action Plan should be fully completed, and identify a **risk owner** who is responsible for ensuring that the action plan is adhered to. This does not necessarily mean that the named person has to do the work needed - it means they have responsibility for ensuring that the plans are actioned and targets achieved. It is very important that the Management Action Plan should include the **names** of the individuals responsible for implementing each of the risk improvement measures and key **dates** for implementation. Your identified risk improvements should also be fed into any **Outcome Improvement Plans** - they are there to support your business objectives after all.

5.4 Scoring Your Risk Improvements

You need to know what the risks will look like after the risk improvements have been implemented, to see how effective the additional controls will be. So, repeat the risk scoring exercise and record the results, your **target risk score**, on your Management Action Plan. Tracking how the risks change will provide a measure of performance.

5.5 Early Warning Indicators and Embedded Monitors

When drawing up your risk control measures it is be helpful to consider whether you can identify any likely early warning signs or triggers that will tell you that it is time to put any contingency plans into effect. For example, an indicator for potential arson attacks may be an increase in incidents of petty vandalism or intruders on the building premises.

5.6 Business Continuity Planning

At it's most basic this is a series of arrangements that will be put in place to ensure that standards of service are maintained during a period of disruption. It is usually associated with a significant event such as a fire involving loss of a building, or an event which could give rise to the loss of the services of a significant number of people. Examples include an epidemic or fuel strike which prevents people being able to reach the workplace.

Where a service continuity risk is identified, you will need to prepare ***business continuity plans*** to help keep the business running during times of major change or disruption. These will usually be for relatively isolated events and will be the responsibility of the manager of the relevant business area affected.

Business Continuity can be distinguished from day to day action planning which is intended to manage the risks to the service objectives. Business Continuity plans are needed for risks which could cause significant disruption to the service or even stop the service being provided. More formal plans are needed for these risks, particularly for those services considered business-critical or which we have a statutory obligation to provide.

For further information on the Council's methodology please see the Service Continuity Planning Guide available on the Intranet.

Section 6: The Risk Management Process Step 4 - Monitoring and Reviewing Risk

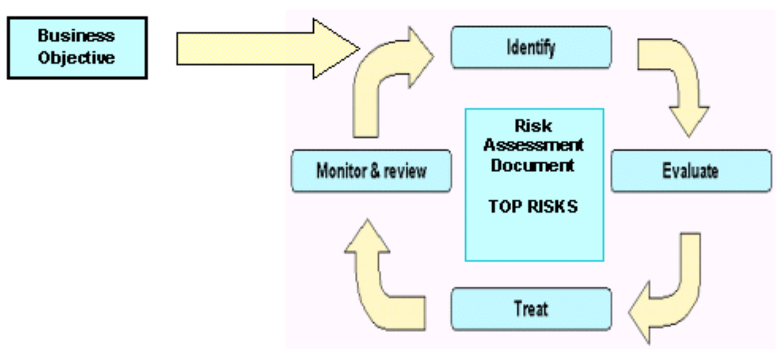
6.1 Risk tracking

You and your team will need to monitor the status of your **Top Risks** and the actions you have taken to mitigate them. This risk tracking is essential to effectively implementing your action plan. The Risk Owner should take responsibility for this.

6.2 Keeping RM on the agenda

Circumstances and business priorities can change and so it is important that you view risk assessment as a continuous process that feeds into your decision making. Some risks may leave your **Top Risks** as circumstances change, to be replaced by new risks.

The Risk Management process is a continuous cycle for supporting your objectives.



It is a good idea to include a risk review into your regular meetings. This should include assessing the progress of resolving your **Top Risks**. In the repeat process you can build on the information that you have previously collected. You may even be able to work further down the list of identified risks (i.e. into the yellow boxes). The more often you go through this process the less effort it requires.

6.3 Risk management and business planning

You will also need to look at the entire process afresh when you are drawing up your annual Business Plan – or whenever you are entering into a new area of business/service.

Fully integrating risk management into the business process is not a "quick fix" operation. Often, small steady progress achieves the best outcomes. It may take three to five annual reviews to cover the full spectrum of risks that your business faces.

6.4 Reporting to management and stakeholders

A copy of your completed Risk Assessment Form and the results of your regular reviews should be sent to your Directorate Risk Management Champion, so that progress can be reported to senior management. Also, risks are often not neatly restricted to one department or project area; you can help by highlighting risks that cut across service areas so that a consistent approach to managing risk can be taken across the organisation.

It is important that the hard work you and your team are doing to manage your risks is not done in a vacuum – it needs to be communicated to senior managers/directors, and ultimately, Elected Members/the Strategic Management team. You should refer to the Council's Risk Management Strategy, particularly Appendix D2, which shows how the information you provide can be reported throughout the organisation.

Section 7: Other Areas for Consideration

7.1 Risk management as part of decision making

We have now gone through the entire risk assessment process, however, using risk assessment to help the decision making process is relatively new to all of us. In all potential decisions you will be faced with a number of possible options (even if this is limited to "do it, or don't do it").

In order to give decision-makers the fullest information about the implications of different options, it would be helpful to complete a risk assessment of those possible options. This could be as simple as completing the Risk Assessment Form (*Chart 2*) on the risks to the possible options and including it as an appendix to your Report. Section 6 of the Council's Risk Strategy addresses this issue more fully.

Throughout this document reference has been made to both threats and opportunities. You may feel some benefit in not only completing the formal risk assessment, but also taking the time to complete an 'opportunities risk assessment' which is described in ***CHART 3b***. This will be addressed specifically in the council's training programme.

7.2 Risk management of projects and partnerships

This is addressed in two separate supplementary toolkits.

7.3 Integrating with other forms of risk assessments

Risk Assessment is also used in other areas of services, specifically:

- to comply with Health & Safety Regulations;
- in conjunction with an Environmental Management System (EMS);
- as part of an Audit Plan; and
- the development of client care plans.

Although they all share the general approach of assessing risk by looking at likelihood and impact you should view the details within this Toolkit Guide as complimentary to any existing procedures rather than superceding them. It is helpful to agree "triggers" – i.e. when to use which system.

CHART 1 - Categories of Risk

See Appendix 2 for a graphic representation.

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives	E-Gov. agenda, IT infrastructure, staff/client needs, security standards
Legislative/ Regulatory	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of eqpt
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

You can also bear in mind Governance Factors:

Integrity	Fraud and corruption, accountability and openness, legality of actions and transactions and limits of authority
Leadership	Reputation, authority, democratic renewal, trust and identity
Policy & strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance.
Data & information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information. E-government and service delivery.
Risk management	Incident reporting and investigation, risk measurement, evaluation and monitoring. Taking advantage of opportunity.

CHART 2: Risk Assessment Form

This involves assessing the risks by scoring them according to likelihood (probability) and impact (consequence) on the service objectives. The scoring mechanism is shown at Chart 3.

Risk scenario format

Business objective:	

Vulnerability (Background)	**Trigger (Event)**	**Consequence (Impact)**
Statement of fact or perception about the organisation, department or service that exposes it to risk	An event that could or has occurred in a negative impact on the organisation, department or service	The negative impact: ∞ how big ∞ how bad ∞ consider worst likely

No	Score	Likelihood	Impact	*Short name*	Vulnerability	Trigger	Consequence
1	**DIII**	**D**	**III**	Failure to manage sickness absence	Section is small and provides specialist services; staff absences affect service delivery and result in the need to access external agency capability	∞ Sickness absence is not managed	∞ Pressure on remaining staff ∞ Budgetary impact if outside resources have to be used ∞ KPI's not met
2	**EIV**	**E**	**IV**	Failure to recruit to key posts	The organisation experiences difficulty in recruiting and retaining staff who work in specialist areas	∞ Key posts remain unfilled/take unacceptable lengths of time to fill	▪ Pressures on existing staff ▪ Activities are ineffectively carried out ▪ Some critical skills missing ▪ Difficulties in succession planning ▪ Pressure to offer more lucrative packages Staff appointed not the best suited

CHART 3a: Risk Scoring Mechanism - threats

This table is intended to help you define levels of impact and likelihood.

Impact		Service delivery	Financial loss	Reputational
I	Catastrophic	∞ Total system dysfunction. ∞ Shutdown of operations.	∞ Over 5% of budget	∞ Key person resignation or removal. ∞ Sustained adverse publicity in national media. ∞ Significant loss of key stakeholder confidence.
II	Critical	∞ Significant numbers of operational areas of a location compromised. ∞ Other locations may be affected.	∞ Up to 5% of budget	∞ Adverse publicity in national media. ∞ Sustained adverse publicity in local media. ∞ SMT and member dissatisfaction. ∞ Short-term loss of key stakeholder confidence.
III	Marginal	∞ Disruption to a number of operational areas. ∞ Manageable by altered operational routine.	∞ Up to 2% of budget.	∞ Adverse publicity in local media. ∞ Short-term loss of stakeholder confidence.
IV	Negligible	∞ No / minimal effect on service.	∞ Up to 1% of budget.	∞ Minor adverse publicity in local media. ∞ Minimal loss of stakeholder confidence.

Likelihood		
A	Very high	Circumstances regularly encountered - daily, more than 75% chance.
B	High	Circumstances frequently encountered - weekly, monthly, between 41-75% chance.
C	Significant	Circumstances have been encountered - possible within the next 6 months, between 25-40% chance.
D	Low	Circumstances occasionally encountered - possible within the next 1 to 2 years, between 15 - 24% chance.
E	Very low	Circumstances infrequently encountered - possible within the next 3 years, between 11- 15% chance.
F	Almost impossible	Circumstances rarely/never encountered - more than 3 years, less than 10% chance.

CHART 3b: Risk Scoring Mechanism - opportunities

This table is intended to help you define levels of impact and likelihood.

Impact		Service delivery	Financial benefit	Reputational
I	Highly desirable	∞ Dramatic improvement. ∞	∞ Over 5% of budget	∞ Sustained positive publicity in national media. ∞ Significant increase of key stakeholder confidence.
II	Desirable	∞ Significant improvement	∞ Up to 5% of budget	∞ Positive publicity in national media. ∞ Sustained positive publicity in local media. ∞ SMT and member satisfaction. ∞ Short-term increase of key stakeholder confidence.
III	Marginal	∞ Marginal improvement.	∞ Up to 2% of budget.	∞ Positive publicity in local media. ∞ Short-term gain of stakeholder confidence.
IV	Negligible	∞ No / minimal effect on service.	∞ Up to 1% of budget.	∞ Minor positive publicity in local media. ∞ Minimal gain of stakeholder confidence.

Likelihood		
A	Very high	Circumstances regularly encountered - daily, more than 75% chance.
B	High	Circumstances frequently encountered - weekly, monthly, between 41-75% chance.
C	Significant	Circumstances have been encountered - possible within the next 6 months, between 25-40% chance.
D	Low	Circumstances occasionally encountered - possible within the next 1 to 2 years, between 15 - 24% chance.
E	Very low	Circumstances infrequently encountered - possible within the next 3 years, between 11- 15% chance.
F	Almost impossible	Circumstances rarely/never encountered - more than 3 years, less than 10% chance.

CHART 4: Risk Mapping Template

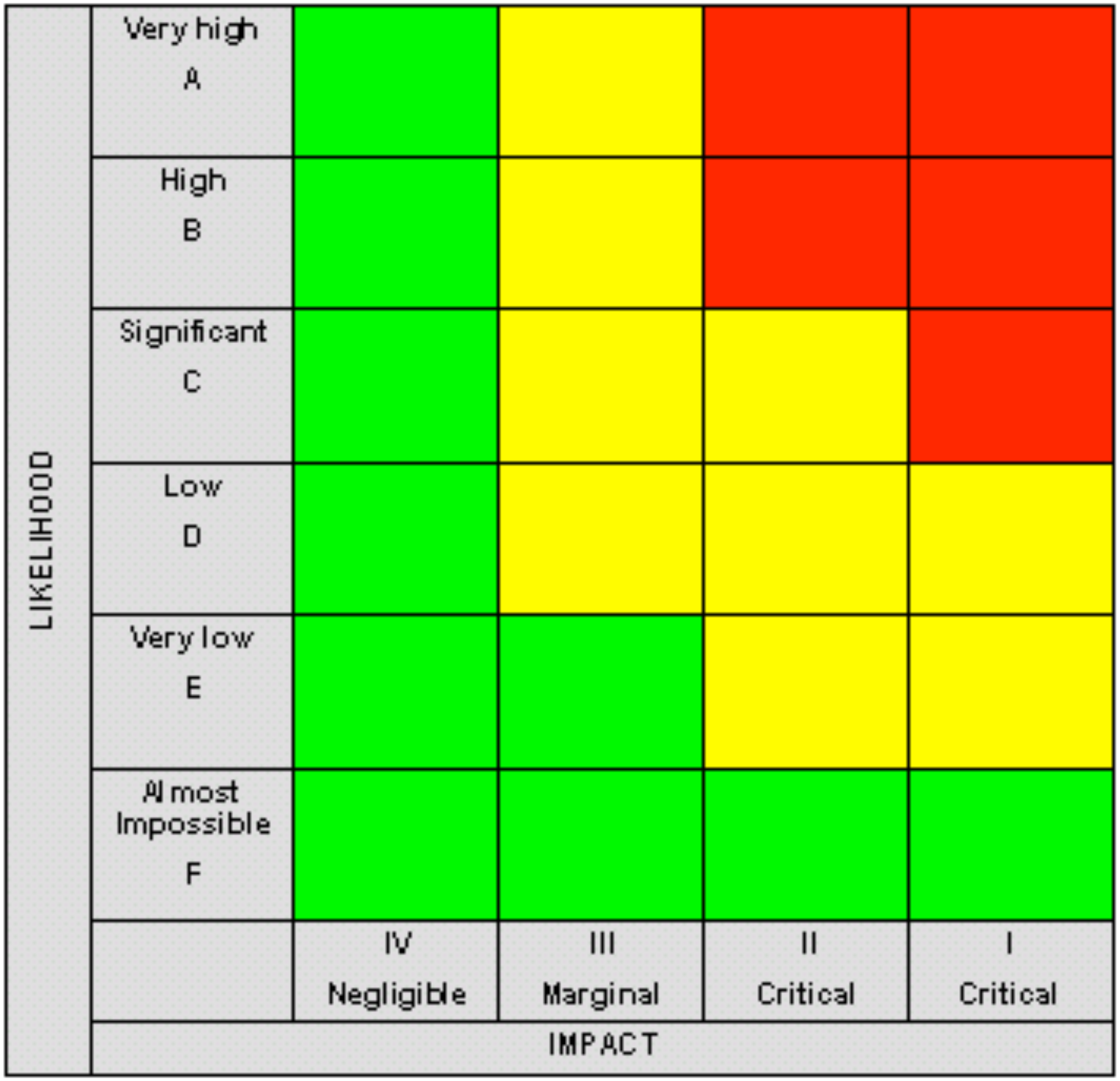


CHART 5: Risk Management Action Plan

This is an example of the standard format Management Action Plan. Using the earlier example of our train journey, it contains all of the required elements of effective action planning.

Business objective:	to travel by train from A to B for a meeting at a certain time		
Risk owner:	Myself.	**Date of assessment or review:**	DD/MM/YY

Likelihood					
	A				
	B				
	C				
	D			**1**	
	E				
	F				
		IV	III	II	I
		Impact			

Risk No.	**Current risk score**	**Target risk score**	**Description**
1	DII	EIII	Missing the train causes me to be late and miss the meeting.

***Likelihood:** F = almost impossible; E = very low; D = low; C = significant; B = high; A = very high*
***Impact:** IV = negligible; III = marginal; II =critical; 1 =catastrophic*

Action/controls already in place	**Adequacy of action/control to address risk**	**Required management action/control**	**Responsibility for action**	**Critical success factors & KPI's**	**Review frequency**	**Key dates**
∞ Timetables checked ∞ Taxi to station booked	Limited control.	∞ Schedule diary to allow "margin for error" of 30 minutes at either end of journey ∞ Confirm taxi booking ∞ Pre-book ticket to minimise delay	∞ Secretary	∞ Arrival on time	Once prior to meeting.	48 hours before meeting.

APPENDIX 1: Risk Management - A One Page Summary

Risk Management is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.

Step 1 - identify your risks

Best done in groups, by those responsible for delivering the objectives.

RISK: it's the chance of something happening that will have an **impact** on **objectives.**

Event⇨Consequence⇨Impact

Threats & Opportunities

When:

- setting business aims and objectives;
- developing service strategies;
- setting targets;
- partnerships and projects;
- options appraisal;
- service improvement plans.

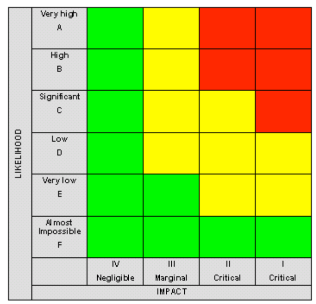
Categories can help:

Strategic/Operational

Internal/External

Step 2 - evaluate your risks

Combination of the **impact** and **likelihood** of an event and its consequences.



Red ➔ TOP RISK - IMMEDIATE ACTION

Amber ➔ Medium risk. Review current controls / incorporate into action plan

Green ➔ Low risk. Limited action. Long term plans.

Step 3 - treat your risks

Concentrate on **top risks:** 10 to 15 in number.

- Can we reduce the likelihood?
- Can we reduce the impact?
- Can we reduce the consequences?

Avoid

Reduce

Retain

Transfer

Devise **contingencies - action planning** for risks to business objectives.

Business continuity planning for "show-stoppers".

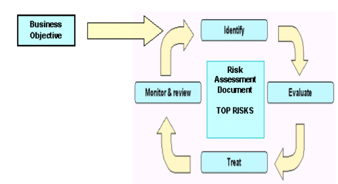
Step 4 - monitor and review

Risk registers:

Comprising all Management Action Plans and supporting details. Baseline data to be prepared and monitored regularly. These should clearly indicate counter-measures and contingencies as well as the risk owner.

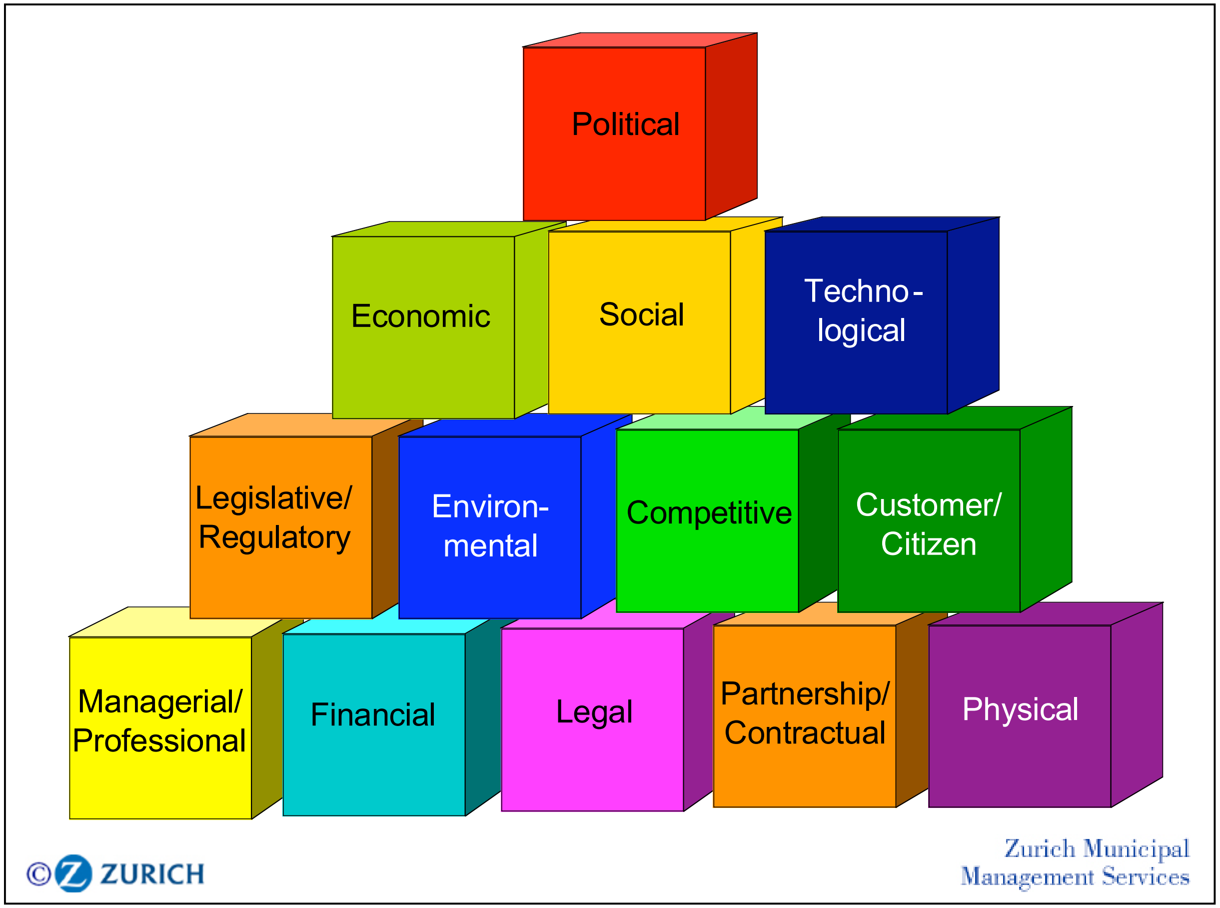
Review **top risks** regularly as an agenda item.

Report progress to senior management.



APPENDIX 2: Risk identification

In identifying risks, it is important to recognise the full scope of risks that may affect the Council overall, or your service in particular. The diagram below is explained in Chart 1, which describes these risks.



OLDHAM
Metropolitan Borough

Corporate Risk Management Group