

Guidance Note

How to Manage Risks

Contents

What is a Risk?	2
Risk Management Process.....	2
Risk Management Cycle.....	2
Context.....	3
Risk Identification	3
Defining a risk.....	3
Categorising our Risks	4
Risk Appetite	4
Risk Assessment and Scoring.....	5
Calculating a Risk Score	5
Risk Treatment and Control.....	6
Developing Mitigating Actions	6
Risk Monitoring and Review.....	7
Reporting Risks.....	7
Risk Closure.....	7
Advice and Support	8
Glossary of Risk Management Terms	9
Wiltshire Council Likelihood scoring criteria	11
Wiltshire Council Impact Scoring Criteria.....	12

What is a Risk?

It is important that you know what a risk is, there are many definitions. Here's just one taken from the Institute of Risk Management:

“A risk is an event or series of events which will adversely affect the ability to meet our objectives. A risk can also be the failure to take advantage of opportunities to optimise the positive achievement of objectives.”

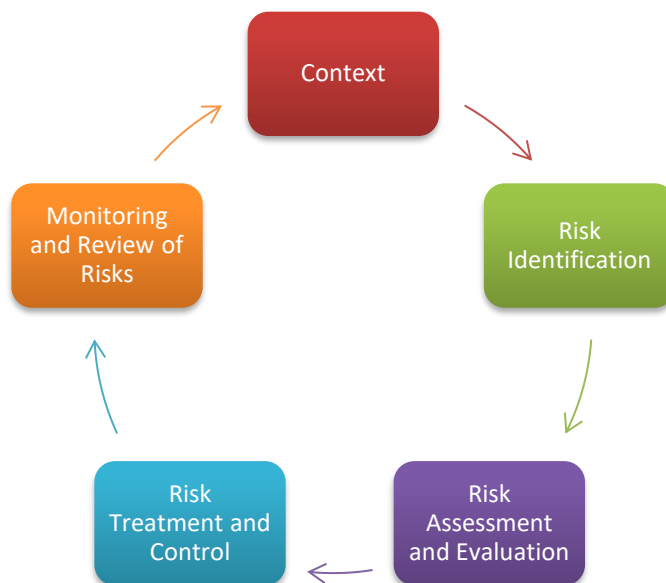
We apply risk management to ensure we continue to develop as an organisation. Risks need to be properly identified, assessed and mitigation actions developed in order to aid decision making so that full consideration can be given to the extent of the risk alongside the potential benefits to be realised.

This guidance should help you understand the steps you need to take to successfully manage risks. If you require more information or find this guidance does not meet your requirements, please let us know. Contact details are at the bottom.

Risk Management Process

Risk Management is a central part of the council's strategic management. The Wiltshire Council Performance and Risk Management Policy will give you an overview of risk management for our council.

Risk Management Cycle



This is a simple diagram that demonstrates the cycle of managing risk.

Context

Risks should be linked directly to Business Plan outcomes or service plan objectives and goals in order to ensure that action plans are focussed on managing the risks identified. If you do not have a service plan then you will need to refer to the current Business Plan. If the risk does not have any effect on the outcomes or key actions stated in the Business Plan then it is probably not a business risk although it may still be a service level risk.

Risk Identification

Risks should be identified through:

- The business plan, thematic plans and service plans developed by the Council;
- Development of key policies or strategies that the Council is involved in delivering;
- Risk assessments undertaken within each service area of the Council;
- Analysing past insurance claim details, accident logs, complaint records, incident reports and repair and maintenance costs;
- Business or service continuity plans developed by the Council;
- Internal Audit reports.

Risks should be given a meaningful name so that it describes a risk rather than being just a statement. Examples of naming risks:

- Inability to;
- Failure to;
- Lack of;
- Inappropriate;
- Inadequate;
- Opportunity to.

Example of a poorly worded risk:		<i>'Resilience of key Council operations and business activities'</i>
Example of a meaningful risk:		<i>'Inadequate business continuity plans in place for key service areas'</i>

It is important that opportunities are also assessed to help make fully informed decisions on how risks can be managed and opportunities exploited.

Defining a risk

We use a three-stage process;



- The **Cause** is why something could go wrong. It is this information that you would use to consider what needs to be done to prevent a risk becoming an issue.
- The **Event** is what could go wrong. This is where uncertainty lies, a cause doesn't automatically lead to the event but it makes the event possible. You would use information recorded in the cause and event to score the likelihood of a risk.

- The **Effect** is the potential outcome of the event. It is the impact on the service, the council or our residents. You should use the information recorded here to score the impact of the risk.

You could, therefore, define a risk in a single sentence as:

“Because of [the cause], [the event] may occur, which would lead to [the effect].”

However, separating the cause, event and effect give you more opportunity to add detail to your risk definition.

It's usually easier to work backwards starting with the Effect. Risk are given a short definition to aid review. This should be related to the effect. There are occasions where the same effect may have different causes and/or events. This would normally involve defining more than one risk. Each risk should be owned (usually by a Director or Head of Service) and have at least one key officer for contact. Each risk is given one of six primary categories based on the effect.

Categorising our Risks

In order to understand the full exposure of the council to certain types of risk, our risks should be categorised under some key headings. This categorisation allows aggregation and understanding of the overall risks the council is exposed to whilst also helping managers identify risks that may exist within their area. Categories for risks are as follows:

- Reputational
- Legal
- Staffing / people
- Financial
- Service delivery
- Other (risks categorised this way will be reviewed to determine the need for new categories)

Risk Appetite

Each category has a different risk appetite; the level at which a risk becomes critical to the Council.

Risks are scored by multiplying an impact score by a likelihood score. All risks thus have a score level between one and 16. Risk appetite is applied to the inherent risk score.

The risk appetite is shown as a score above which a risk is expected not to be tolerated by the Council. A higher risk appetite level means that the Council could be prepared to accept a greater risk in order to achieve its priorities. A lower risk appetite level means that the Council is less prepared to tolerate risk.

The Cabinet have approved the current levels of risk appetite.

Risk Category	Risk Appetite (Maximum Inherent Risk tolerated)	
Health and Safety	< 8	 <p>Less risk accepted</p> <p>More risk accepted</p>
Legal	< 9	
Staffing/ People	< 9	
Financial	< 12	
Service delivery	< 12	
Reputation	< 16	

Risks that fall outside the Council's set appetite will be highlighted and reported. There will be an expectation that such risks will be treated (mitigated against), terminated or transferred rather than tolerated.

Risk Assessment and Scoring

After identifying potential risks, they need to be scored.

Use the Council's agreed scoring criteria (found at the end of this document) to assess (a) the inherent [likelihood](#) of the risk occurring and then (b) the inherent [impact](#) if it did occur.

Consider what controls are already in place to mitigate the risk

Calculating a Risk Score

Each risk is scored twice – once as it is now (inherent) and once as it would be if all the suggested mitigation actions were in place (residual).

To get the inherent risk rating each risk is scored from 1 to 4 for 'likelihood' and 'impact' and multiplied together to give a risk score.

Wiltshire Council Risk Matrix		Likelihood of Occurrence			
		1 Very Unlikely	2 Unlikely	3 Likely	4 Very Likely
Impact	4 Critical	4	8	12	16
	3 Substantial	3	6	9	12

	2 Moderate	2	4	6	8
	1 Low	1	2	3	4

Likelihood x Impact = Risk Score which establishes the level of risk:

High Risk (Score 12 – 16) Significant risks which need to be actively managed to reduce the likelihood and / or impact through mitigating actions or controls.

Medium Risk (Score 6 – 9) Manageable risks where controls should be put in place, probably to reduce one of the aspects of exposure, being mindful of the cost of implementing controls against the benefit in the reduction of risk exposure.

Low Risk (Score 1 – 4) Negligible risks which should be considered and monitored as the costs of introducing controls may outweigh the benefits.

Risk Treatment and Control

After identifying the risk and existing controls in place and scoring the risk as above, you need to consider how to treat the risk:

Treat	Taking action to minimise the likelihood of an event occurring and / or to minimise its impact should it occur. This will require defined actions to be allocated to individuals, implementation dates agreed and progress to be monitored.
Transfer	Transfer the risk to another party either by insurance or through a contractual arrangement. Responsibility for statutory functions cannot be fully transferred. The reputational implications of risks need to be managed since these cannot be transferred.
Tolerate	Decide that the risk is acceptable and make proper financial arrangements should it occur. Current 'ongoing' controls / mitigating actions will need to be monitored.
Terminate	Where feasible, stop doing whatever it is that causes the risk, use alternative products / change processes.
Take opportunity	Consider other gains that may be made by applying the risk controls envisaged. These may have a positive impact beyond the activity being assessed.

Developing Mitigating Actions

If the risk is to be Tolerated (accepted as is) then the inherent and residual scores should be the same. If there is another Risk Response, then mitigation actions should be identified. These will need to be new actions – things that will change – not existing controls.

An individual mitigating action will normally affect **either** the Likelihood **or** the Impact – very seldom will one action address both criteria. This means that often a basket of actions will be required to reduce the risk to the desired level.

If the actions are specific and detailed you may wish to use an the Risk Action Plan Template and guidance in the SharePoint folder but you will more likely track actions through the register itself. The risk register requires an assessment of the progress against the mitigating actions (RAG) which helps the reader understand where the true level of risk between inherent and residual lies.




Based on the controls introduced, re-score the Likelihood and Impact for the revised risk after they have been implemented. This is the Residual Risk Score.

Risk Monitoring and Review

All high and medium level risks should be reported monthly and reviewed at least quarterly to:

- establish whether anything has changed that may affect the level of risk;
- consider if the risk or mitigating actions needs escalating;
- decide if the risk can either be closed or if further actions should be undertaken to reduce the risk score;
- consider the progress being made for any outstanding actions.

Once you have reviewed the progress against the actions decide the appropriate RAG rating:

	Little progress being made against the risk action plan
	Moderate progress being made against the risk action plan
	Significant progress being made against the risk action plan

Progress rated as **Red** or **Amber** should be reviewed urgently, and any high or medium risks should be reported to the Operational Performance & Risk Management Group, along with a recovery plan.

High level risks where progress is unacceptable will be referred for consideration for escalation to the strategic risk register.

Reporting Risks

All Corporate Risks are included in the process that produces the Performance and Risk Management Report to the Cabinet that passes through CLT. Operational risks are included on the Service risk register and may be included in the Performance and Risk Management Report if they impact at a strategic level.

Risk Closure

Risk closure will normally be because they are no longer relevant (e.g. a time limited event has past, or the work has been completed). Risks that have been successfully mitigated are not closed and they must remain on the risk register to ensure that the mitigating actions continue to be

delivered and to enable this to be reviewed at the appropriate frequency to enable actions to be updated or new actions to be added.

Advice and Support

Information on Risk Management is available on:

The Wire at: [Risk Management](#)

SharePoint at: [Performance and Risk](#)

If you require any training, advice and / or assistance with a risk assessment or any aspect of risk management including access to SharePoint please contact:

Toby Eliot, Corporate Support Manager

Tel No: (01225) 713386

Email: toby.eliot@wiltshire.gov.uk

Chris Cooper, Corporate Support Officer

Tel No: (01225) 718592

Email: christopher.cooper@wiltshire.gov.uk

Glossary of Risk Management Terms

Corporate Risk	Risks that have an impact beyond any one service area and / or are of such significance that they need to be monitored corporately. This includes those significant risks to, and opportunities for, the achievement of the Business Plan priorities and / or outcomes.
Emerging Risks	Risks where there are high levels of uncertainty about likelihood and / or impact of an event arising from changes in the organisational environment which has not previously been properly assessed.
Enterprise Risk Management	An enterprise-wide approach to risk management enabling an organisation to consider the potential impact of all types of risks on all processes, activities, stakeholders, products and services.
Impact	The evaluated effect or result of an outcome happening.
Impact / Risk Category	Organisations which wish to understand a non-financial impact in their risk assessment process, or a more sophisticated approach, will seek to assess risk against other impact categories. Please see earlier in the guidance for categories used within the Council.
Inherent Risk (Opposite of Residual Risk)	This is the gross risk based on the risk assessment prior to the application of known control measures.
Likelihood	Representing the probability of something happening.
Operational Risk	Risks that managers and staff will encounter in the daily course of their work.
Opportunity	The potential positive impact upon an organisation's objectives / financial wellbeing / service delivery / reputation etc.
Residual Risk	The level of risk remaining after risk treatment measures have been taken.
Risk	An event or series of events which could / will adversely affect the ability to meet our objectives. A risk can also be the failure to take advantage of opportunities to optimise the positive achievement of objectives.
Risk Action Plans	Record of all information relating to the management of individual risks.
Risk Appetite	The amount and type of risk that an organisation is prepared to accept. This varies depending on the category of the risk.
Risk Assessment	The process by which risks affecting an organisation are identified, assessed and evaluated in order to prioritise those which are most significant to the organisation.

Risk Escalation	Process by which intolerable risks are escalated within an organisation to a level within the governance structure which has the means to apply / arrange effective risk mitigation.
Risk Management	The process by which risks, and opportunities are identified, evaluated, monitored and managed.
Risk Management Strategy	The overall organisational approach to risk management. This should be documented and easily available throughout the organisation.
Risk Register	Used to maintain information on all the identified risks (this is contained within SharePoint).
Risk Tolerance	Based on an assessment of the maximum risk that an organisation is able to sustain, without having to resort to unacceptable means of funding losses.
Strategic Risk	Risks that need to be taken into account in judgements about the medium to long-term goals and objectives of the organisation. These will usually be captured within the Corporate Risk Register.

Wiltshire Council Likelihood scoring criteria

Factor score	Probability	Indicators
4 Very likely	More than 80%	Has happened in past 6 months Is expected to happen in the next 6 months
3 Likely	Between 40% and 80%	Has happened in the past 6 months to 2½ years Is expected to happen in the next 6 months to 2½ years
2 Unlikely	Between 10% and 40%	Has not happened in the past 2½ to 6 years Is not expected to happen the next 2½ to 6 years
1 Very unlikely	Less than 10%	Has not happened in the past 6 years or more Is not expected to happen the next 6 years or more

Wiltshire Council Impact Scoring Criteria

	1 Low	2 Moderate	3 Substantial	4 Critical
Service Disruption	Brief disruption of important service area Non-crucial services primarily affected Service disruption 1-2 days	Multiple services disrupted Impact upon non-vulnerable groups Loss of service 2-3 days	Possible impact upon vulnerable groups: Non-vulnerable groups affected Definite impacts upon property accessed by public and officers Loss of service of between 3-5 days Most services affected	Loss of service impacting upon vulnerable groups Negative effect to all services 5+ days Whole Council affected
Staff / people	This has been included on the service delivery plans – will need an additional category to capture this as an impact (?)			
Reputation	Matter contained within section/ service Adverse localised publicity	Adverse sustained local publicity/ negative local public opinion generating complaints	Adverse national publicity Low public confidence in members and officers in ability to deliver services	Adverse sustained national publicity in professional / municipal press, affecting perception/ standing in professional / local government community Resignation or removal of Corporate Director or Member Breakdown of multiple partnership working
Health & Safety	Slight injury, harm or discomfort to an individual or several people No lost time Outcomes not notifiable to an enforcement agency	Injury or harm to an individual or several people of a temporary nature and does not require sustained on-going treatment Limited time off work required Outcomes notifiable to the relevant enforcement agency	Severe injury or harm to an individual or several people Sustained time off work above 3 months Outcomes likely to attract the attention of the relevant enforcement agency	Death of an individual or several people Significant life changing / threatening injuries to an individual or several people Outcomes representing a significant breakdown of corporate management arrangements and certain attention of the relevant enforcement agency
Legislative	Litigation / claims / fines from departmental below £25k Corporate below £50k Potential claim greater than £60,000 or potential costs greater than £25,000 Properties with a capital value of more than £150,000	Legal action against the Council possible Moderate breach of duty resulting in disciplinary action of one or more individuals Potential claim greater than £150,000 or potential costs greater than £50,000 Properties with a capital value of more than £450,000	Legal action against the Council likely Breach of duty resulting in costs / fine and disciplinary action leading to gross misconduct Potential claim greater than £300,000 or potential costs greater than £100,000 Properties with a capital value of more than £800,000	Legal action underway or very likely and difficult to defend Breach of duty resulting in costs, fines and imprisonment of an individual Potential claim greater than £500,000 or potential costs greater than £150,000. Matters where there is significant political interest or involving issues concerning the reputation of the Council. Properties with a capital value of more than £1,000,000 or contracts which have a significant impact on council services.
Financial	Unbudgeted financial loss less than £450k Unplanned increase on service budget requirement of up to 10% of budget	Unbudgeted financial loss between £450k and £800k Unplanned increase on service budget requirement of 10% - 50% of budget or over £200k	Unbudgeted financial loss between £800k and £1m Unplanned increase on service budget requirement of 50% - 75% of budget or over £0.5m	Unbudgeted financial loss over £1m Unplanned major increase on service budget requirement of over 75% of budget or over £1.5m