

The Audit Commission has given the following definition of strategic risks:

'Risks that need to be taken into account in judgments about the medium to long term goals and objectives.'

And CIPFA has given guidance on when strategic risks should be assessed, in this way:

'Strategic Risk assessments should be undertaken as part of the community, corporate and service planning process and as a key element of service reviews'.

The following categories of strategic risks, these should be used as **a guide only** in the Risk Management process and is not an exhaustive list.

Competitive: those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.

Customer/Citizen: those associated with the failure to meet the current and changing needs and expectations of customers and citizens.

Environmental: those relating to the environmental consequences of progressing the council's strategic objectives (e.g. energy efficiency, pollution, waste recycling, etc.).

Financial: those affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance, the consequences of proposed investment decisions, interest rate instability and inflation.

Information & knowledge: *those associated with the Council's ability to identify, understand and manage new or key information which may impact on its ability to deliver business objectives or forecast changing circumstances.*

Legislative: those associated with current or potential changes in national or European law

Partners/ Contractors: Over reliance on key contractors, failure of outsource providers to deliver. This could be in terms of quality, quantity, timescales or their own exposure to risk. Collapse of contractors, insolvency.

Personnel: Recruitment/retention of qualified staff, over reliance on key officers, inability to implement change. Lack of clarity over roles and responsibilities.

Political: those affecting the standing of Elected Members in the community or with National organizations, including Government Departments or their representatives

Property (including IT): Loss of or loss of use of assets. This could include loss caused by natural disasters, pollution incidents, aircraft/vehicle collision

Reputation – i.e. bad publicity in local press over an extended period, items in the national press, matters raised in parliament or the EU.

Social: those relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives. For example the changes in population ratios, more older people, more ethnic groups

Technological: those 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 or the consequences of internal technological failures on the council's ability to deliver its objectives.

Well being and safety: those which impact on the Council's ability to ensure the well-being and safety of its employees, customers or others involved in the Council's activities, over and above operational health and safety concerns.

Managing Risk – Strategic Risk Identification & Assessment



Process Summary

STAGE ONE

A – Identify a Responsible Officer

Identify a responsible officer (service manager, project officer) who will be responsible for carrying out the process on form **RIA2**.

B – Risk Identification

Identify the risks to the business process/project using the strategic risk categories list as a guide, enter these on form **RIA2**.

C – Risk Assessment & Prioritisation

Assess the *impact* of the identified risk and the *likelihood* of the risk occurring (assuming no control measures are in place). Prioritise the risks using the scoring system below and enter the results on form **RIA2**. Apply the 4T test to identify how risks should be managed. (see below)

		Impact			
		1	2	3	4
Likelihood		Minor	Significant	Serious	Major
Very Likely	4	LOW	MEDIUM	HIGH	HIGH
Likely	3	LOW	MEDIUM	MEDIUM	HIGH
Unlikely	2	LOW	LOW	MEDIUM	MEDIUM
Very Unlikely	1	LOW	LOW	LOW	LOW

STAGE TWO

A – Risk Management

Identify the control measures needed to manage the high priority risks. Summarise these on form RIA2 but use form RIA3 to expand.

B – Action Planning

Produce action plan for implementing risk control measures.

C – Re-Assessment of Risk

Re-assess the *impact* of the identified risk and the *likelihood* of it occurring this time with the control measures in place, enter the new scores and overall rating on form RIA2.

D – Action Planning

Undertake regular monitoring of risk control measures.

The 4 Test (Terminate (Don't do), Transfer (Pass risk on), Treat (Manage and Control), Tolerate (Go ahead but monitor))

RED (Score 11-16) TERMINATE, TRANSFER OR TREAT

YELLOW (Score 5-10) TRANSFER OR TREAT

GREEN (Score 1-4) TOLERATE

**DEFINITIONS
ASSESSING IMPACT**

Impact Rating	Score	Description	Possible Indicators
Major	4	<ul style="list-style-type: none"> Major loss of service facilities. Major financial loss. 	<ul style="list-style-type: none"> Service disruption >5 days. One or more fatalities. Financial loss up to 75% of budget.
Serious	3	<ul style="list-style-type: none"> Loss of major service. Major injuries. Serious financial loss. 	<ul style="list-style-type: none"> Service disruption 3-5 days. Major injury to individual/several people. Financial loss up to 50% of the budget.
Significant	2	<ul style="list-style-type: none"> Major impact on aspect of service. Severe injuries. Significant financial loss. 	<ul style="list-style-type: none"> Service disruption 2-3 days. Severe injury to individual/several people. Financial loss up to 25% of the budget
Minor	1	<ul style="list-style-type: none"> Brief disruption to service. Minor injuries. Minor financial loss. 	<ul style="list-style-type: none"> Service disruption <1 day. Minor injury to individual/several people. Financial loss up to 10% of budget.

ASSESSING LIKELIHOOD

Likelihood Rating	Score	Description	Possible Indicators
Very Likely	4	More than 75% chance of occurrence.	<ul style="list-style-type: none"> Regular occurrence. Circumstances frequently encountered-daily/weekly/monthly.
Likely	3	40 – 75% chance of occurrence.	<ul style="list-style-type: none"> Likely to happen at some point within the next 1-3 years. Circumstances occasionally encountered (few times a year).
Unlikely	2	10 – 40% chance of occurrence.	Only likely to happen once every 3 or more years.
Very Unlikely	1	Less than 10% chance of occurrence.	Has happened rarely or never before.

Overall Risk Score	Risk Rating
11-16	High
5-10	Medium
1-4	Low

