

# MANAGING RISK

## A Practical Guide to Risk Management in Herefordshire Council

- ...Putting people first
- ...Preserving our heritage
- ...Promoting our county
- ...Providing for our communities
- ...Protecting our future

*Quality life in a quality county*

# **MANAGING RISK**

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The five steps of the risk management cycle are:

### Step 1: Risk Details

On the Risk Register enter the following Risk information

- **Council Objective/Operation-** Enter the Council objective/operation the potential risk is linked to.
- **Risk Type-**Chose from – Political, Financial, Management, Resource, Environmental, Social, Technical or Other.
- **Risk description-** Brief description of the perceived risk. Typical risk phasing could be: *Loss to, Failure of, Failure to, Lack of, leads to, resulting in...*
- **Potential Impact-** describe the likely impact of the risk on the Council objective, project or operation
- **Likelihood-** Select the appropriate option from the table 1 below, very Likely –4, Likely-3, unlikely –2 or very unlikely 1

Table 1		
Likelihood Rating	Score	Description
Very Likely	4	Is expected to occur in most circumstances i.e. there is a more than 75% chance of occurrence
Likely	3	Will probably occur in most circumstances, i.e. there is a 40 –75% chance of occurrence.
Unlikely	2	May occur in exceptional circumstances i.e. there is a 10-40% chance of occurrence.
Very Unlikely	1	Is never likely to occur i.e. a less than 20% chance of occurrence.

- **Impact assessment** –Select the appropriate option from the table below, Catastrophic 4, Critical 3, marginal 2, and negligible 1

Table 2		
Impact Rating	Score	Detail Description / Examples only
Catastrophic	4	<ul style="list-style-type: none"> <li>• One or more fatalities</li> <li>• Service disruption for more than 5 days</li> <li>• Adverse national publicity</li> <li>• Financial loss up to 75% of budget.</li> <li>• Litigation almost certain and difficult to defend</li> <li>• Breaches of law punishable with imprisonment</li> </ul>
Critical	3	<ul style="list-style-type: none"> <li>• Extensive, permanent injuries, long term sick</li> <li>• Service disruption 3-5 days</li> <li>• Adverse local publicity</li> <li>• Major injury to individual/several people</li> <li>• Litigation to be expected</li> <li>• Financial loss up to 50% of budget</li> <li>• Breaches of law punishable by fines only</li> </ul>
Significant	2	<ul style="list-style-type: none"> <li>• Sever injury to individual/Several people</li> <li>• Service disruption 2-3 days</li> <li>• Needs careful public relations</li> <li>• Financial loss of up to 25% of budget</li> </ul>

Table 2		
Impact Rating	Score	Detail Description / Examples only
		<ul style="list-style-type: none"> <li>Higher potential for complaint, litigation possible</li> <li>Breaches of regulations / standards</li> </ul>
Negligible	1	<ul style="list-style-type: none"> <li>No injuries beyond first aid level</li> <li>No significant disruption of service capability</li> <li>Unlikely to cause any adverse publicity</li> <li>Financial loss of up to 10% of budget</li> <li>Unlikely to cause complaint / litigation</li> <li>Breaches of local procedures / standards</li> </ul>

- **Risk score** This is ascertained by multiplying the likelihood score by the impact assessment score. As set out in table 3

Table 3					
		Impact			
		1	2	3	4
Likelihood		Negligible	Marginal	Critical	Catastrophic
Very Likely	4	LOW-4	MEDIUM-8	HIGH-12	HIGH-16
Likely	3	LOW-3	MEDIUM-6	HIGH-9	HIGH-12
Unlikely	2	LOW-2	LOW-4	MEDIUM-6	MEDIUM-8
Very Unlikely	1	LOW-1	LOW-2	LOW-3	LOW-4

- **Risk Owner**-Identify the risk owner, which **must** be either, CMB, a Director, a Head of Service

## Step 2: Identifying mitigation Strategy

Complete the following:

- **Potential mitigation Strategy**- describe what action will be taken to prevent the risk, reduce the risk, transfer the risk or no action to be taken and why.
- **Cost of Mitigation**- Identify any associated costs for the identified mitigation strategy.

## Step 3: Mitigating Action

Complete the following:

- **Action Reference**-Action Log reference number for associated action required;
- **Action Owner**- Identify the actual person who has been nominated to carry out the action, please ensure that this person has been informed;
- **Action Description**- Description of action required;
- **Action Status**- Select the appropriate option, closed, or open; and
- **Date last updated**- enter date last updated or date closed;

## Step 4: Action log

Complete the following details on the Action Log:

- **Action Reference**- Action Log reference number for associated action required;
- **Date logged**- enter date action is entered on action log;
- **Completed**- Chose option yes or no;

- **Description of Action-** Description of action required;
- **Target Date** – enter target date for completion;
- **Priority-** Chose from options high, medium or low; and
- **Assigned to-** Identify the actual person who has been nominated to carry out the action, please ensure that this person has been informed

## **Step 5: Monitoring**

In order to ensure that this process is effective Corporate Management Team and each Directorate Management Team must review their risk register on a monthly basis, and confirm:

- all current risks been reviewed and any additional action/s identified have been entered on the Action Log;
- that the Action Log has been reviewed and actions are on track for completion within agreed deadlines.
- whether any risks need to be removed, due to time limitation i.e. end of a specific project;
- whether any new corporate or directorate risks have been identified that need to be added to the register, e.g. any risks identified on Committee reports that are viewed as strategic to the directorate;
- that the risk register is up to date for new and existing risks;
- whether any operational risks been identified by heads of service/key managers that could, if not managed become a risk for the directorate; and
- that updated risk registers have been entered onto the Risk Register Cluster file after updating and review.

# Managing Risk – Risk Register



Corporate/Directorate/Function/Project: \_\_\_\_\_

Chief Executive/Director/Project Owner: \_\_\_\_\_

Risk Details								Mitigation Strategy		Mitigating Action				
Council Objective	Risk Type	Risk Description	Potential Impact	Likely hood	Impact	Risk Score	Risk Owner	Potential Mitigation Strategy	Cost of Mitigation	Action Ref	Action Owner	Action description	Action Status	Date last updated

Signed: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

# Managing Risk – Action Log



Corporate/Directorate/Function/Project: \_\_\_\_\_

Chief Executive/Director/Project Owner \_\_\_\_\_

Action Reference	Date Logged	Target date	Completed	Priority (H,M,L)	Assigned to	Comments

Signed: \_\_\_\_\_ Position: \_\_\_\_\_

Date: \_\_\_\_\_