

Appendix 2 - Risk Scoring

Assessing the inherent risk

The Council has agreed criteria for the levels of likelihood and impact. These are shown in Tables 1 and 2 below. The definitions for likelihood of occurrence are quite short. However, because the impact of the risk, should it occur, can be much wider, there is a more comprehensive set of definitions.

When considering likelihood and impact you should not take into consideration any existing controls that are in place. The risk score you have will be an inherent or uncontrolled score.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall risk score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system that denotes the risk appetite of the Council. High risks are the **red zone**, medium risks are the **amber zone** and low risks are the **green zone**.

The risk score should be used to inform your judgement, rather than dictate how risks compare and what the priorities should be. The scores help you to identify the most serious threats and to make decisions about the significance of those risks to the Council and how, or whether, they should be treated.

Table 1: Description and definitions of LIKELIHOOD of the RISK occurring

Score	Description
6	Almost certain - More than a 90% chance
5	Highly likely – 70% to 90% chance
4	More likely than not – 50% to 70% chance
3	Might happen, but probably not – 30% to 50% chance
2	Unlikely to happen - A 10% to 30% chance
1	Very unlikely - Less than a 10% chance

Table 2: Description and definitions of IMPACT of the RISK

Severity	Example Detail Description
4	Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Corporate budget realignment Breaches of law punishable by imprisonment
3	Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of law punishable by fines only
2	Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of regulations/standards
1	No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards.

Now that the inherent risk score has been calculated, you can plot the risks on to the risk prioritisation matrix in Table 3. This will be a guide of their relative significance to the Council, and how they will be managed.

Table 3: Risk Prioritisation Matrix

		Impact			
Likelihood	6	12	18	24	
	5	10	15	20	
	4	8	12	16	
	3	6	9	12	
	2	4	6	8	
	1	2	3	4	

Assessing the residual risk

Once there is an inherent risk score you should assess the available controls and made decisions about which are appropriate and will be put in place. These controls might either make the likelihood that the risk will come to fruition less, or reduce the impact of the risk in the event that it does take place.

You now need to rescore the risk, taking the controls into consideration. The resulting number is the residual risk score. It is likely that the risk score will decrease, however it is possible that the controls just have the effect of ensuring that the likelihood or impact do not get worse. If that is the case, the risk score might stay the same after the implementation of controls.

The residual risk score needs to be at an acceptable level when considered against the Council's risk appetite. If the score does not reduce the risk to an acceptable level you should consider the effectiveness and adequacy of the controls.