RISK ASSESSMENT MATRIX – GUIDANCE NOTES

1. Introduction

Risk Assessment matrices provide a powerful and easy-to-use tool for the identification, assessment and control of business risk, via treatment plans. It enables managers to consider the whole range of categories of risk affecting a business activity. The various categories of strategic and operational risks are detailed in Appendix A.

The technique can assist in the prioritisation of risk and decisions on treatment plans, identification and allocation of resources; determine the adequacy of existing control measures and the need for further action. The technique can be directed at the business activity as a whole or on individual departments / sections / functions or projects.

2. Identifying risks

Key questions should be asked to aid identification of risk. For each specific area knowledge of what the business activity/objective is and how it is achieved will be key to identifying any risks.

Information on processes, people, skills and external risk will be essential e.g. Process – Street Sweeping, tools required, equipment issued. People – How many are involved in this process? Skills – Specific skills or knowledge required for this process, such as local knowledge of roads. External risk – traffic, hazardous waste.

3. Analysing Risks

Once sufficient knowledge of the process/activity/objective has been obtained risks analysis can be carried out.

Key Questions could include:
What could go wrong?
How could it go wrong?
Has it happened before? (Look to other local authorities/organisations who may have the same or similar risks for evidence as well as internally)
What other processes/objectives could be affected? (This will allow analysis of links to other risks)
Is the risk to a strategic objective (Affecting 3-5 year planning) or to an operational objective (Affecting the day to day activity)?

Consideration should be given to whether the risk could be both strategic and operational e.g. an operational risk that if not controlled will stop the Council achieving a strategic objective.

4. Profiling of Risk

Risk profiling uses data collected on risk through identification processes to “score” the level of risk posed by the process/objectives.

Risk is profiled according to its likelihood and severity:
## Likelihood

- **Remote** - Little or no likelihood
- **Unlikely** - Some likelihood
- ** Likely** - Significant likelihood
- **Very likely** - Near Certainty

## Severity

- **Major** - Total service failure, high financial loses, possible national media criticism, local media interest or possible fatalities/severe injuries.
- **Serious** - Short-term total service failure or prolonged partial failure, possible local media interest, possible financial losses or injuries.
- **Significant** - Short-term partial failure, no media interest, limited financial losses or disruption to service provision.
- **Minor** - An annoyance that does not disrupt service provision or has only a localised impact contained within the council/service affected. No media or public knowledge of incident.

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>1 – Remote</th>
<th>2 – Unlikely</th>
<th>3 – Likely</th>
<th>4 – Very likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severities</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>4 – Major</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>3 – Serious</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td>2 – Significant</td>
<td>LOW</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>1 – Minor</td>
<td>LOW</td>
<td>LOW</td>
<td>LOW</td>
<td>LOW</td>
</tr>
</tbody>
</table>

Once the likelihood and severity of the risk have been assessed they are plotted on the risk profiling grid above and the risk rating defined e.g. If a risk has a likelihood of 3 – Likely and a severity of 4 – Major, the risk rating will be 3 x 4 = 12. This would mean the risk is high and would require a treatment plan.

Assessing the Risk Rating for each risk should:

- In the first instance be scored to show the level of risk with NO control measures in place – this allows the assessor to see the base line risk.
- For all future assessment of that risk show the score with control measure in place. This will allow the assessor to see the true value of any control measures.
Completing the Risk Assessment Matrix

The Risk Assessment Matrix can be found at Appendix B.

(For the purpose of this document the Matrix in “Appendix B” has been colour coded, when filling in the document for risk assessment purposes please use an uncoloured version)

**SECTION 1**

Date: date the risk assessment was completed

Name: of person completing assessment (not necessarily the risk control owner)

Post: of person completing assessment

Dept/Unit: that the risk has been identified as belonging to

Risk Assessment Number: Consecutively from 1 (the first assessment) this allows for accurate version control and provides auditable trail of treatment and effectiveness.

Risk type: define the category of risk:
- Strategic – a risk to the 3 – 5 year planning/objectives of the Council.
- Operational – a risk affecting day-to-day processes.
- Both – an operational risk with a strategic impact.

**SECTION 2**

Code: sequential numbering of risks identified, this can be used with the dept/unit information to give each risk a unique code that for the Risk Register. (Please see Appendix D for coding details)

Risk: describe the risk, what is it that is likely to happen? What are the triggers to this happening?

Categories of Risk: identify which categories the risk falls into in appendix A

Likelihood: Score from risk profiling grid

Severity: Score from risk profiling grid

Risk Rating: Likelihood x Severity
SECTION 3

Control Measures in Place: Describe all the controls currently in place. For greater details of controls, or for identifying further controls please complete the Risk Treatment Plan Matrix see Appendix C.

Likelihood: Score of residual risk (with controls in place).

Severity: Score of residual risk (with controls in place).

Risk Rating: Likelihood x Severity (with controls in place).

Further Controls Required: Yes/No. Further controls will be required if the residual risk rating is still 9 or above. Where further controls are required a treatment plan matrix should also be completed. Please see Appendix C for a copy of the plan matrix.

Review Frequency: How often will this risk be reviewed? Review dates have a number of criteria. How high is the risk rating? How important is it that this risk is controlled? What are the cost implications of this control? If there is a significant cost to the control review may be delayed until a budget for the control is identified. Similarly the cost of a control may mean that more frequent reporting on the risk is required as part of budget monitoring. Low-level risks may only require monitoring on a yearly basis if the level of risk is not likely to change. A = Annual, Q = Quarterly, M = Monthly.

Date of next Review: Plot realistically when you should next review the risk rating to assess the adequacy of the controls.

Owner: This is the person responsible for implementing the risk control measure, not necessarily the person filing in the form.

If a risk requires further controls these will need to be agreed the risk should then be moved to a new Risk assessment Matrix labelled number 2 to be able to plot how long this control should take and when to measure effectiveness at the next review date.

Ongoing monitoring of risks and treatment will ensure that actions are updated as required and that the risk control is always under the most appropriate ownership.

Reassess the risk and controls every time that ongoing monitoring shows there is a significant shift in the rating e.g. if a medium level risk becomes high or a low level risk becomes medium.
5. Completing the Risk Treatment Plan

A copy of the Risk Treatment Plan is in Appendix C.

Header Section: Insert the department this risk relates to.

Column 1: The number here will be the same as the identifying number in the Risk Assessment Matrix.

Column 2: The risk as described in the Risk Assessment Matrix.

Column 3: Final rating (Residual risk).
Column 4: What actions need to be taken? What is the control? (Either in place or required).

Column 5: Owner of control measure

Column 6: How will we know the control is successful? What are the benefits of controlling the risk in this way?

Column 7: All key dates that may affect the control.

Column 8: The agreed date for review and frequency. This should take into account how important it is to monitor and control the particular risk.

6. Summary

Risk assessment is easy to use and will provide an overall and graphic views of risks, which are affecting the business activity. The process involves all staff; being driven by managers. It should be repeated to monitor the effectiveness of the risk control measures implemented.

It is not a purely quantitative method but relies on the judgements and informed decisions of the person / team conducting the assessment.

Training will be provided to all involved, to lay a common grounding and understanding of the technique.

It is vital to avoid the temptation to alter the results of an assessment to give a more positive result – this will not give a true value to any controls used and defeats the purpose of the exercise.

Extra vigilance should be taken assessing the level of residual risk after risk control measures have been implemented as this allows us to understand which controls work best and how well we are working toward reducing risk. The assessment of residual risk will be almost worthless if based on risk control measures, which have not been accurately assessed for effectiveness.

The effectiveness of treatment plans will be reviewed at Risk Management Steering Group meetings and/or the proposed risk management clinics.
5. **Supporting Documentation**

- HERTSMERE BOROUGH COUNCIL Risk Management Policy statement
- Risk Management Strategy v 1.5
- Risk Management Steering Group Terms of Reference
- Risk Assessment Matrix v 1.5
- Risk Treatment Plan v 1.1
APPENDIX A

The Categories of Risks Facing Hertsmere Borough Council

Hazards and risks need to be taken into account in judgements about the medium to long-term goals and objectives of the organisation, as well as the day-to-day operations of the Council. These may be:

- **Political:** those associated with failure to deliver either central Government policy or meet the administration’s manifesto commitments

- **Economic/Financial:** those affecting our ability to meet financial commitments. For example, internal budgetary pressures, the failure to purchase adequate insurance cover, external economic changes or the consequences of proposed investment decisions. Monitoring of financial planning and control and internal funds.

- **Social:** those related to the effects of changes in demographic, residential or socio-economic trends on the organisation’s ability to deliver its objectives.

- **Technological:** those associated with the capacity of the organisation 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 affecting the organisation’s ability to deliver its objectives. (e.g. IT systems, equipment or machinery).

- **Legislative/Legal:** those associated with current or potential changes in national or European Law (e.g., the appliance or non-appliance of TUPE Regulations, Human Rights Act, Data Protection Act, Disability Discrimination Act, etc.). Risk related to possible breaches of legislation.

- **Environmental:** those related to the environmental consequences of progressing the organisation’s strategic objectives (e.g., in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.). Those related to pollution, noise or energy efficiency of ongoing service operations.

- **Reputational:** those related to the organisation’s reputation and the public perception of the organisation’s efficiency and effectiveness.

- **Competitive:** those affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer/Citizen</td>
<td>those associated with failure to meet the current and changing needs and expectations of our customers and citizens.</td>
</tr>
<tr>
<td>Professional</td>
<td>those associated with the particular nature of each profession</td>
</tr>
<tr>
<td>Physical</td>
<td>those related to fire, security, accident prevention and health and safety (e.g., hazards / risks associated with buildings, vehicles, plant and equipment, etc..)</td>
</tr>
<tr>
<td>Contractual</td>
<td>those associated with the failure of contractors to deliver services or products to the agreed cost and specification.</td>
</tr>
</tbody>
</table>
## APPENDIX B

**DATE:** | **NAME:** | **POST:** | **DEPT/UNIT:**
---|---|---|---

### RISK ASSESSMENT MATRIX

| **RISK ASSESSMENT NUMBER:** | **BUSINESS OBJECTIVE:** |
---|---|

### RISK TYPE: STRATEGIC / OPERATIONAL / BOTH (delete as necessary)

<table>
<thead>
<tr>
<th>CODE</th>
<th>RISK</th>
<th>Categories of risk</th>
<th>SEVERITY</th>
<th>LIKELIHOOD</th>
<th>RISK RATING</th>
<th>Control measures in place? (Please see Treatment Plan for more detail)</th>
<th>SEVERITY</th>
<th>LIKELIHOOD</th>
<th>RISK RATING</th>
<th>FURTHER CONTROLS REQUIRED</th>
<th>REVIEW FREQUENCY</th>
<th>DATE OF NEXT REVIEW</th>
<th>OWNER</th>
</tr>
</thead>
</table>

### RISK ASSESSMENT (no controls in place for first assessment and controls in place thereafter)

### RISK ASSESSMENT (With controls in place – Residual Risk Rating)

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## RISK TREATMENT PLAN (version 1.1)

### APPENDIX C

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>RISK</th>
<th>RISK RATING</th>
<th>CONTROL MEASURE</th>
<th>OWNER</th>
<th>CRITICAL SUCCESS FACTOR</th>
<th>KEY DATES</th>
<th>REVIEW DATE/S</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As described in the Risk Assessment Matrix</td>
<td>As identified in the Risk Assessment Matrix</td>
<td>What control will be implemented?</td>
<td>Officer responsible for managing the risk control</td>
<td>What evidence will there be that the control is working?</td>
<td>Any dates/milestones that could affect the control or risk?</td>
<td>Agreed date of review and frequency</td>
</tr>
</tbody>
</table>


APPENDIX D

Risk Register Coding

Three letters and two numbers.

The first two letters relate to the service:

CR = Corporate Risks
WS = Waste and Street Scene
CS = Corporate Support
CC = Corporate Communications
LD = Legal and Democratic
FI = Finance, Revenues, Benefits and ICT
HH = Health and Housing
IA = Internal Audit
HR = Human Resources and Customer Services
PB = Planning and Building Control

The third letter relates to the specific work area within the service:

CR:

C = Chief Officers Board
M = Management Board

WS:

W = Waste Management
E = Engineering
G = General

CS:

G = General
C = Communications
P = Parks
S = Performance and Community Services

CC:

C = Communications
G = General

LD:

B = Buildings
D = Democratic
E = Electoral
G = General
L = Land Charges
FI:

F = Finance
G = General
R = Revenues
B = Benefits
I = ICT

HH:

E = Environment
G = General
H = Housing

IA:

A = Audit
B = Benefit Fraud
G = General

HR:

P = Print and Design
C = Customer Services
H = Human Resources
G = General

PB:

C = Car Parking
B = Building Control
G = General

The two numbers start from 01 and continue sequentially to 99