

Extract from Draft MIJB Risk Management Guidance Notes

Likelihood

Likelihood is a measure of probability and cannot therefore be taken as fixed. The following scale is used to analyse the likelihood of a risk.

Score	Category	Description / Frequency			
1	Rare	Less than 5%	1 in 25 years	May occur only in exceptional circumstances	Force Majeure
2	Unlikely	Up to 20%	1 in 10 years	Not expected to occur in normal circumstances	Not known in this activity
3	Possible	Up to 65%	1 in 5 years	Might occur at some time	Has happened elsewhere
4	Likely	Up to 90%	1 in 2 years	Will probably occur at least once	Has happened in the past
5	Almost certain	Over 90%	Within 1 year	Will occur in most circumstances	Imminent/ near miss

Impact

Impact is a measure of the effects felt when a risk occurs. However, defining a 1- 5 scale is not as simple as it is for likelihood, as the impact of a risk can be felt in a variety of ways. Where a risk has an impact in more than one category, e.g. financial, environmental, operational etc., the category with the highest score should be the one recorded. The scale is as follows:

Score	1	2	3	4	5
Category	Negligible	Minor	Moderate	Major	Extreme
Political	Action or non-action which impacts on a single member		Action or non-action which affects the decision making of the board		Action or non-action which affects ability of the board to discharge its responsibilities
Regulatory	No breach of compliance	Compliance breach – internal remedial action required	Compliance breach – external examination / action	Significant breach – penalties imposed	Serious compliance breach. Penalties and legal action.
Financial	Balanced budget and retention of general reserve	In year fluctuations are managed by corrective actions in year	Highlighted overspending in service areas and corrective actions taken to mitigate. No general reserves.	Inability to deliver services within agreed funding. Preparation and recovery plan required	Funding does not meet requirements. Negotiation and discussion with partners accordingly.
Environmental	No lasting effect on the environment, of short term duration	Short term local effect on the environment or social impact within the local neighbourhood	Serious local discharge of pollutant / community annoyance within Moray area that required remedial action	Long term detrimental environmental or social impact	Extensive long term impacts to environment and community
Reputational	Minor adverse publicity in local media	Some public embarrassment. No damage to reputation	Some adverse publicity. Potential legal implications	Sustained adverse publicity. Major loss of confidence. Legal implications	Highly damaging severe loss of public confidence. Resignation/ removal of senior officers
Information and Communication technology	Temporary incident up to 2 hours to recover to pre-event position	Localised incident. More than one user affected. 2 to 6 hours to recover	Localised incident. Several users affected. Up to a day to recover	Significant incident. Multiple locations or complete service impacted. Between 1 and 5 days to recover	Extreme incident affecting whole organisation. No data use possible. In excess of 5 days to recover pre-event position

Infrastructure					
Human resources	<p>Incident – no obvious harm/injury.</p> <p>Potential impact on individual staff members</p>	Minor injuries or discomfort	Maintenance of safe staffing levels of appropriately trained staff is being delivered through existing staff and locums. Normal service delivery may not be fully maintained.	Insufficient appropriately trained staff to deliver service across more than one location.	Loss of service delivery in one or more areas for a prolonged period of time
Operational continuity and performance	Insignificant disruption to service dealt with by routine operations	Minor disruption to services that might threaten the efficiency or effectiveness, but can be dealt with by service managers	Moderate disruption to service, probably requiring changed ways of operation temporarily	Significant impact and possible withdrawal of service	Significant disruption to or unplanned withdrawal of a service for a prolonged period of time

The Impact and Likelihood scores can be plotted on the Risk matrix. The total risk score is the aggregate of Likelihood x Impact and is stratified as follows:

Likelihood	Consequence / Impact				
	Negligible 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost Certain 5	Medium	High	High	V High	V High
Likely 4	Medium	Medium	High	High	V High
Possible 3	Low	Medium	Medium	High	High
Unlikely 2	Low	Medium	Medium	Medium	High
Rare 1	Low	Low	Low	Medium	Medium

Scores	Risk	Comment
1 to 3	Low risk	Acceptable level of risk. These risks have both a low likelihood and a low impact so no additional controls are required. Managers/Risk Owners should continue to monitor risk assessments as the situation may change.
4 to 9	Medium risk	Acceptable level of risk. Risks with high likelihood but a low impact or high impact but very unlikely can be dealt with via normal service processes ie routine, low level preventative measures that do not cost much but have a beneficial cumulative effect. Managers/risk owners should review these risks regularly to ensure assessments are appropriate and effective.
10 to 16	High risk	Risks in this category have the potential to impact significantly on the organisation and therefore action should be taken to reduce, control, mitigate and/or transfer the risk. This may need to be carried out urgently and may involve significant resource. It may not be possible to prevent the risk, but plans should be in place as to how to deal with it if it occurs. Service Managers/SMT and Board members will periodically seek assurance that measures taken are effective and appropriate and that the risks are being appropriately managed. It may be necessary to accept this level of risk.
17 to 25	Very High Risk	Unacceptable level of risk. High likelihood with major/extreme impacts result in risks that are unacceptable and urgent/immediate remedial/corrective action is required. Response Plans will need to be put in place. Managers/Risk owners should review the risks to ensure measures put in place continue to be appropriate and effective. The Board will seek assurance that risks of this level are being effectively managed. It may be necessary to accept opportunities that have an inherent very high risk.