Explanation of Risk Assessment and Evaluation

All identified risks are scored against the likelihood of their materialising and for their impact if they did materialise. The following three tables describe this scoring system: Table 1 identifies the 'likelihood' criteria, Table 2 the 'impact' characteristics, and Table 3 combines these two factors to give an overall classification ranging from 'Very Severe' to 'Manageable'.

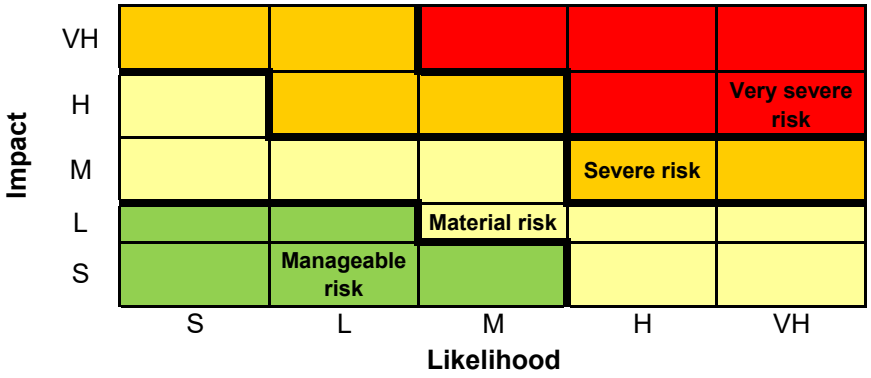
Table 1 - Risk **Likelihood** Ratings:

Probability	Criteria
Small	0-5% (extremely unlikely to occur)
Low	6-20% (unlikely but not impossible to occur)
Medium	21-50% (fairly likely to occur)
High	51-80% (more likely to occur than not)
Very High	>80% (almost certain to occur)

Table 2 - Risk **Impact** Ratings:

Probability	Characteristics
Small	Minimal loss, delay, inconvenience or interruption. Easily and quickly resolved
Low	Minor loss, delay, inconvenience or interruption. Short to medium term effect
Medium	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover
High	Major impact on costs and objectives. Serious impact on output and/or quality and reputation. Medium to long-term effect and expensive to recover
Very High	Critical impact on the achievement of objectives and overall performance. Huge impact on costs and/or reputation. Very difficult and possibly long-term to recover

Table 3 - Classes of risk



Very Severe Risks	Those which cause most concern: their materialisation would have a potentially disastrous impact on the Authority's Reputation or business continuity; immediate and Comprehensive action would be required.
Severe Risks	Also of significant concern and should be covered by contingency plans: their materialisation would be severe but not disastrous, and some immediate action would be required, along with the development of an appropriate action plan.
Material Risks	Those that have consequences that are not severe and which can be managed by contingency plans and more detailed action plans which can be developed later. But such risks still need regular monitoring.
Manageable Risks	Those that are inherent in most activities; the consequences of their materialising are generally not important enough to affect the whole business, and they can be managed during delivery. The status of such risks will be reviewed periodically.

The scoring of particular risks is the responsibility of SMT, subject to any advice from the Audit & Review Committee. In determining the likelihood of a risk occurring, all factors, including existing control mechanisms, will be taken into account.