

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

<b>CONTENTS</b>	<b>PAGE NUMBER</b>
1. Introduction	2
2. Achieving strategy objectives	2
3. Risk management at a glance	2
4. Identifying risks	4
5. Assessing risks	4
6. Evaluating risks	5
7. Escalating risks	6
8. Proximity of risk	6
9. Summary of risk profile	7
10. Allocating risks and determining actions	8
11. Monitoring risks	8
Appendix A – Risk Register	9
Appendix B – Risk Assessment Form	10
Appendix C – Determining Likelihood	11

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

## **1. Introduction**

- 1.1. Tonbridge and Malling Borough Council (the Council) has an approved Risk Management Strategy (the Strategy) and this guidance should be read in conjunction with this Strategy. The aim of this guidance is two-fold; to specify how the Council will deliver its objectives as outlined in the Strategy, and provide guidance on how to effectively manage risk.

## **2. Achieving strategy objectives**

- 2.1. The Council shall achieve its objectives, as outlined in the Strategy, through:

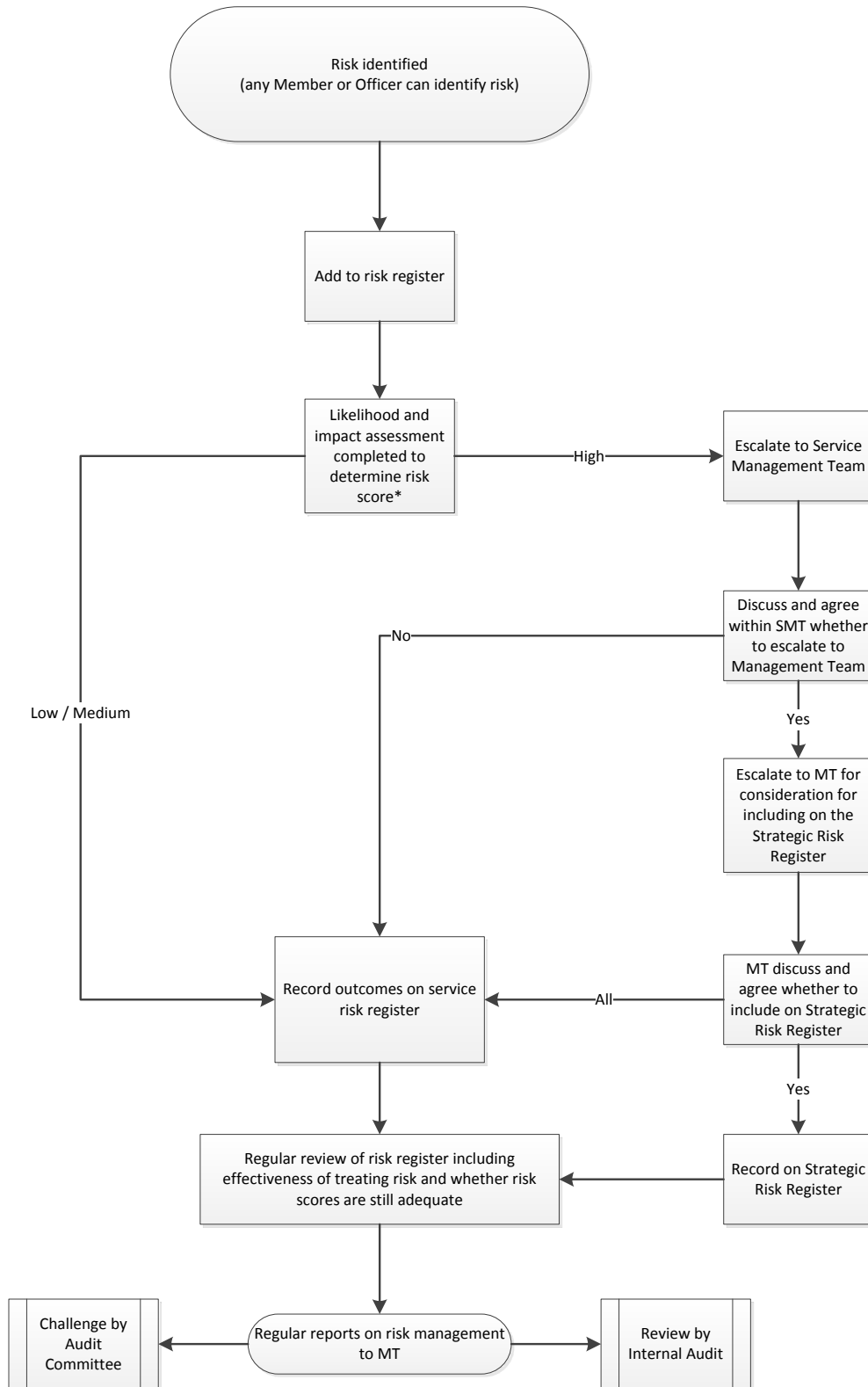
- Integrating effective risk management practices into the Council's management, decision making and planning activities.
- Maintaining common links between business planning, performance and risk management.
- Maintaining the frequency and effectiveness of monitoring of key risks.
- Providing a mix of risk management training, awareness sessions and support for both Officers and Members of the Council.
- Ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the Council.
- Subjecting the Council's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
- Ensuring risk management arrangements are embedded within transformation activity.
- Providing continuous challenge and quality assurance to all elements of the risk management process.
- Focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed.
- Working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.
- Providing guidance on identifying, assessing, managing and reporting on risk, including escalation of risks.

## **3. Risk management at a glance**

- 3.1. The following process flow visually demonstrates the risk management process.

# TONBRIDGE AND MALLING BOROUGH COUNCIL

## RISK MANAGEMENT GUIDANCE



\* A risk assessment form is available at appendix B which can be used to help this part of the process

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

**4. Identifying risks**

- 4.1. Risk is something that might happen, which if it materialises will affect us in some way or other. A risk is a combination of ‘likelihood’ and ‘impact’, that is; how likely the risk is to happen and if it did how much would it affect us. As soon as a risk is identified it should be recorded on the Risk Register, see Appendix A. This Register should be continually updated to demonstrate assessment, evaluation, treatment and ongoing review.
- 4.2. Before we can evaluate the level of risk associated with an activity we have to determine what is most likely to trigger the risk or initiate its occurrence and assess what the consequences may be if it did occur i.e. identify the risk event.
- 4.3. Risk assessment looks to determine the key triggers and causes and the likely consequences and impact. Once these are established we can use the assessment to gauge the likelihood of occurrence and impact of the consequences to determine the severity or level of risk.

**5. Assessing risks**

- 5.1. Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

- 5.2. The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

<b>Likelihood</b> ↕	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
<b>Impact</b> ↗			Negligible	Marginal	Significant	Critical

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

- 5.3. Each risk identified and recorded may be broken down into its component parts using a Risk Assessment Form – see Appendix B.
- 5.4. The source/cause, risk event and consequences should be listed, together with any controls or actions and their owners. Such controls and actions are used to mitigate the risk level and should be described in a clear and specific manner to enable stakeholders to gain sufficient understanding of them.
- 5.5. Risk assessments should be used to assess the level of risk associated with the objective and inform the process for refreshing risk registers. In some cases, where the details of risks are clear, key risk information can be entered straight onto risk registers.
- 5.6. Key project and partnership risks should be included within this process as they will have their sources of origin in business objectives.

## **6. Evaluating risks**

- 6.1. From the information collated and recorded when assessing the risk it should be possible to estimate and distinguish how likely the risk is to happen – Almost inevitable, very likely, likely, very unlikely, almost impossible. Similarly, from the information collated and recorded it should be possible to distinguish the level of impact the risk would have if the risk occurred now – Negligible, Marginal, Significant or Critical.

For example:

- A risk with an “unlikely” likelihood (3) and “critical” impact (4) would equate to a “Medium” risk level with a score of 12 (3 x 4).
  - A risk that is judged to be “likely” (4) and have a “negligible” impact (1) would equate to a “Low” risk level with a score of 4 (4 x 1).
- 6.2. When determining the risk rating, bear in mind that it is not an exact science. Without significant historical data or mathematical prediction it is, for the most part, a subjective but important estimate. Appendix C provides a couple of guides to help you to estimate likelihood; one in the form of a cross reference table and the second a decision chart.
  - 6.3. For reference, the initial result of an evaluation is known as the ‘inherent risk’, which refers to the exposure arising from a specific risk *before* any action has been taken to manage it. Due to the fact that determining the inherent risk can seem a rather theoretical exercise, there is not a requirement to include this as part of the risk assessment process. The focus is instead on assessing the current level of risk, taking controls in place into account, and setting a realistic target level of risk that you would wish to manage the risk down to.

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

## **7. Escalating risks**

- 7.1. It is not uncommon for risks to have knock-on effects for other activities across a risk perspective or in another risk perspective, for example a risk in one operational (perspective) area may be a source of risk to another; similarly a high level risk in a project perspective may need to be highlighted and considered at a strategic perspective.
- 7.2. It is essential that we understand risks and their potential to have knock-on effects. It is equally important that we set out clear rules for escalation of risks.
- 7.3. Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team (MT) by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of all 'High' risks discussed at SMTs and MT and the outcome of those discussions.
- 7.4. Similarly risks identified as "Medium Risk" may be escalated to the appropriate Service Management for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as "Low Risk" should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are 'Medium' or 'Low' risks they wish to consider further.
- 7.5. Where 'High' risks are identified in Project and Programme Risk Registers the Project / Programme Manager must check its impact on the relevant division or directorate risk registers.
- 7.6. The target residual rating for a risk is expected to be 'Medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.
- 7.7. There may be rare occasions where a risk is deemed to be well within risk appetite and therefore could be seen as over-controlled. In this instance a target level of risk could be set that is higher than the current level, as long as it remains within risk appetite.

## **8. Proximity of risk**

- 8.1. Some risks identified may pose an immediate risk whereas others may not be a risk for several months or even years. Establishing risk 'proximity' adds an

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

additional dimension especially when planning and prioritising resources to deal with risk actions.

8.2. Proximity may be categorised as follows:

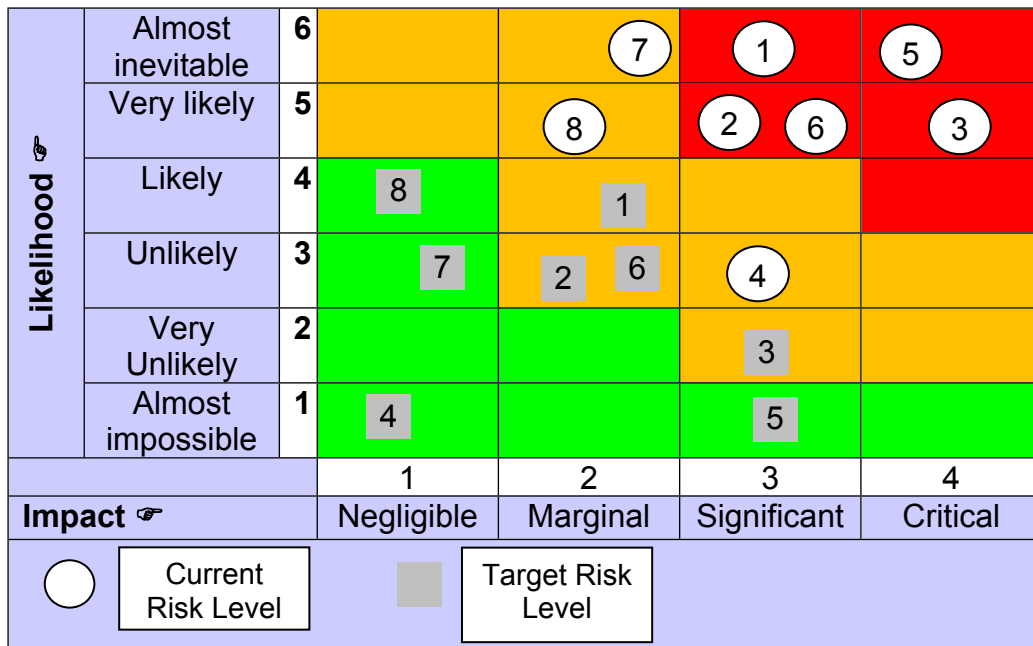
- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

**9. Summary risk profile**

9.1. A summary risk profile is a simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on an existing risk register.

9.2. It provides a powerful visual snapshot of the collective risk associated with the activity. The summary risk profile makes use of the chart in figure 1 above to plot each of the risks identified. The example below gives an example of a completed Summary Risk Profile.

9.3. Example - Completed Summary Risk Profile



9.4. In the example, the risk numbers (in white circles) are plotted to show their current risk levels for a series of 8 risks. It suggests that the activity is fairly high risk overall.

9.5. Again, in the example, the risk numbers (in grey squares) are plotted to show the target risk levels for the series of 8 risks. These show the effect that the risk controls and actions should have on the risks if they were successfully applied and completed.

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

9.6. Overall it demonstrates how an activity that carries a degree of high risk and potential failure could be made more acceptable. On a cautionary note, the effort and resources to be expended on managing the risk need to be re-factored into plans to ensure the activity in question remains a viable one.

## **10. Allocating risks and determining actions**

10.1. All risks, no matter how they are assessed, should be allocated an owner. The owner shall be responsible for managing the risk to ensure it is appropriately treated. The level of risk will determine who the owner should be:

- High Risk – Management Team
- Medium Risk – Service Management Team
- Low Risk – Head of Service

10.2. Once a risk has been identified, assessed and evaluated, it's important that actions are determined to treat the risk. The extent of any actions will be driven by a number of factors including the overall risk score, risk appetite and desired risk score. All actions should be documented on the Risk Assessment Form.

## **11. Monitoring Risks**

11.1. Risks should be continuously monitored, as unmanaged risks can prevent the Council from achieving its objectives. The extent of monitoring will be driven by the risk rating. For example a risk assessed as High would require more frequent monitoring than a risk assessed as Low.

11.2. As a minimum it is good practice to monitor risks formally on a quarterly basis and record sufficient evidence of this.



**TONBRIDGE AND MALLING BOROUGH COUNCIL  
RISK MANAGEMENT GUIDANCE**

**Appendix A - Risk Register**

Area \_\_\_\_\_

No	Risk Title	Consequences	Date identified	Likelihood Score	Impact score	Overall inherent risk score	Risk Assessment form completed?	Desired risk score	Mitigating actions to achieve desired risk score	Links to Corporate Objectives / Directorate Business Plans	Risk Owner	Review Date

**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

**Appendix B - Risk Assessment Form**

<b>SECTION 1 – RISK</b>																																																												
<b>Risk Owner:</b>			<b>Service:</b>				<b>Directorate:</b>																																																					
<b>Risk Event:</b>			<b>Source/ cause:</b>				<b>Consequences:</b>																																																					
			<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Likelihood F</td> <td>Almost inevitable</td> <td>6</td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> <td style="background-color: #ff0000;">18 High</td> <td style="background-color: #ff0000;">24 High</td> </tr> <tr> <td>Very likely</td> <td>5</td> <td style="background-color: #ffc000;">5 Medium</td> <td style="background-color: #ffc000;">10 medium</td> <td style="background-color: #ff0000;">15 High</td> <td style="background-color: #ff0000;">20 High</td> </tr> <tr> <td>Likely</td> <td>4</td> <td style="background-color: #00ff00;">4 Low</td> <td style="background-color: #ffc000;">8 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> <td style="background-color: #ff0000;">16 High</td> </tr> <tr> <td>Unlikely</td> <td>3</td> <td style="background-color: #00ff00;">3 Low</td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">9 Medium</td> <td style="background-color: #ffc000;">12 Medium</td> </tr> <tr> <td>Very Unlikely</td> <td>2</td> <td style="background-color: #00ff00;">2 Low</td> <td style="background-color: #00ff00;">4 Low</td> <td style="background-color: #ffc000;">6 Medium</td> <td style="background-color: #ffc000;">8 Medium</td> </tr> <tr> <td>Almost impossible</td> <td>1</td> <td style="background-color: #00ff00;">1 Low</td> <td style="background-color: #00ff00;">2 Low</td> <td style="background-color: #00ff00;">3 Low</td> <td style="background-color: #00ff00;">4 Low</td> </tr> <tr> <td colspan="2"></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td colspan="2" style="background-color: #d9ead3;"><b>Impact</b> <input type="checkbox"/></td> <td></td> <td style="background-color: #d9ead3;">Negligible</td> <td style="background-color: #d9ead3;">Marginal</td> <td style="background-color: #d9ead3;">Significant</td> <td style="background-color: #d9ead3;">Critical</td> </tr> </table>				Likelihood F	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High	Very likely	5	5 Medium	10 medium	15 High	20 High	Likely	4	4 Low	8 Medium	12 Medium	16 High	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium	Almost impossible	1	1 Low	2 Low	3 Low	4 Low				1	2	3	4	<b>Impact</b> <input type="checkbox"/>			Negligible	Marginal	Significant	Critical	<b>Likelihood score:</b> <b>Impact score:</b> <b>Overall risk score:</b> <b>Accepted?*</b>		
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							* If yes, provide rationale. * If no, go to Section 2.																																																					
<b>SECTION 2 – CONTROLS/ MITIGATING ACTIONS (copy this section for each control/ action)</b>																																																												
<b>Control/ Action Owner:</b>			<b>Service:</b>				<b>Directorate:</b>																																																					
<b>Control/ Action:</b>			<b>Dependencies:</b>				<b>Key Dates:</b>																																																					
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**TONBRIDGE AND MALLING BOROUGH COUNCIL**  
**RISK MANAGEMENT GUIDANCE**

**Appendix C - Determining Likelihood**

**Likelihood Cross Reference Table**

	Likelihood	Indicators
<b>Almost Inevitable</b>	<ul style="list-style-type: none"> <li>Almost certainly will occur</li> </ul>	<ul style="list-style-type: none"> <li>Regular occurrence</li> <li>Circumstances frequently encountered i.e. daily/weekly/monthly</li> <li>The risk is current &amp; is almost certain to happen within the next twelve months</li> </ul>
<b>Very Likely</b>	<ul style="list-style-type: none"> <li>More likely to occur than not</li> </ul>	<ul style="list-style-type: none"> <li>Likely to happen at some point within the next 1-2 years</li> <li>Circumstances occasionally encountered (once or twice a year)</li> </ul>
<b>Likely</b>	<ul style="list-style-type: none"> <li>Fairly likely to occur</li> </ul>	<ul style="list-style-type: none"> <li>Has happened in past</li> <li>Reasonable possibility it will happen within next 3 years</li> </ul>
<b>Very Unlikely</b>	<ul style="list-style-type: none"> <li>Unlikely to occur</li> </ul>	<ul style="list-style-type: none"> <li>May have happened in the past</li> <li>Unlikely to happen in 3+ years</li> </ul>
<b>Almost Impossible</b>	<ul style="list-style-type: none"> <li>Extremely unlikely or virtually impossible</li> </ul>	<ul style="list-style-type: none"> <li>Has happened rarely or never before</li> </ul>

**Likelihood Decision Chart**

