

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 March 2015

**BY:** Chief Executive

**SUBJECT:** Council Resources Risk Register

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## **1 PURPOSE**

- 1.1 To present to the Audit and Governance Committee the Council Resources Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Council Resources Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Council Resources Local Risk Working Group (LRWG).

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the Council Resources Risk Register and in doing so, the Committee is asked to note that:
  - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
  - the total profile of the Council Resources risk can be borne by the Council at this time in relation to the Council's appetite for risk
  - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Council Resources and are likely to be a feature of the risk register over a number of year.

## **3 BACKGROUND**

- 3.1 The Risk Register has been compiled by the Council Resources LRWG. All risks have been evaluated using the standard (5x5) risk matrix which

involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Council Resources Risk Register includes 1 Very High risks, 10 High risks, 27 Medium risks and 10 Low.

3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

#### **4 POLICY IMPLICATIONS**

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

#### **5 EQUALITIES IMPACT ASSESSMENT**

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – It is the consideration of the Council Resources Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel – There are no immediate implications.

6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

## 7 BACKGROUND PAPERS

7.1 Appendix 1 – Council Resources Risk Register

7.2 Appendix 2 – Risk Matrix

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<b>DATE</b>	5 March 2015



# Council Resources Risk Register

Date reviewed: 05 March 2015

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
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CR 1	<p>Financial pressures:</p> <p>If the council's financial pressures were not to be successfully planned for and managed effectively over the medium to longer term (i.e. the next 3 and possibly up to 7 years), there would be a serious risk of unplanned/ reactive budget realignments with significant adverse impact on availability and quality of both front-line services and required investment in the Council's infrastructure and asset base.</p> <p>Over the medium term it is highly likely that the Council's income will, at best, remain static and may even reduce. At the same time it will have specific cost and demand pressures to deal with. These include:</p> <p>(1) demographic change and social-economic pressures - increasing pupil and elderly numbers;</p> <p>(2) general inflationary pressures and contractual commitments including pay and pensions;</p> <p>(3) specific cost pressures such as the affordability of the increasing number of high-cost individual care packages; and</p> <p>(4) potential financial costs associated with legislative changes such as a number of environmental issues, delivery of increased childcare commitments and Free Personal Care for all P1-P3 school children.</p>	<p>The Council has well developed short to medium term financial planning arrangements. These include:</p> <ul style="list-style-type: none"> <li>Three year General Services revenue budgets;</li> <li>Six year General Services capital plan budgets;</li> <li>Ten year Housing Revenue Account revenue and capital budgets.</li> </ul> <p>In addition, it has cost control and financial management arrangements for managing in year budget performance. Both of which provide mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.</p> <p>There continues to remain significant uncertainty in terms of the longer term financial projections for the public sector with the expectation that the current austerity measures will remain in place until at least 2019/20. The current financial strategy covers the medium term planning period of the next 3 financial years however this is likely to be extended to ensure that the Council is placed to meet the future challenges if current forecasts emerge.</p> <p>Partnership working with Midlothian Council and other partners is being developed to increase capacity to provide services within existing resources. The Council has also made significant progress towards implementation of the new Integrated Health and Social Care Partnership with effective shadow arrangements now in place and the statutory Integration Scheme close to being finalised.</p> <p>In addition the Chief Social Work Officer in his statutory duty continues to have a role to play in overall performance improvement and the identification and management of corporate risk in so far as they relate to social work services.</p>	4	5	20	<p>CMT/Managers continue to follow the financial strategy i.e. cost control/ cost minimisation to ensure delivery of agreed savings. This is also being monitored closely through the continued operation of the Chief Executive's Budget Review Group.</p> <p>Through the Corporate Asset Group, the Council implement will implement the approved Asset Management Strategy and related action plan.</p> <p>CMT will continue to monitor the impact of council restructuring and service re-design that flows from Efficient Workforce Management Planning.</p> <p>Further consideration will be given to increasing income where possible.</p> <p>The Workforce Development Plan is a key part of the Council's response to increasing financial pressures. It aims to support transformational change, build and sustain leadership and management capacity, sustain a skilled, flexible and motivated workforce and develop the workforce for the future.</p>	3	4	12	<p>Chief Executive</p> <p>Depute Chief Executive – Resources and People Services</p> <p>Head of Council Resources</p> <p>Council Management Team</p>	<p>Action ongoing and continuous review.</p> <p>Control measures approved by Council, October 2012.</p> <p>Monitoring arrangements will continue to be applied.</p>	N/A	<p>Risk further reviewed by CMT in May 2014 and current score increased from 15 to 20.</p> <p>Risk further reviewed by Head of Council Resources and Service Manager Business Finance Feb 2015</p> <p>This risk is also included in the Corporate Risk Register.</p>

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CR 2	<p>Welfare reform</p> <p>The UK Government is introducing a range of measures to reform the welfare system and reduce the budget for welfare benefits by at least £11 billion annually. It has been estimated (Scottish Local Government Forum Against Poverty, Sept 2010) that the changes could result in the loss of £8m - £9.5m annually from welfare benefits paid to East Lothian residents.</p> <p>The most significant reform introduced to date which has a direct impact on rent arrears is the removal of the spare room subsidy from those claiming housing benefit and under occupying their homes. This reform is also known as the 'bedroom tax'.</p> <p>In September 2014, the UK Government announced that Universal Credit will be rolled out across the whole of the UK to all Job centres and Local Authorities from early next year, commencing with single claimants previously eligible for Jobseekers Allowance.</p> <p>New claims to legacy benefits will be closed from 2016, with migration to Universal Credit to follow thereafter.</p> <p>This announcement represents a considerable acceleration in implementing one of the biggest reforms and will present all social sector landlords with considerable rent collection challenges.</p> <p>Following full implementation of Universal Credit, it is estimated that the Council's Rent Income team would have to collect an additional £425k per fortnight direct from claimants whose rent is currently paid direct to their rent account by housing benefit.</p> <p>Following the Scottish Independence Referendum in September 2014, the Smith Commission on Devolution of Powers to Scotland has been tasked with arriving at a set of proposals to devolve powers, one of which will be Welfare.</p> <p>East Lothian Council must plan for the imminent implementation of Universal Credit for the time being but there remains the possibility that new</p>	<p>The Council has received several update reports and will continue to be updated.</p> <p>The Council has established a Welfare Reform Task Group to plan for the changes to the welfare system. The Task Group has a detailed action plan to ensure that the Council takes the necessary measures to prepare for the changes to the welfare system.</p> <p>The work of the group has been based around communications; data sharing; training; and migration to the new benefits system such as the establishment of the Scottish Welfare Fund.</p> <p>The Task Group and workstreams are meeting regularly and will continue to report back to the Council Management Team and to the Council.</p> <p>The Benefit Service is making full use of additional Discretionary Housing Payment, (DHP) funding to mitigate for the impact of the removal of the spare room subsidy and other forms of housing related hardship wherever possible.</p>	4	4	16	<p>The Welfare Reform Task Group, Welfare Reform Reference Group and Welfare Reform Liaison Group will all continue to implement their action plans to mitigate the impact of welfare reform.</p> <p>The Benefit Service will continue to monitor it's DHP expenditure and will regularly report the extent of any overspend to the Scottish Government prior to claiming full reimbursement in May 2015.</p> <p>Revenues &amp; Benefits Managers will engage in meetings between other colleagues and DWP/Job Centre Plus staff to ensure a managed transition to Universal Credit is achieved.</p> <p>The Revenues and Benefits Service will monitor the progress of the Smith Commission and will engage in any consultation relating to its findings on further devolution of welfare.</p>	4	3	12	Depute Chief Executive – Resources and People Services	Under constant review.  May 2015	9	Risk refreshed by K Christie & J Cunningham November 2014

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	<p>devolved powers may see a change to the current direction of travel.</p> <p>Within the business areas covered by Council Resources, the changes could lead to:</p> <ul style="list-style-type: none"> <li>• Increase in rent arrears from reduced Housing Benefits and possible increase in evictions</li> <li>• increased pressures on rent collection teams</li> <li>• increase in Council Tax arrears and non-payment of Council Tax</li> <li>• increase in Business Rates arrears and non-payment of Business Rates</li> <li>• loss of income the Council currently receives for administering Housing Benefits</li> <li>• an overspend of DHP if/when the Scottish Government fail to fully reimburse the Council for its expenditure relating to mitigation of the spare room subsidy.</li> <li>• Increasing footfall/demand for sign-posting, help and advice from customers who are required to claim Universal Credit and confused about which agency provides assistance with housing costs.</li> </ul>												
CR 3	An unplanned loss of a key employee or employees due to resignation, long term sickness absence etc. may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.	Succession planning, sharing the knowledge amongst all employees. An ability to employ temporary employees if required. An ability to outsource to acquire external legal advice.	4	4	16	Succession planning continues to be developed and rolled out.	4	3	12	Head of Council Resources Service Manager – Legal & Procurement	Continuous	N/A	Risk Refreshed November 2014 by Service Manager with Residual Risk score decreased from 16 to 12.
CR 4	An inability to meet an increase in competing demands from various services due to a lack of a sufficient staff resource within Legal & Procurement could lead to a failure to provide an adequate legal service.	An ability to outsource to acquire external legal advice. Ongoing monitoring of team workloads.	4	4	16	Liaison with departmental management teams to discuss future work demands and improve service delivery.	3	3	9	Head of Council Resources Service Manager – Legal & Procurement	First session took place Summer'14 and will be repeated every 6 months.	N/A	Risk Refreshed November 2014 by Service Manager with current score increased from 12 to 16 due to removal of the ability to recruit temporary employees.

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CR 5	Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.	<p>Systems are protected from outside world by firewall (the corporate firewall hardware was renewed in October 2014). All external facing systems are vulnerability tested once a year and extra testing takes place on any change to form or function. Security logs are reviewed daily by IT staff.</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems. All IT staff are trained in the change control procedure. Info sec awareness training of employees to ensure they are aware of risks. Continue to take regular software and data backups to allow systems and data to be restored, following any failure. Regular awareness training of employees' council wide.</p> <p>Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure all IT employees take part in regular training in the change control procedures. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information &amp; information systems).</p>	3	5	15	<p>Keep security hardware and software up to date to mitigate risk.</p> <p>Continual vulnerability testing.</p> <p>Continual review of security systems to ensure they are still capable of controlling new and emerging threats.</p>	2	5	10	Head of Council Resources	<p>Updating, testing and upgrading of systems to be carried out.</p> <p>Security systems are patched regularly every 3 months and reviewed to see if hardware fit for purpose.</p> <p>This risk score can fluctuate regularly depending on security posture of external risk from hackers, terrorism and other external sources.</p>		Risk refreshed November 2014. Current Risk Score increased from 10 to 15 and Residual Risk score increased from 5 to 10 due to heightened risk.
CR 6	Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially would have a serious impact on the business of the Council.	<p>Internal IT Systems are protected by antivirus, group policy etc. Employees sign the Acceptable Usage Policy and are party to various HR policies and legislation such as the Data Protection Act and Computer misuse act. Info security awareness, HR and Data Protection training etc is provided for employees. Continue to take regular software and data backups to allow systems and data to be restored, following any failure. Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information &amp; information systems).</p>	3	4	12	<p>Continuous review of policy and user awareness.</p> <p>Continuous review and upgrading of security systems to ensure they are still capable of controlling new and emerging threats.</p> <p>Acceptable use policy to be refreshed and re-signed by all employees Summer 2015.</p>	3	3	9	Head of Council Resources	<p>Upgrading of systems to be carried out at regular intervals as required.</p> <p>Security systems are patched regularly every 3 months and reviewed to see if hardware fit for purpose.</p> <p>Policies reviewed annually.</p>	N/A	Risk refreshed November 2014 and Residual Risk Score increased from 6 to 9.



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CR 7	Failure of client services to comply with our procurement processes through lack of knowledge/experience and/or also business failure of key suppliers leads to service failure, poor value for money, fraud, loss of reputation and/or legal action.	Corporate Procurement Strategy and Procedures including pre-qualification of suppliers in place. Purchase Card Procedures Procurement Improvement Panel (PIP) in place. Regular reporting to PIP and CMT. Procurement Skills Training carried out. Controls in place over New Suppliers. Supplier Finder on Intranet. Close working with internal audit and departments (Audited regularly). Annual Procurement Capability Assessment in place and action plan progressed. CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found.	3	4	12	Improved contract management procedures to be put in place in tandem with continuing to improve procurement practices.	2	4	8	Service Manager – Legal & Procurement	September 2015	N/A	Risk Refreshed November 2014 by Service Manager - Legal and Procurement.
CR 8	Mismanagement of the Council's bank accounts or failure of the Council's bank leads to the Council having no funds available to pay staff or suppliers. Risk is also temporarily heightened due to departure of Service Manager – Corporate Finance.	Contract in place with our bank. Daily cash flow forecasting and monitoring of bank accounts. Treasury Strategy approved by ELC. Treasury Management Advisor in place. Continue to review information flows.	2	5	10	Temporary arrangements have been put in place pending arrival of new Service Manager at end of March 2015. Review Statements of Current Working Methods to ensure information is captured and all appropriate managers are aware of these.	2	4	8	Head of Council Resources	December 2015	N/A	Risk reviewed and refreshed by Service Manager – Business Finance and Head of Council Resources February 2015.
CR 9	Risk of losing PSN accreditation which gives us connection to systems such as Blue Badge, Registrars of Scotland, DWP, Police etc. This would be caused by failure to comply with PSN Code of Connection and could seriously impact upon the business of the Council.	Complying with mandatory controls set by HMG to ensure we are able to meet government PSN Code of Connection.	2	5	10	Constant monitoring of code of connection and how we align with it. Keeping security and other devices up to date - patching etc.	1	5	5	Head of Council Resources	Additional funding required ensuring we comply with code of connection. Reviewed annually in December with submission in March.	N/A	New risk created November 2014.
CR 10	Complete loss of ELC's circuit to the Internet, resulting in no access to external systems which include but not limited to Pecos, SEEMIS (schools management system) external email, home working access etc. This would have a serious impact on the business of the Council.	SLA's in place with supplier who has resilient backbone in place.	2	5	10	Introduce a second link to Internet from network outwith Haddington.	1	4	4	Head of Council Resources	Secondary link dependent on budget becoming available.	N/A	Risk refreshed by S Buczyn December 2014
CR 11	Council wide Catastrophic failure of central IT systems (inc Telephony) which could be caused by a fire/flood event, terrorist attack or a major virus. This would have a serious impact on the business of the Council.	Business Continuity plan in place - backup site for systems identified and core system backup plan created.	2	5	10	Continual development of IT disaster recovery plan based on lessons learned from regular testing of existing plan. Ensure IT Staff know their role in event of a disaster.	1	4	4	Head of Council Resources	October 2015	N/A	Risk refreshed by S Buczyn December 2014

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	<b>Original date produced (Version 1)</b>	19th December 2011										<b>Risk Score</b>	<b>Overall Rating</b>	
	<b>File Name</b>	CH&PM Risk Register										<b>20-25</b>	<b>Very High</b>	
	<b>Original Author(s)</b>	Scott Kennedy, Risk Officer										<b>10-19</b>	<b>High</b>	
	<b>Current Revision Author(s)</b>	Scott Kennedy, Risk Officer										<b>5-9</b>	<b>Medium</b>	
	<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Notes on Revisions</b>									<b>1-4</b>	<b>Low</b>
	1	19/12/2011	S Kennedy	Original Version										
	2	31/05/2012	S Kennedy	IT Risks updated by S Buczyn and Register revised following Senior Management Restructure										
	3	19/11/2012	S Kennedy	Updated following update of Risk Strategy										
	4	Jan-June 2013	S Kennedy	Updated following review of Legal Services Risks.										
	5	Feb – May 2013	S Kennedy	H&S transferred to Policy & Partnerships, IT and HR risks updated and Welfare Reform risk added.										
	6	June-July 2013	S Kennedy	Revenues & Benefits and Finance Risks updated.										
	7	September 2013	S Kennedy	Slight alterations to risks by Head of Council Resources										
	8	October 2013	S Kennedy	Welfare Reform Risk updated by Task Group and Internal Audit Risk updated (no changes to risk rating).										
	9	December 2014/January 2015	S Kennedy	Legal and Procurement, Licensing, Administration & Democratic Services, I.T, HR/Payroll, Finance and Revenues & Benefits risks refreshed.										
	10	February 2015	S Kennedy	Finance Risks reviewed and refreshed.										

**Appendix 2**  
**East Lothian Council**  
**Risk Matrix**

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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