

Appendix 2: Risk Scoring Matrix

Grading the likelihood of an event

| Grade | % chance | Description |
|--------------------------|------------|--|
| A: Almost Certain | Over 70% | Event is almost certain to occur in most circumstances |
| B: Likely | 30% to 70% | Event likely to occur in most circumstances |
| C: Possible | 10% to 30% | Event will possibly occur at some time |
| D: Unlikely | 1% to 10% | Event unlikely and may occur at some time |
| E: Rare | Under 1% | Event rare and may occur only in exceptional circumstances |

Rating the impact of an event

| Rating | Time / cost / objectives | Service performance | Reputation | Financial cost |
|---------------------|--|--|---|----------------|
| 1: Very High | More than 50% increase to project time or cost. Project fails to meet objectives or scope. | Unable to deliver core activities. Strategic aims compromised. | Trust severely damaged and full recovery questionable and costly. | Over £5million |

| Rating | Time / cost / objectives | Service performance | Reputation | Financial cost |
|--------------------|---|--|--|------------------------|
| 2: High | 20% to 50% increase to project time or cost. Impact on project scope or objectives unacceptable to sponsor. | Significant disruption to core activities. Key targets missed. | Trust recoverable at considerable cost and management attention. | £1million to £5million |
| 3: Medium | 5% to 20% increase to project time or cost. Major impact on project scope or objectives requiring sponsor approval. | Disruption to core activities / customers | Trust recovery demands cost authorisation beyond existing budgets. | £350,000 to £1million |
| 4: Low | Less than 5% increase to project time or cost. Minor impact on project scope or objectives. | Some disruption to core activities / customers | Trust recoverable at modest cost with resource allocation within budgets | £50,000 to £350,000 |
| 5: Very Low | Insignificant increase to project time or cost. Barely noticeable impact on project scope or objectives. | Minor errors or disruption. | Trust recoverable with little effort or cost. | Less than £50,000 |

The combination of impact and likelihood results in a risk exposure rating of:

| Risk Score | Risk Severity | Escalation Criteria |
|--------------------------------|---------------|--|
| C5, D4, D5, E4, E5 | Minor | Risk easily managed locally – no need to involve management |
| A5, B4, B5, C3, C4, D3, E2, E3 | Moderate | Risk containable at service level – senior management and SLT may need to be kept informed |
| A3, A4, B3, C2, D1, D2, E1 | Major | Intervention by SLT with Cabinet involvement |
| A1, A2, B1, B2, C1 | Critical | Significant SLT and Cabinet intervention |

Summary of Denbighshire's Risk appetite statement (as agreed September 2020)

Denbighshire County Council's risk appetite in relation to different aspects of council business is summarised below:

- **Reputation and Credibility** – Open risk appetite, willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). This means we will tolerate minor, moderate or major risks.
- **Operational and Policy Delivery** – Open risk appetite, willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). Again, this means we will tolerate minor, moderate or major risks.
- **Financial Projects** - Open risk appetite, willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money). As above, we will tolerate minor, moderate or major risks.
- **Financial Treasury Management** – Cautious risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Within this risk appetite, we will only tolerate minor or moderate risks.
- **Compliance and Regulation - Safeguarding** – Minimalist risk appetite, preference for ultra-safe options where the well-being of individuals is concerned, with a low degree of inherent risk and have a potential for only limited (safe) reward. This means we will only accept minor risks in this area.
- **Compliance and Regulation - Other** – Cautious risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. Again, we will only tolerate minor or moderate risks in this area.
- **People (Workforce) Learning and Development** – Cautious risk appetite, preference for safe options that have a medium degree of inherent risk and may have some potential for rewards. As above, minor or moderate risks only will be tolerated.
- **People (Workforce) Terms and Conditions** – Minimalist risk appetite, preference for ultra-safe options that have a low degree of inherent risk and have a potential for only limited reward. This means we will only accept minor risks in this area.