

## Risk Response

Risk Response reflects how we approach the risks we have identified and assessed. We tend to use the 4 'Ts' to describe this approach:

- Tolerate
- Treat
- Transfer
- Terminate

We may add a fifth T however: 'Take the Opportunity.' This describes the positive side of risk.

Focusing on the 4 'T's for now....



### Tolerate

Risks which have reached a level where it is considered acceptable for the business to bear and where further efforts to mitigate the risk would not be cost effective in terms of achieving additional benefit to the business, will fall into this approach. Where risks are assessed as tolerable, they may be removed from the risk register. For project level risk, it is beneficial however to retain all identified risks regardless of their level in the project risk register. Typically, tolerable risks will be assessed as low likelihood and low impact and occur in the 'green' area of the heat map.

### Treat

In this response, active measures to control and mitigate the risk have to be taken. These measures may be to reduce the likelihood of a risk event, or to reduce the impact on the Council and its business if an event were to occur.

As an example, we may have a risk of failure in our customer service delivery operations. We can control the likelihood by having adequate fire risk assessments, staff trained to cover various functions rather than just one, security arrangements to prevent loss of buildings functionality. We

can mitigate the impact of a risk event by having suitable Business Continuity Plans in place so for example, an alternative facility to which to relocate in the event of a loss and from which services can continue to be delivered for a period of time, following disruption.

It is important to actively monitor risks identified for treatment and ensure a regular re-assessment regime is in place so that progress towards an acceptable level of control or 'tolerability' is evidenced. The level of risk in the heat map will determine the frequency of review.

### Transfer

Sometimes, it is not cost-effective or practical for the Council to manage all known risks. Transfer has traditionally meant insurance in the public sector. By obtaining insurance cover for a service or function such as motor liability, employer liability or public liability, we transfer the burden of risk control to a third party. In more recent times, the growth of arms-length external organisations (ALEOS) has meant that some risks are transferred to third parties through contractual arrangements. These include service level agreements (SLAs) with providers. It is worth bearing in mind that a risk can never be wholly transferred, there will always be some residual risk to the Council. For example, an increase in motor liability claims could lead to media coverage and reputational damage to the Council. A person injured in a fire at a venue managed by Aberdeen Performing Arts (an ALEO) might choose to pursue the Council, as owner of the venue, for compensation, as well as the provider of the service.

The increase in partnership working, for example the integration of health and social care, also has implications for risk management with some risk transferred to a partner organisation, and other risk transferred to ACC.

### Terminate

Where a risk is high impact and high likelihood in our assessment, the model above suggests we should terminate it. This means in effect, terminating the cause of the risk. This is easily adopted in the commercial sector, for example a product development where customer feedback is negative, costs high and predicted market share small, would be a candidate for termination, thereby ending the risk to the organisation. In the public sector this is less straightforward. Often, we have statutory responsibilities in service provision to fulfil and termination may not be an option. Where, however, we have developed innovative methods of service delivery and these prove to be riskier than first predicted as projects unroll, there may come a point where termination to reduce loss, harm to individuals and communities or reputational damage becomes imperative and the project or work stream is ended. In the model above, these risks are identified as red, the riskiest area of the matrix.

### Positive or 'Up-side' Risk

Risk management is not solely concerned with reducing the level of threats to an organisation's business. The commercial sector has always taken calculated risks in order to further their business objectives. Increasingly, the public sector is looking at innovative methods of service delivery in order to meet increasing demand, demographic change and declining income.

In positive risk management, or opportunity risk, instead of implementing measures to reduce the likelihood and impact of risk materialising, measures are required to increase likelihood and to enhance impacts.