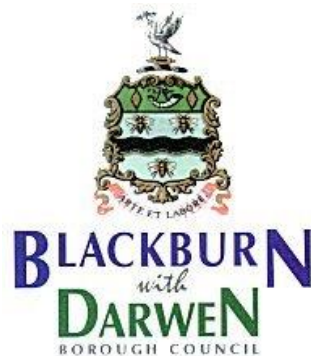
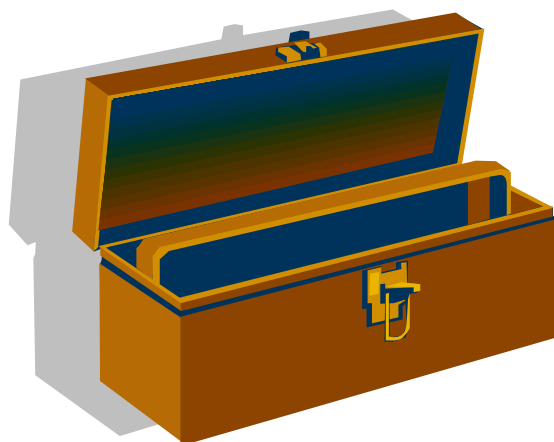


# Blackburn with Darwen Borough Council



## Risk Management Toolkit (Version 11)



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## **Introduction**

The purpose of this toolkit is to provide a simple, effective process to identify and manage risks as part of the overall risk management and decision making processes.

The completion of risk registers forms part of good risk management arrangements, to provide a clear record of the identification and assessment of potential risks, and evidence to show that, where appropriate, action has or is being taken to remove or reduce the impact of the risk identified, if it materialises, in line with the Council Risk Management Policy Statement.

This toolkit is designed to give guidance on the risk management cycle, to assist in defining the type of risk, the scoring process and the completion of the risk register template, along with the process for escalating risks.

The Council currently records its risks using Excel workbook templates.

## **Risk appetite**

It is impossible to have a single defined risk appetite for the Council as it provides a wide range of services and is involved in the delivery of a diverse range of activities. The Risk Management Policy Statement acknowledges that risk cannot be eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving. The risk appetite should be considered for each risk scenario and a target rating identified, which is realistic and achievable, while also being tolerable for the risk that remains.

The Policy sets out the Council's approach to and general principles regarding its risk appetite, which should be applied to risk scenarios and includes definitions of risk appetite levels for key strategic risk categories. Risk appetite levels and descriptors are set out in Appendix 1.

## **Risk management cycle**

The diagram below illustrates the continuous risk management cycle. It starts with establishing the context and identifying the risks, prioritising them, and implementing actions to mitigate the top risks.



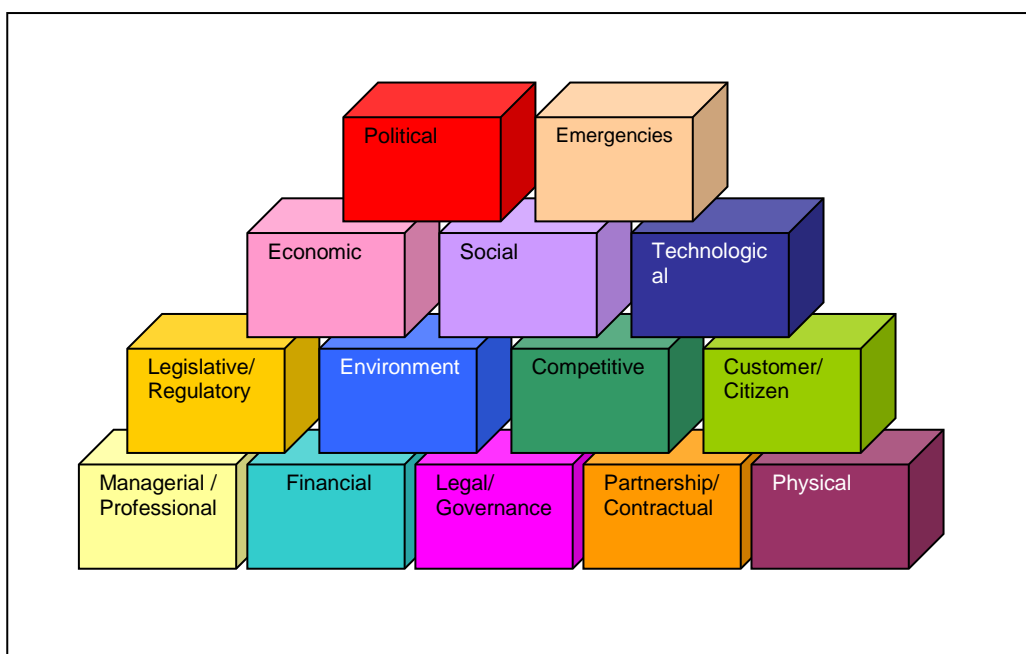
The approach adopted by the Council is a structured, systematic methodology that identifies, evaluates, prioritises and manages risk at a corporate, strategic departmental and operational level. Key aspects of the process are explained below.

### Stage 1 – Establish the context and engage ‘hearts and minds’

- To ensure that the Council’s Risk Management Policy Statement becomes a living reality it is essential to begin its implementation by securing buy-in for the process before it starts, from the political leadership and Chief Officer level down.
- This has been done through a series of awareness sessions engaging the Council’s Members and senior officers on the benefits of risk management to the organisation, to services and to individuals.

### Stage 2 – Risk identification

- When identifying risks the following categories of possible risk areas should be considered, along with any other risk relevant to the area concerned. They should act as a prompt for officers involved in the process to consider any risks which may apply. They ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks. Examples of risks from each category can be found in Appendix 2.



Risks will be assessed at two distinct levels:

- **Strategic** – those risks that may prevent the Council from achieving its Corporate Plan priorities and strategic objectives.
- **Departmental** - those risks that may prevent the individual Departments from meeting their business plan objectives or from achieving their contribution to the corporate ambitions and priorities.

Current risks in the revenue and capital budget strategies will be assessed separately and used to determine, amongst other things, the minimum level of the revenue balances.

Monitoring of financial and performance information will also be directly influenced by risk management techniques.

### Stage 3 - Assessment/Analysis

The information gathered from the processes above will be assessed and analysed and risk scenarios developed for the key concerns.

A consistent approach will be taken to assessing risks, examining for each risk identified a scenario involving a background, risk (problem) and consequence. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed.

An example risk scenario is provided below:

<b>Background</b>	<b>Risk (problem)</b>	<b>Consequence</b>
The Council has waste management responsibilities and is required to meet “challenging” government recycling targets.	If the waste targets are not met within the prescribed time limit the Council will be incur significant financial penalties from the Regulators and suffer adverse publicity.	<ul style="list-style-type: none"><li>• Financial penalties.</li><li>• Budgets vired from other services.</li><li>• Other services have to be reduced or council tax has to be increased.</li><li>• Inspection / audit criticism.</li><li>• Adverse media reporting.</li><li>• Council seen as failing.</li><li>• Friction between members and officers.</li><li>• Officer resources diverted into “fire fighting” activities.</li></ul>

### Risk Phrasing

Once a risk has been identified it is important to describe it accurately. This can be difficult in terms of making sure others will understand it, particularly where it falls under a specific area of responsibility/expertise.

Risks can often be confused with causes (the reasons for the risk) and the consequences (the results once the risks have occurred) resulting in the risk not being clearly described. The following guidance should provide assistance when attempting to accurately describe a risk and simplify the process of aligning treatment solutions.

Typical risk phrasing used could be:

Due to ... }  
Loss of ... }  
Failure of ... }  
Failure to ... } could lead to..., or, results in...  
Lack of ... }  
Partnership with ... }  
Development of ... }

E.g. Due to the Council’s waste management responsibilities and the requirement to meet challenging government recycling targets there is a risk that the targets will not be met within the prescribed time limit, which may result in financial penalties, adverse media reporting or council tax having to be increased.

### Risk/Threat Assessment

Each risk will be assessed at two levels, the inherent (or gross) risk and residual risk, considering the likelihood of the risk materialising and the impact it would have if the risk scenario occurred. A gross and residual risk score will be assessed for each scenario identified, calculated as follows:

**Total risk score = Likelihood score x Impact score**

Likelihood and impact will each be ranked on a scale of 1 to 5, considering the various elements set out in the tables below.

The two scores will be recorded in the risk register.

### **Gross/Inherent Risk**

This is an assessment of the likelihood and impact of the risk scenario occurring as if no controls were in place regarding the activity.

### **Residual/Current Risk**

To offset the inherent risk identified the Council applies controls to reduce it. Residual risk is the perception of the current situation. Likelihood and impact are re-scored based on an evaluation of the adequacy and effectiveness of the existing mitigating controls or measures that are identified as in place and operating today. Before they can be considered these controls **must already exist and be operating** to control or mitigate the risk identified. They **must not be planned or in progress**.

The difference between the inherent and residual scores represents the effect of the controls in place in managing the risk identified and demonstrates their value to the Council. It acts as evidence when considering if all the controls identified are required. This process may identify scenarios where risks are over controlled, controls that can be removed and resources can be freed up.

Finally, a **Target Score** will now be calculated and recorded for each risk.

This is the level of risk that is aimed for when taking into account the risk actions that have been identified. This should be realistic. It is difficult to be able to reduce both the likelihood and impact scores. If this score is the same as the residual risk score no further action is required and the risk can be accepted.

If the risk is not at an acceptable level further actions should be identified to reduce the risk to the target score.

If the residual risk score is considered too high actions are required to change the way we manage the likelihood or impact of the risk. There are five options:

- Treat – introduce additional suitable and proportionate controls or actions to reduce the likelihood or impact of the risk to an acceptable level, or establish a contingency to be enacted if the risk materialises;
- Tolerate – take an informed decision to accept the consequence and likelihood of the risk accepting the existing level of risk identified, subject to regular monitoring arrangements by management. Actions may not be able to be implemented due to disproportionate cost compared to the benefit obtained, or it is out of the Council's control;
- Terminate – an informed decision to not become involved in a risk situation, stop the activity that gives rise to the risk or carry out the activity in a different way to ensure that controls can be implemented; or
- Transfer – Pass the risk to a third party who shares or bears the impact if the risk materialises, through contracts, insurance or other means.

### Stage 4 – Prioritisation / Risk rating matrix

A matrix will be used to plot the assessed scores and once completed this risk profile will clearly identify the priority of each risk scenario.

The higher the value of risk the higher the priority for action becomes. Risk values can be grouped to determine whether action is required and what level of priority, as shown below.

		IMPACT				
		Marginal/ Negligible 1	Minor 2	Moderate/ Significant 3	Major 4	Catastrophic 5
LIKELIHOOD	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
	Very Unlikely 1	1	2	3	4	5

Each risk scenario is then given a total score that is calculated as:

**Total risk score = Likelihood score x Impact score**

#### Threats

Value of Risk	Level of Priority
1 - 6	Low – Treatment is not essential as risk can be retained
8 - 12	Medium – Treatment should be applied as soon as reasonably practical
15 - 25	High – Treatment should be applied immediately

Each opportunity scenario score is calculated as:

**Total opportunity score = Likelihood score x Opportunity score**

#### Opportunities

Value of Risk	Level of Priority
1 - 6	Low – Exploiting the opportunity is not essential as the benefits would be negligible
8 - 12	Medium – Opportunity should be exploited as soon as reasonably practicable
15 - 25	High – Opportunity should be exploited immediately

## Impact descriptors

Examples of risk assessment descriptors for each level are set out in appendix 3.

Descriptor	Marginal/Negligible 1	Minor 2	Moderate/Significant 3	Major 4	Catastrophic 5
<b>Objectives / Projects</b>	Insignificant cost increase / schedule slippage. Barely noticeable reduction in scope or quality.	Schedule slippage. Minor reduction in quality / scope.	Schedule slippage. Reduction in scope or quality.	Schedule slippage. Failure to meet secondary objectives.	Schedule slippage. Does not meet primary objectives.
<b>Service / Business Interruption / Organisational Impact</b>	Interruption in a service that does not impact on the delivery of patient care or the ability to continue to provide service. Little or no disruption to activity. Loss / interruption > 1 hour.	Significant inconvenience or cost in maintaining activity. Loss / interruption > 8 hours.	Suspension of operational activity for limited period. Loss / interruption > 1 day.	Suspension of operational activity for sustained period. Loss / interruption > 1 week.	Permanent loss of core service or facility. Interruption to all Trust Services
<b>HR / Organisational Development</b>  <b>Staffing and Competence</b>	Short term low staffing level temporarily reduces service quality (< 1 day).	Ongoing low staffing level reduces service quality.	Late delivery of key objective / service due to lack of staff. Minor error due to ineffective training. Ongoing unsafe staffing level.	Uncertain delivery of key objective / service due to lack of staff. Serious error due to ineffective training.	Non delivery of key objective / service due to lack of staff. Loss of key staff. Critical error due to insufficient training.
<b>Financial</b>	Small loss <£10K	£10K-£25K Or loss of > 0.1% of budget over £25m	£25K-£100K Or loss of >0.25% of budget over £25m	£100K-£500K Or loss of 0.5% of budget over £25m	>£500K Or loss of > 2% of budget over £25m
<b>Inspection / Audit</b>	Small number of recommendations that focus on minor improvement issues. Minor non-compliance with standards.	Minor recommendations made which can be addressed by low level of management action. Non-compliance with standards.	Reduced rating. Challenging recommendations but can be addressed with appropriate action plan. Non-compliance with core standards.	Enforcement Action. Low rating. Critical report. Major non-compliance with core standards.	Prosecution. Zero Rating. Severely critical report.
<b>Adverse Publicity / Reputation</b>	Awareness limited to individuals within the Organisation. Rumours	Local Media – short term. Minor effect on staff morale. Coverage limited to elements within the organisation (e.g. trade unions) and / or some external stakeholders.	Coverage throughout. Organisation and/ or some public coverage. Local Media – long term. Significant effect on staff morale.	Extensive local coverage and wide spread NHS coverage. National Media < 3 days	National media coverage and scrutiny. National Media > 3 days. MP Concern (Questions in House)
<b>Complaints / Claims</b>	Locally resolved complaint.	Justified complaint peripheral to clinical care.	Below excess claim. Justified complaint involving lack of appropriate care. Excessive waiting times,	Claim above excess level. Multiple justified complaints. Cancelling an operating list.	Multiple claims or single major claim.



			significantly delayed discharge.		
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<b>Impact descriptors continued</b>					
<b>Descriptor</b>	<b>Marginal/Negligible 1</b>	<b>Minor 2</b>	<b>Moderate/Significant 3</b>	<b>Major 4</b>	<b>Catastrophic 5</b>
<b>Injury (Psychological)</b>	Typically verbal abuse and minor physical contact. Illness not requiring first aid or medical treatment	More serious verbal abuse or physical. Illness requiring medical treatment. Occupational health counselling required (no time off work).	Significant physical injury or stress related to illness. Illness resulting in more than 3 days off work	Debilitating ill health resulting from a very serious incident. Post traumatic stress disorder.	Permanent incapacity, result of a very serious incident
<b>Injury (Physical)</b>	Little or no harm. Minor injury not requiring first aid or no apparent injury.	Minor injury or illness to one person or irritation or discomfort to a number of people, first aid treatment needed.	Serious injury to one person or minor injuries to a number of people.	HSE defined serious injury or serious injuries to more than one person. Major injuries, or long term incapacity / disability (loss of limb).	Death / Multiple Deaths or major permanent incapacity.
<b>Client Care Experience / Outcome</b>	Unsatisfactory client experience not directly related to patient care. Injury or illness not requiring intervention	Unsatisfactory client experience – readily resolvable. Minor injury or ill health, first aid or self treatment. No incapacity	Mismanagement of client care, short term effects (less than a week). Significant injury or ill health medical intervention necessary. Some temporary incapacity.	Serious mismanagement of client care, long term effects (more than a week). Major injuries or long term incapacity or disability.	Totally unsatisfactory client outcome or experience. Death.

**Likelihood descriptors**

<b>Descriptor</b>	<b>Very Unlikely 1</b>	<b>Unlikely 2</b>	<b>Possible 3</b>	<b>Likely 4</b>	<b>5 Almost Certain</b>
<b>Frequency</b>	Do not believe it will happen in the short/medium term.	Do not expect it to happen in the near future but it is possible	May recur occasionally	Will probably recur, but it is not a persistent issue.	Happens frequently in the organisation. Circumstances frequently encountered.
<b>Probability</b>	<20% in the next 12 months	20%-40% in the next 12 months	40%-60% in the next 12 months	60%-80% in the next 12 months	>80%
	Will only occur in exceptional circumstances	Only likely to happen every three or more years. Has occurred in the past. Could occur at some time in some circumstances.	Occurs approximately once every 1-2 years in the organisation.	Occurs approximately annually.	Almost certain to occur in the next weeks or months.

## Opportunities descriptors

Descriptor	Negligible/Marginal 1	Minor 2	Considerable 3	Substantial 4	Extensive 5
<b>Service</b>	Very little improvement in the delivery of normal services	Improved ability to deliver normal services	Improved ability to deliver important services	Improved delivery of important services	Improved delivery of critical services
<b>Financial</b>	Income / Savings <£5k	Income / Savings >£5k	Income / Savings >10K	Income / Savings >£100k	Income / Savings >£250k

For each scenario identified a risk score will be calculated at two distinct levels, and in the order shown below:

**Current risk** - the likelihood and impact of the risks identified will need to be considered as if no controls exist.

**Residual risk** – likelihood and impact are re-scored based on an evaluation of the effectiveness of the existing controls or the measures that are put in place.

### Stage 5 – Risk management

This aspect of the risk management cycle involves:

- Deciding what level of risk is tolerable by determining the risk appetite and the acceptable risk score;
- Assessing whether to accept or treat the risk;
- Documenting the rationale behind the chosen appetite/approach;
- Implementing the decision;
- Assigning ownership to manage the risk; and
- Completing an action plan.

The potential for treating the risks identified will be addressed through the risk register. Risk registers will:

- describe the risk;
- set out the potential consequences;
- link risks to corporate priorities;
- show the risk appetite and target risk score; and
- describe current and proposed mitigation actions/controls.

These plans will not be seen as a separate initiative but will be incorporated into the corporate and service planning framework.

## Priority and action

**GREEN** - Low risk (1-6) are unlikely to affect critically the business achieving its objectives. These risks are less significant, but may cause upset and inconvenience in the short term. These risks should be monitored to ensure that they are being appropriately managed. These risks can be resolved by the manager in the area where the risk has been identified and is unlikely to result in injury or financial loss. These risks are both uncommon and lower in their impact. They should be managed using normal processes

**ORANGE** – Medium Risk (8-12) High risks cannot be overlooked. They are likely to damage operational processes. They may have a high or low likelihood of occurrence, but their potential consequences are sufficiently serious to warrant appropriate consideration after those risks classed as 'high' and the risk monitored on a regular frequency. These risks need to be advised to the appropriate Head of Service and Director as a matter of importance.

**RED – High Risk (15-25) this level of risk is very high. (These are potentially catastrophic threats to the business's objectives and, for whatever reasons existing controls have not sufficiently reduced such threats to tolerable levels.)**

These are classed as primary or critical risks requiring immediate attention. They may have a high or low likelihood of occurrence, but their potential consequences are such that they must be treated as a high priority. This may mean that strategies should be developed to reduce or eliminate the risks, but also that the risk is monitored on a regular frequency. Consideration should be given to planning being specific to the risk rather than generic. It is most unlikely that such high scores will be acceptable. This needs to be immediately advised to the relevant Head of Service and Director for immediate action.

## Risk appetite levels and descriptors

In assessing the level of risk for each area the Council will consider the following the appetite descriptions.

<b>Appetite Level</b>	<b>Description</b>
1. Averse	Avoidance of risk and uncertainty is a key organisation objective. Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
2. Minimal	Preference for ultra-safe options that are low risk and only have potential for limited reward. Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
3. Cautious	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.
4. Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, also providing an acceptable level of reward and value for money, even when there are elevated levels of associated risk.
5. Eager	Eager to be innovative and seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and potentially higher business reward/return.

The Council's risk capacity and appetite will also take account of the following considerations in respect of each area or activity:

- Reputation – can the Council withstand pressures as they arise as a result of the activity;
- Financial – is there sufficient financial contingency for the activity;
- Political – what political tolerance is there for any adverse risk events materialising;
- Infrastructure – is there sufficient infrastructure to manage risk;
- People – is there sufficient trained and skilled individuals; and
- Knowledge - is sufficient knowledge available to the Council.

The acceptance of risk is subject to ensuring that all potential opportunities, benefits and risks are fully understood and that appropriate measures to mitigate risk are identified and in place before decisions are made. The Council recognises that the appetite for risk will vary according to the activity undertaken and therefore different appetites and tolerances to risk will apply.

## Categories of risk

Risk	Description	Examples
Strategy	Arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment.	Strategies relating to political, economic growth, social, public health, technological, environment or legislative change.
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment.	New political arrangements, Political personalities, Political make-up.
Governance	Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.	Lack of transparency in decision making. Corruption. Unclear/Poorly defined responsibilities.
Reputational	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations	Breaches/accidents/injury due to unsafe practices. Data breaches. Large scale fraud/bribery Consistent failure of services.
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions.	Cost of living, changes in interest rates, inflation, poverty indicators
People	Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance	Performance issues Staff turnover Staff absence Workplace safety Training/competency Succession planning
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives.	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards. Inadequate or deficient system/process development and performance or inadequate resilience.
Commercial	Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements	Poor contract performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives
Legislative	Associated with current or potential changes in national or European law.	Human rights, Appliance or non-appliance of TUPE regulations

Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control.	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation or contracts.	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety.	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements with other organisations to deliver services or products to the agreed cost and specification.	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations, extent of consultation
Emergencies	An emergency is an event or situation that threatens serious damage to human welfare in a place in the UK, an event or situation which threatens serious damage to the environment of a place in the UK, or war, or terrorism, which threatens serious damage to the security of the UK.	Heat wave, flooding, pandemic flu, bird flu

**Risk assessment descriptors****Measures of likelihood**

Score	Description	Example Descriptors
5	Almost certain	<ul style="list-style-type: none"> <li>Happens frequently in the organisation.</li> <li>Circumstances frequently encountered.</li> <li>Almost certain (80% probability) to occur in the next weeks or months.</li> </ul>
4	Likely	<ul style="list-style-type: none"> <li>Occurs approximately annually.</li> <li>There is a strong possibility (60%-80%) that it will happen in the next 1-2 years.</li> </ul>
3	Possible	<ul style="list-style-type: none"> <li>Occurs approximately once every 1-2 years in the organisation.</li> <li>There is a possibility (40%-60%) that it will occur in the next 12 months.</li> </ul>
2	Unlikely	<ul style="list-style-type: none"> <li>Do not expect it to happen in the near future (20%-40% probability in the next 12 months).</li> <li>Only likely to happen every three or more years.</li> <li>Has occurred in the past. Could occur at some time in some circumstances.</li> </ul>
1	Very unlikely	<ul style="list-style-type: none"> <li>Do not believe it will happen in the short/medium term (less than 20% probability in the next 12 months).</li> <li>Has never occurred in the past.</li> <li>May only occur in exceptional circumstances.</li> </ul>

**Measures of impact**

Score	Description	Example Descriptors
5	Catastrophic	<ul style="list-style-type: none"> <li>Inability to deliver a number of corporate objectives. Substantial effect on one or more objectives making it extremely difficult and/or costly to achieve.</li> <li>Medium to long term impact on performance.</li> <li>Affecting all stakeholders with a long term impact.</li> <li>Loss of service delivery for more than seven days</li> <li>Adverse and persistent national media coverage.</li> <li>Adverse central government response.</li> <li>Officers/and/or members forced to resign.</li> <li>Death of one or more people.</li> <li>Significant local environmental damage.</li> <li>Permanent loss of property</li> <li>Major disruption to a number of critical services.</li> <li>Huge financial loss &gt;£500K.</li> </ul>
4	Major	<ul style="list-style-type: none"> <li>Inability to deliver one or more of the corporate objectives.</li> <li>Affects more than one group of stakeholders with widespread medium term impact.</li> <li>Considerable effect on an objective making it difficult /costly to achieve.</li> <li>Loss of service for more than 48 hours but less than seven days.</li> </ul>

		<ul style="list-style-type: none"> <li>• Adverse publicity in professional/local press, affecting perception/standing in professional/local government community.</li> <li>• Major injury to one or more people.</li> <li>• Severe property damage.</li> <li>• Major financial loss £100K – £500K.</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>• Severe problems in delivering corporate objectives.</li> <li>• Affects more than one group of stakeholders with widespread but short term impact.</li> <li>• Evident and material effect on an objective, making it fully achievable only with some moderate difficulty/cost.</li> <li>• Adverse local publicity/local public opinion.</li> <li>• Statutory prosecution of a non serious nature.</li> <li>• Some disruption to internal business; may result in customer service disruption.</li> <li>• Some property damage.</li> <li>• Minor damage to the local environment</li> <li>• Significant disruption to important services</li> <li>• Moderate financial loss £25K – £100K</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>• Minor problems in delivering corporate objectives. Small but noticeable effect on the achievement of a small part of an objective.</li> <li>• Contained within the Department/Directorate, with position recoverable in the financial period.</li> <li>• Affects only one group of stakeholders with minimum impact.</li> <li>• Complaint from individual or small group of people of arguable merit.</li> <li>• Minor disruption to delivery of service</li> <li>• Some financial loss £10k – £25K</li> </ul>
1	Marginal/Negligible	<ul style="list-style-type: none"> <li>• Minor problems in delivering corporate objectives. Peripheral effect on the objective impacting in a very minor way on a small part of it.</li> <li>• Very little disruption to normal service</li> <li>• Very little financial loss &lt;£10K</li> </ul>

### Opportunity Measures

Score	Description	Example Descriptors
5	Extensive/Exceptional	<ul style="list-style-type: none"> <li>• Major improvement to delivery of key/critical services, generally across a broad range.</li> <li>• Income / Savings &gt;£250K.</li> <li>• Positive national press.</li> <li>• National award or recognition/elevated status by national government.</li> </ul>
4	Substantial/Significant	<ul style="list-style-type: none"> <li>• Major or significant improvement to delivery of a critical service area.</li> <li>• Income / Savings &gt;£100K.</li> <li>• Recognition of successful initiative</li> <li>• Sustained positive recognition and support from local press.</li> </ul>



3	Considerable	<ul style="list-style-type: none"> <li>• Improved ability to deliver important services</li> <li>• Income / Savings &gt;£10K</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>• Improved ability to deliver normal services</li> <li>• Income / Savings &gt;£5K</li> </ul>
1	Negligible/Marginal	<ul style="list-style-type: none"> <li>• Very little improvement in the delivery of normal services</li> <li>• Income / Savings &lt;£5K</li> </ul>

## **Decision making – Risk management guidance**

One of the objectives of the Council's Risk Management Strategy and Framework is to *embed risk management into the culture of the Council so that it is an integral part of the Council's systems and processes.*

Risk management is not a new phenomenon. Managers have always been assessing and mitigating against risk as part of their decision making and service delivery processes in the day to day management of services. Risk management is also integral to the decisions made by the Council, its Executive Board, Executive Members and Chief Officers, however the decision making process has not always formally documented and recorded the consideration of risk. The Council's Risk Management Strategy and Framework requires that risks associated with all key Council decisions are clearly identified and recorded.

### **Why is Risk Management Important in Decision Making?**

Effective corporate governance requires that risk management is integral to policy, planning and operational management. Applying risk management processes will help strategic decision makers make informed decisions about policy and service delivery options.

Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered and recorded. It is important that all those involved in the decision making process have consciously analysed the proposal. In addition to the decision maker obtaining a level of assurance that decisions and the implementation of recommendations have been subject to a robust risk assessment, it is an important principle of good governance that they can be subjected to effective scrutiny.

Decision makers can be held accountable for decisions internally by Overview & Scrutiny Reviews and externally by Government Inspections, the Local Government Ombudsman and members of the public & press (via Freedom of Information requests). They will want to see that the decision and the information used to make the decision are documented and accessible, i.e. the decision is 'informed' and 'transparent'.

Whilst all decisions require scrutiny, there are certain key decisions which benefit from a more rigorous approach. Examples include:

- The acquisition of property/physical assets;
- Introduction of new services or change in the means of delivery;
- Resource allocation;
- Outsourcing of services;
- Business process re-engineering;
- Entering into joint ventures or collaboration of any kind (including shared services); and
- Projects and partnerships.

### **How is Risk Management Incorporated into the Council's Decision Making Process?**

The principles of risk management relating to decision making are the same as for any other risk management process. The Council's Risk Management Strategy and Risk Management Toolkit should be referred to for guidance on the risk assessment process.

The Executive Board and Member report templates include a 'Key issues and risk section'. The report author should record 'significant' risks in this section which have been identified after carrying out a risk assessment. The risk assessment must record the risks related to taking the proposed recommendation(s) (including the risks of implementation), and the risks of not taking the recommended action.

If a detailed risk assessment has been carried out and documented using the Council's risk register template it may be attached to the report to support the recommended action or referenced as a background document. Any opportunities flowing from the proposal should also be noted in this section of the report template.

## **What is the purpose of the risk assessment?**

The risk assessment:

- Demonstrates that all significant risks related to the decision have been considered;
- Provides evidence that the decision maker has been provided with sufficient information about risks in terms of probability and impact; and
- Explains how the risks will be managed.

## **What will the risk assessment record?**

The risk assessment should record:

- Risks that may arise if the decision is **not** taken.
- Risks that may arise if the decision **is** taken.
- Actions that will be taken to manage each risk documented if the decision is taken.

The Executive Member responsible for the decision should review the risk assessment and ask the following questions:

- How has the nature and extent of the risks that the Council is willing to take in achieving its objectives associated with the decision been determined and used to inform decision-making? Is this risk appetite tailored and proportionate to the Council?
- Does the required decision balance the potential benefits of the decision with the costs, efforts and any disadvantages of different options?
- What is the source of and how effective is the risk information and insights provided in supporting the decision making in terms of quality of information, its source, its format and its frequency?
- Are there other risks related to the decision that have not been identified and assessed?
- Do they agree with the assessment of the risks that have been documented?
- Do they agree that the recorded actions to manage the documented risks are adequate?

## **Do all risks in relation to a proposal have to be recorded?**

The risk assessment should be proportionate to the decision being made. The report author and others involved in the risk assessment process should consider the impact of the risk when deciding whether it should be recorded or not. If the impact is negligible or low then it is reasonable that the risk is not recorded.

## **Report writing guidance and risk management self challenge questions**

To be effective, identifying risks must be based on your objectives and should clearly define how the risk would impact on the achievement of those objectives. Without clear objectives and a continuing reference back to them you will not be able to determine which risks are relevant and will have the most significant impact.

Where possible, it is recommended that you cross reference the risk to the strategic and Departmental Business Plan Objective to which it relates.

Report writers should note that there is a difference between a risk and an issue. A risk is concerned with a threat or a possible future event whereas an issue is something that is happening now. This is likely to be a risk that has materialised.

Focus on the right risk areas, a good report will enable the decision maker to focus on the risk areas that require their particular attention and which are based on good quality information. A report that focuses risk discussion on low likelihood but high impact risks that could take the Council by surprise would for instance make better use of decision makers' time than a comprehensive report that encompasses detailed information on all strategic and operational risks. Risks should be summarised appropriately but backed up by more detail where required.

### **Ask yourself the following:**

1. What are you aiming to achieve? Does your report content have clear objectives and criteria?
2. What may prevent you from achieving the aim and objective you are writing the report about?
3. Is the report concise? Does it focus on areas that require attention? Does it express a clear message?
4. Does the report show how you compared and addressed options to reach a recommendation?
5. Have you identified what risks or threats may prevent you from achieving each of the differing courses of action?
6. How are limitations and influences associated with the information and evidence used with risk assessments highlighted?
7. How are risks transparently assessed within the appraisal of options for policies, programmes and projects or other significant commitments?
8. Have you considered all types of risks (e.g. emerging, reputation, operational and environmental) and the context of these?
9. Have you shown consideration of both short-term and long-term risks to the decision?
10. Have you fully expressed the risks? (I.e. included the cause of the risk and the consequences?)
11. Have you taken account of previous successes and failures within the Council or by other bodies in relation to this area?
12. Does the report clearly distinguish between evidence, facts and opinions?
13. Have you clearly identified the risks and implications of the options you are recommending on the achievement of the corporate or Departmental objectives (as per the Business Plan)?

14. How are the views of external stakeholders gathered and included within risk considerations?
15. Have you considered how identified risks may impact on other areas of the Council's business or its stakeholders?
16. Have you evaluated the associated costs of the risks and the mitigation actions relating to these?
17. Have you identified what opportunities may be available that you can take advantage of that would offset the risks identified?
18. What is the risk appetite for this area? Are you clear about what level of risk you are recommending the Council takes in relation to the risk/s?
19. Is the recommendation you are making too risk-averse, does it prevent the Council from actively engaging with risks (i.e. taking risks where the outcome or opportunity that would result may be worth it)?
20. Consider the report from the perspective of the decision maker – have you clearly articulated the risks associated with the activity and told them what they need to know to take an informed decision?
21. Does the report allow the Council to be open and transparent and able to justify its decisions?