

Cabinet

3 August 2006



Risk Assessment of Key Decisions

Report of the Deputy Chief Executive

Purpose of Report

1. The purpose of this report is to recommend a process to improve the assessment and reporting of risks and opportunities surrounding Key Decisions made by the Council.

Background

2. As well as good management practice and governance, the Key Lines of Enquiry in Use of Resources under the Comprehensive Performance Assessment require that 'Reports to support strategic policy decisions include a risk assessment.'
3. Currently, each Key Decision Report includes an Implications section, which highlights the potential impact of the recommended decision, but does not require a formal assessment of the risks involved.
4. To ensure that the Corporate Management Team and Cabinet are fully informed of the major risks associated with the Key Decision, and as a positive response to the Key Line of Enquiry, the process needs to be improved to ensure formal risk assessments are undertaken. It is essential that an appropriate level of risk assessment is applied, which is documented and covers a broad range of risks.
5. A proposed new process, which includes guidance for those officers who need to implement it, is attached to Appendix 2 of this report. The objective of this process is to first identify those Key Decisions which require a risk assessment. This should ensure that the amount of work undertaken is proportionate to the particular decision. Then perform that assessment and report the major risks to the Corporate Management Team and Cabinet. Any assistance required in applying the process will also be available from the Corporate Risk Manager and Service Risk Managers
6. Over the coming months, the Corporate Risk Manager will work with the Acting Director of Corporate Services, amending the process where

necessary to ensure that the benefits are optimised and the associated bureaucracy minimised.

Recommendation

7. It is recommended that the Cabinet approve the implementation of this process for Key Decision reports.

**Contact: David Marshall, Corporate Risk Manager Tel: 0191 3835726
on behalf of the Corporate Risk Management Group**

Appendix 1: Implications

Finance

Addressing risk appropriately reduces the risk of financial loss.

Staffing

None.

Equality and Diversity

Addressing risk appropriately reduces the risk of failing to achieve the 5 levels of the Equality Standard for Local Government, which the Council has set out as a target to achieve.

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

Managing the risk surrounding the Local Area Agreement will positively impact localities through better service delivery.

Young people

Managing the risks surrounding Children and Young Peoples Service will improve the quality of service delivery.

Consultation

None

Health

Managing the risk surrounding the major partnerships with Healthcare providers will positively impact citizens through better service delivery

Appendix 2: Process for Assessing Risks surrounding Key Decisions

GUIDANCE FOR RISK ASSESSMENT OF KEY DECISIONS

Introduction

This process details how to evaluate risks associated with Key Decisions, using the definition of a Key Decision in the Council constitution. The process will ensure that CMT and Cabinet are fully informed of the major risks associated with proceeding or not proceeding with a Key Decision, prior to making that decision, thus increasing the probability of successfully delivering our aims. Identifying these risks at an early stage also ensures that, where it is practical, they can be effectively managed to prevent them materialising into actual problems.

This is a two-step process, which should be carried out by the person who prepares the report:

- Firstly, do an initial review of the proposed solution/ issue raised in the report supporting the 'Key Decision', to determine if a full risk-assessment is needed;
- Secondly, perform the risk assessment (as defined in Step 2 of this process of the following page).

If you need any assistance in implementing this process, please contact your service risk manager.

Step 1 – Initial Review

- I. The criteria are set out below for this initial review.
▼
- II. If any of these criteria score Significant, (either in terms of impact on the Council, or on the community at large) then a full risk assessment should be undertaken. If none of these criteria score significant, then summarise any risks under the appropriate Headings in the Implications section of the report. Note that some of these will require your subjective opinion.
▼
- III. You should retain the results of this initial review as evidence to support why the approach chosen, and this should be signed-off by the Head of Service.

NB: Where a register of the key risks is already in place and being managed for this Key Decision (typically, this will apply to major projects and Partnerships), then it is unnecessary to perform the risk assessment again. It is sufficient to refer to the project or Partnership risk register and highlight any key risks from it. Any such key risks should still be presented in the Key Decision report in the same format as Figure 1 below.

Criteria for Initial Review

- **Potential impact on stakeholders** (*employees, citizens, Partners and other local authorities and public service organisations, voluntary bodies, central government*)
Significant = major impact on stakeholders
Minimal = minimal impact on stakeholders

- **Potential conflict with existing Council or central government policies or initiatives**
Significant = conflict is serious enough to prevent the aims of the policy or initiative being delivered
Minimal = minimal impact on delivery of policy or initiative
- **Potential impact on status of Comprehensive Performance Assessment (CPA) reviews, or reviews by Ofsted or Commission for Social Care Inspection (or other inspection regimes)**
Significant = implementing or not implementing this Key Decision will result in the current status rating of the Authority or Service being reduced
Minimal = this key Decision will not impact the existing status rating
- **Potential impact on delivery of one or more of the Council's current corporate aims, strategic objectives or improvement priorities**
Significant = implementing or not implementing this Key Decision will prevent the successful delivery of the Council's corporate objectives or priorities
Minimal = implementing or not implementing this Key Decision will not prevent delivery of the Council's corporate objectives or priorities
- **Project Expenditure** - estimated cost **to the Council** of setting up the proposed solution
Significant = >£500k
Minimal = up to and including £500k
- **Ongoing Running Costs** - estimated annual running cost **to the Council** of the proposed solution
Significant = >£500k per annum
Minimal = up to and including £500k
- **Cost of lost opportunities if not implemented e.g. missed external funding**
Significant = >£500k
Minimal = up to and including £500k
- **Organisational Difficulty**
Significant = significant involvement by three or more Council Services
Minimal = involvement by two Services, or within a Service
- **External Suppliers**
Significant = critical dependence on one or more external supplier
Minimal = no critical dependence on external suppliers
- **DCC as a member of a Partnership (public or private sector)**
Significant = one or more critical partners (public or private sector) not agreed to commit to this course of action
Minimal = all critical partners agreed to commit to this course of action

Step 2 – Full Risk Assessment

The author of the report should perform the risk assessment. If more than one Service will be impacted by the 'Key Decision', the author of the report should involve the other Services in the risk assessment, to ensure all major risks are identified and adequately assessed.

To perform the full risk assessment, you will need to complete the risk assessment spreadsheet (available on the Intranet) by going through the following process:

1. Identify the potential risks faced by implementing or not implementing this Key Decision. As a starting point, use the guide (available on the Intranet) of the typical risks that you may wish to consider. It is not

mandatory to include any of these in your risk assessment if they are not appropriate, as they are for guidance only.

- II. Consider the potential impact of each risk
- III. Then assess each risk by using the Impact and Likelihood Factors (available on the Intranet), and enter the scores into the risk assessment spreadsheet. This is done by adding together the scores for financial, service delivery and stakeholder impact. Then multiply this sum by the likelihood, to create total risk score for that risk.
- IV. Identify any potential actions that could be taken to treat the risk.
- V. The completed risk assessment spreadsheet should be retained for evidence.
- VI. Where the Head of Service is not performing the risk assessment, they should sign-off their approval of the final version of the assessment.
- VII. If the total risk score for any risk is 13 or above, or if any of the individual impact factors are 4 or above, then it is classed as a **Reportable Risk**.
- VIII. A table of **only those Reportable Risks on the risk assessment spreadsheet** should be reported as an appendix at the end of the Key Decision report in the following format:

**Figure 1
(THIS IS AN EXAMPLE ONLY TO DEMONSTRATE PRESENTING A RISK ASSESSMENT)**

Risk Description	Potential Impact	Treatment (if not already in place, state implementation date)	Risk Owner
Actual expenditure on a project may exceed the estimated budget	1. Project scope may be reduced to meet budget target 2. Funds may need to be diverted from other financial resources, thereby impacting other deliverables	1. Transfer some of the financial risk to Supplier, in event their costs overrun (target date 31/1/06) 2. Project plan in place with key checkpoints to determine actuals against budget (implemented) 3. Contracts with third parties clearly identify monies which are recoverable (implemented)	Project Manager