

Decision Making - Risk Assessment Guidance

Why is Risk Management Important in Decision Making?

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

Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered. 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 has been subject to a robust risk assessment, it is an important principle of good governance that they can be subjected to effective scrutiny (Accountability). 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'.

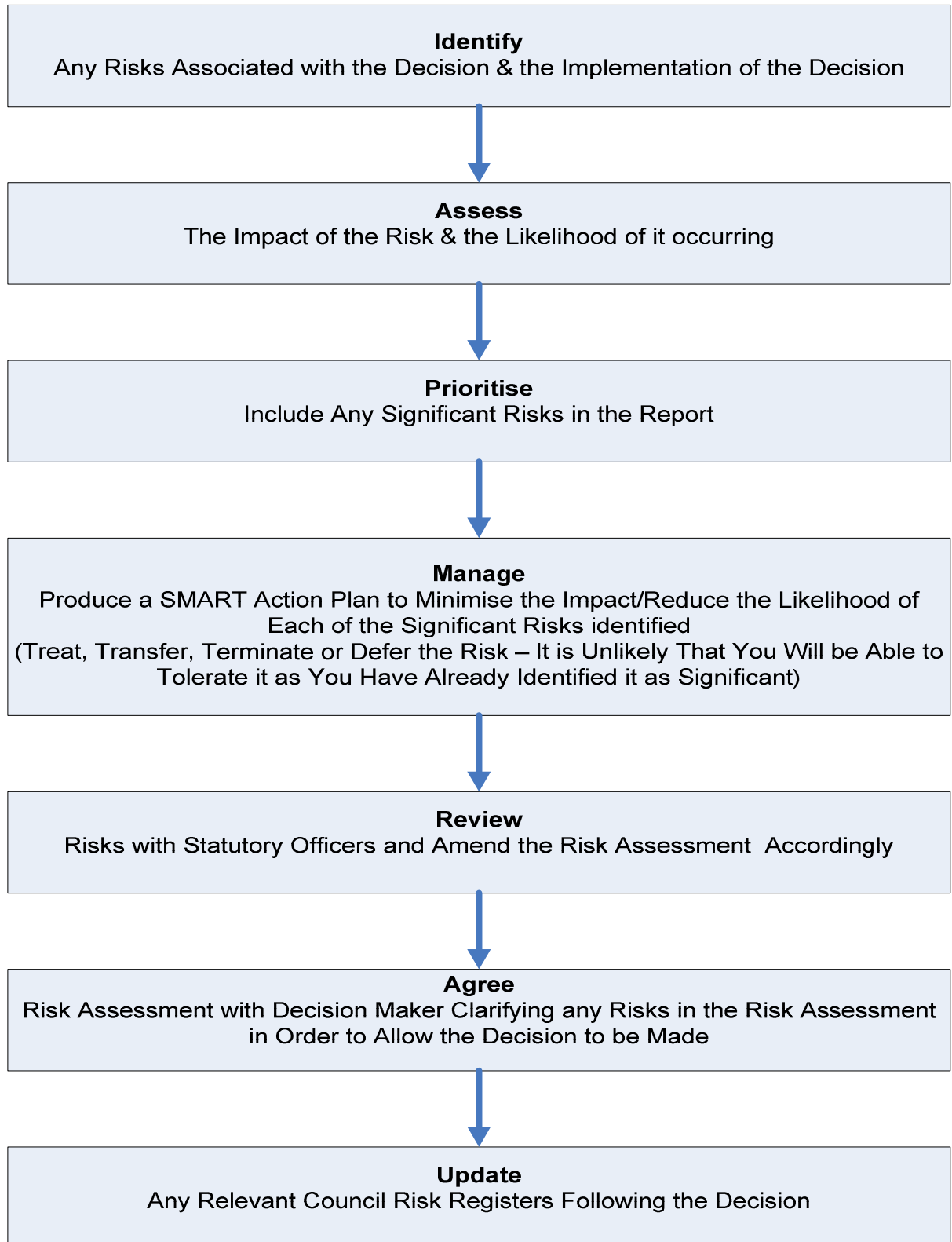
How is Risk Management Incorporated into the Council's Decision Making Process?

The principles of risk management relating to decision making are the same as for any other risk management process. The diagram below outlines the process.

Cabinet and Committee report templates include a section 'Risk Management'. The section requires the report author to record 'significant' risks 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.

Any opportunities flowing from the proposal will be recorded in the 'Report' section of the report template.

How do you Assess Risks Related to a Decision?



What is the purpose of the risk assessment?

The risk assessment:

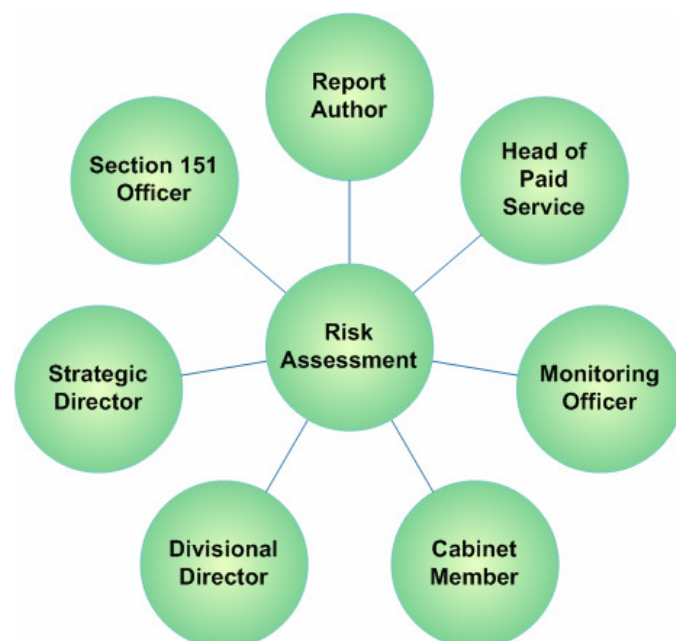
- Demonstrate that all significant risks related to the decision have been considered.
- Provides evidence that the decision maker has been provided with sufficient information about risks in terms of probability and impact
- Explain how the risks will be managed.

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.

Who needs to be involved in compiling the risk assessment?



The report author will take the lead in compiling the risk assessment using a standard template available via the intranet.

The report author in consultation with the appropriate Director(s) should review the report and the risk assessment.

The report and risk assessment will be made available to the Statutory Officers:-

- The Head of Paid Service (Chief Executive)
- The Chief Finance Officer /s151 Officer (Strategic Director - Resources & Support Services)
- The Monitoring Officer (Council Solicitor)

Statutory Officers will amend the risk assessment and also identify risks that should be considered 'significant' and be recorded in the 'Risk Management' section of the report.

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

- Are there other risks related to the decision which 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?

Does every report require a risk assessment?

It is the responsibility of the report author to ensure that the risk assessment is sufficient for its purpose.

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.

Will the risk assessment be accessible to the public?

The risk assessments will be held centrally and will not be automatically accessible to the public. However, risk assessments will be subject to the normal rules of disclosure under the Freedom of Information Act 2000 and other relevant legislation.