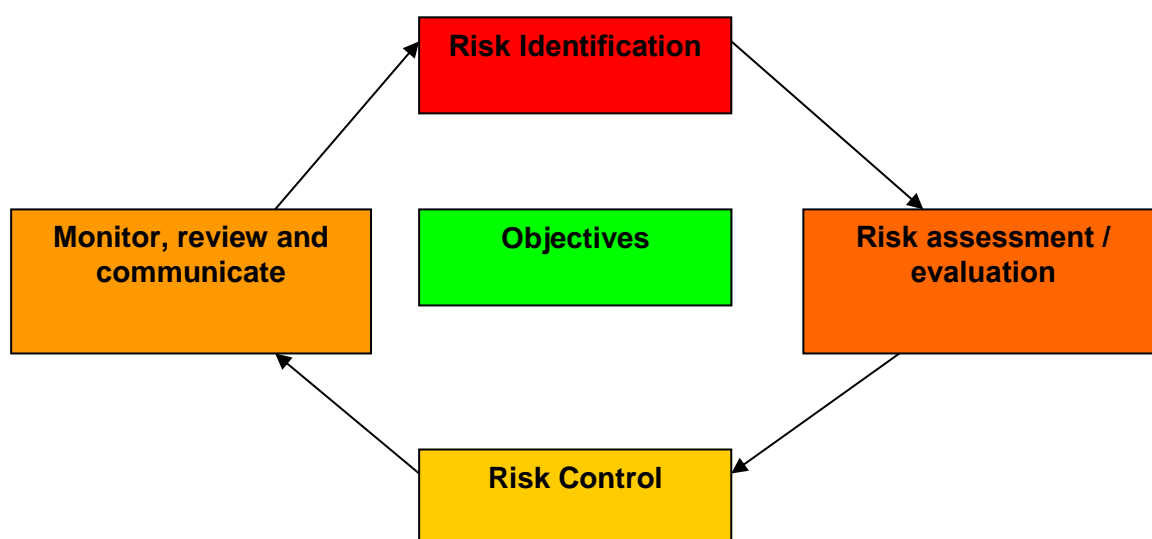


**APPENDIX B****Risk Management Process**

| Step | Title                      | Description   |
|------|----------------------------|---|
| 1    | <b>Objectives</b>          | <p>Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them.</p> <p>Objectives must be <u>SMART</u> – <u>S</u>pecific, <u>M</u>easurable, <u>A</u>greed, <u>R</u>ealistic, <u>T</u>ime-bound.</p> <p><i>Strategic:</i> the council has four priorities to which strategic risks are linked</p> <p><i>Operational:</i> each service has a number of business objectives contained within the Service Plan to which operational risks are linked</p> <p><i>Project:</i> each project document details the aims and objectives of the project</p> <p><i>Partnership:</i> the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership</p> |
| 2    | <b>Risk identification</b> | <p>Risk identification tries to identify the council's exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that <i>may</i> stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;</p>  |

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|   |                                   | <p>customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i).</p> <p>Strategic risks are those that</p> <ul style="list-style-type: none"> <li>• Could impact significantly on the achievement of the council's four priorities</li> <li>• Are recorded in the executive director's strategic risk assessment</li> <li>• Used to inform policy decisions</li> </ul> <p>Operational risks are those that</p> <ul style="list-style-type: none"> <li>• Impact significantly on the business objectives</li> <li>• Are recorded in the individual service risk registers</li> <li>• Are used to inform the Heads of Service</li> </ul> <p>Project risks are those that</p> <ul style="list-style-type: none"> <li>• Could impact significantly on the achievement of the project</li> <li>• Are recorded in the project risk register</li> <li>• Are used to inform both strategic and operational risk identification</li> </ul> <p>Partnership risks are those that</p> <ul style="list-style-type: none"> <li>• Could significantly impact on the achievement of the partnerships aims and objectives</li> <li>• Are recorded in the partnership risk registers</li> <li>• Are used to inform both strategic and operational risk identification</li> </ul> <p>There are three elements to any risk scenario</p> <ul style="list-style-type: none"> <li>• The <b>vulnerability</b> describes the situation (that may be perceived) that exposes the council to risk</li> <li>• The <b>trigger</b> is an event or change in situation that has a negative/positive result</li> <li>• The <b>consequences</b> are the events that follow should the risk occur</li> </ul> |
| 3 | <b>Risk assessment/evaluation</b> | <p>Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: -</p> <ul style="list-style-type: none"> <li>• The <i>impact</i> it would have if a risk event occurs</li> <li>• The <i>likelihood</i> of the risk event occurring</li> <li>• Possible resources needed and other implications</li> <li>• The priority of the risk for action in relation to the</li> </ul>   |

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|   |  | <p>council's risk tolerance level (amber and green areas on the table/matrix of risk ratings)</p> <p>Once threats and opportunities have been identified their potential "inherent" risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii).</p> <p>The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the "residual" risk rating, or – put another way – the final risk rating.</p>  |
| 4 | <b>Risk control</b>                    | <p>Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen.</p> <p>To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii).</p> <p>Clear responsibility for managing the risk to an appropriate 'risk owner' must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk.</p> <p>The further actions must be <u>SMART</u> and must be developed appropriate to the risk identified.</p> <p>Any such actions are entered into the risk register and monitored.</p> |
| 5 | <b>Monitor, review and communicate</b> | <p>There <b>must</b> be monitoring and review of:</p> <ul style="list-style-type: none"> <li>• The risk itself</li> <li>• The implementation of the <i>agreed</i> control measures</li> <li>• The effectiveness (or otherwise) of any further actions</li> <li>• Were an incident to occur, it is recorded and used to inform a lessons-learnt report</li> </ul> <p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the</p>   |

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|  |  | <p>cycle at the top of this appendix.</p> <p>Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.</p> |
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