APPENDIX A RISK AND OPPORTUNITY MANAGEMENT STRATEGY 2022-2024

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INTRODUCTION

We live in very challenging times, where the city and its citizens face significant risks but also where innovation is critical. We are a large, complex organisation and need to continuously look at how we can safeguard and support our communities in challenging financial circumstances. Risk and opportunity management is both a statutory requirement and an indispensable element of good corporate governance and good management. It has never been more important to have an effective Risk and Opportunity Management Strategy in place to ensure we are able to discharge our various functions and deliver public services efficiently and cost effectively.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide, as far as reasonably practicable, sufficient protection from harm without stifling our development. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business and are understood and proactively managed, rather than avoided. In respect of health and safety risks, this requires the weighing up of the risk verses the time, cost and effort to control the risk, irrespective of the risk score. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. We do not shy away from risk; we seek to proactively manage it. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk and Opportunity Registers and incorporate mitigation controls within action plans to include details of any opportunities that may arise from the successful management of each risk. Strategic Risks will be monitored every three months and Operational Risks every six months. Findings will be reported via the Council's formal reporting process.

The benefits gained with a Risk and Opportunity Management Framework are improved strategic, operational and financial management, better decision making, improved compliance and, most importantly, improved customer service delivery and better outcomes for the citizens of Plymouth.

We embrace risk and opportunity management to support the delivery of our vision for the city and to enable the provision of high quality services to the citizens of Plymouth.

Cllr Mark Shayer	Tracey Lee	Giles Perritt
Deputy Leader of Plymouth City Council	Chief Executive	Assistant Chief
Executive		

THE RISK AND OPPORTUNITY MANAGEMENT STRATEGY

1. Definitions

What is a Risk?

Risk is most commonly held to mean "hazard" and something to be avoided but it has another face – that of opportunity. Improving public services requires innovation – seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

What is Risk and Opportunity Management?

Risk and opportunity management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives and delivering services to the community.

This Strategy is intended to reaffirm and improve effective risk and opportunity management in Plymouth, comply with good practice and in doing so, effectively manage potential opportunities and threats to the Council achieving its objectives.

2. Types of risk - Strategic and Operational

Strategic risks affect or are created by our business strategy and strategic objectives. They can be defined as the uncertainties and untapped opportunities embedded in strategic intent. As such, they are key matters for our political and managerial leadership and impact on the whole organisation. Inclusion of a risk in the strategic risk and opportunity register indicates that it is one of a number of risks that the Council (particularly elected members and senior managers) need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems whether within the "business as usual" of the Council or through change management programmes, new protocols ways of working, new structures and new technologies. All major risks facing the service and to other services and partners resulting from the consequences of a service's plans should be recorded with brief mitigation and potential outcome.

3. Risk management responsibilities

Risk and opportunity management is the responsibility of all employees, working together within teams and management structures to ensure timely consideration and control at the appropriate level.

The Corporate Risk Management Group will monitor and manage the delivery of the Risk and Opportunity Management Strategy at a strategic level. The Group's purpose is to effectively embed risk and opportunity management within the ethos of the Council's culture as an integral part of strategic planning, decision-making and its performance management framework. The Group is also be responsible for the development and monitoring of the Strategic Risk and Opportunity Register.

The Operational Risk Management Group, comprising departmental Risk Champions and chaired by the Head of Governance Performance and Risk, will be responsible for the delivery of this strategy at an operational level and for the development and monitoring of service level Operational Risk and Opportunity Registers.

Any risks to health, safety or wellbeing (HSW) of our employees or others affected by our operations are compiled into a separate risk register and additionally monitored by the HSW

Steering Group on a quarterly basis. This may result in additional assurance being required to ensure controls are reducing risk to as low as reasonably practicable. HSW Assurance Specialists support service areas to ensure risk assessments are suitable and sufficient.

However, there are some risks, such as Covid 19 which are of strategic significance and so are featured on our strategic risk register.

4. Risk and Opportunity Management Policy Statement

Plymouth City Council is aware that, as a large organisation, it is exposed to a very wide range of risks to the delivery of key services to the community it serves.

The Council recognises that it has a responsibility to identify, evaluate and manage risk whilst still creating a fertile climate for innovation. It therefore supports a structured approach to risk and opportunity management through this corporate Risk and Opportunity Management Strategy, the aims and objectives of which are described below:

The aims of the Risk and Opportunity Management Strategy are to:

- Integrate and raise awareness of risk and opportunity management for all those connected with the delivery of Council services
- Embed risk and opportunity management as an integral part of our organisational culture and project planning and policy making processes
- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing
- Provide a process for identifying threats or drawbacks that also includes finding and considering opportunities
- Provide a robust and transparent framework for managing risk and supporting decision making
- Support well thought-through risk taking, which enables a risk aware organisation that takes well-managed risks
- Anticipate and respond to changing external and internal environment
- Embed risk and opportunity management as an integral part of delivering and aligning successful partnerships and enabling organisational objectives and business planning processes.

The objectives of the Risk and Opportunity Management Strategy are:

- To embed Risk and Opportunity Management as part of the Council's culture of governance
- To provide a robust and systematic framework for identifying, managing and responding to risk
- To provide a robust and transparent track record of managing, communicating and responding to risk
- To encourage staff to think creatively about ways to work better, simpler and more effectively

5. Framework

The Council maintains two main types of Risk and Opportunity Register; Strategic and Operational. The Strategic Register records risks that affect the aims and objectives of the corporate body – risks that could have an effect on the successful achievement of our long term core priorities and outcomes, e.g:-

- risks that could potentially have a council-wide impact; and/or
- risks that cannot be managed solely at a business unit level because higher level support/intervention is needed.

The Operational Register records those risks affecting the day to day departmental operations, e.g:-

- Potential process failures
- Failure to adhere to internal policies
- Poor quality management

Both registers detail the following:-

- possible consequences of the risks identified, both negative (risks and threats) and positive (opportunities)
- potential impact and likelihood of the risk identified
- existing controls in place to mitigate the risks
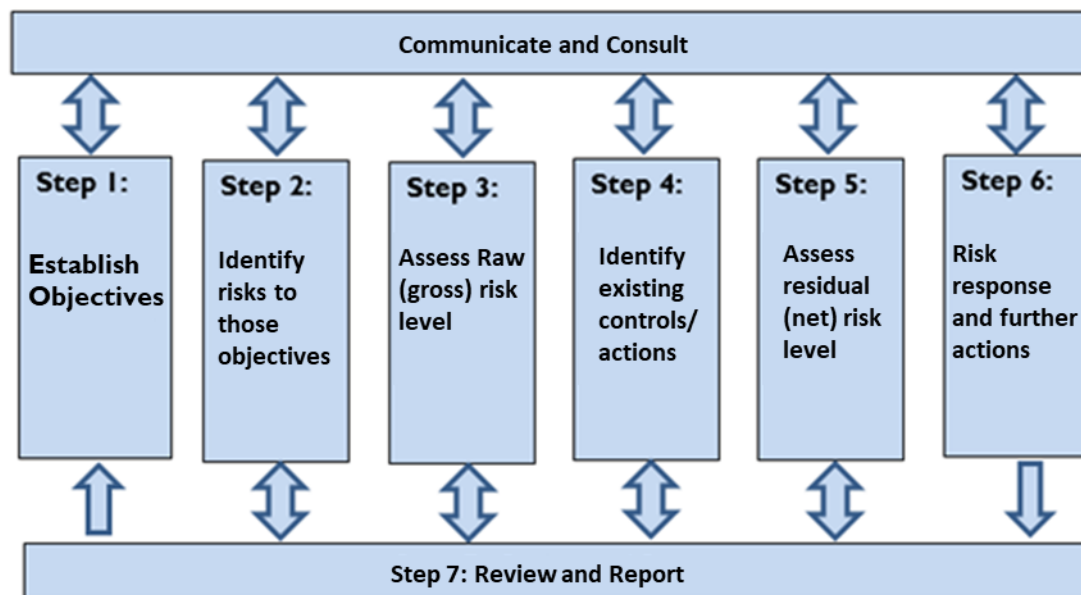- actions planned to mitigate the risks with relevant timescales and the responsible officers

The Strategic Register is owned by the Corporate Management Team in its capacity as the Corporate Risk Management Group and maintained by the Performance and Risk Team. Operational Registers are owned by the relevant Service Director and maintained by the relevant department's Risk Champion.

6. Approach

For a number of years the Council has been working towards a comprehensive and integrated approach to risk management where:

- staff are clear about what risk management is intended to achieve;
- significant risks are being identified and managed effectively;
- training and guidance on risk management are easily accessible;
- a consistent corporate approach is followed using a common 'risk language'; and
- It is seen as an integral part of good corporate governance.

This section details the agreed arrangements that are needed to ensure the effective management of risk across the organisation. The Council's approach to risk management is based on best practice and involves a number of key steps as outlined below:-

Communicate and Consult					
Step 1: Establish Objectives	**Step 2:** Identify risks to those objectives	**Step 3:** Assess Raw (gross) risk level	**Step 4:** Identify existing controls/ actions	**Step 5:** Assess residual (net) risk level	**Step 6:** Risk response and further actions
Step 7: Review and Report					

Effective communication and consultation are critical to the successful management of risk. These are not one off standalone events but important factors at every point of the process and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

Step 1: Core purpose / outcomes

Before we can identify our risks we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- Corporate Plan (for core purpose, priorities and outcomes)
- Business Plans (for directorate/departments aims, priorities and actions)
- Project Plans (for project aims and objectives)
- Partnership Agreements (for partnership aims and objectives)

Step 2: Identify risks

There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, risks to people and damage to reputation. The process involves managers and their teams identifying what outcomes are expected from planned activities and what factors might hinder their delivery. The reasons relating to these factors needs to be further explored to ensure that the underlying causes relating to these potential risks are correctly identified and articulated.

Risk is a key element of developing business cases for implementation of new programmes, projects or policy changes. Risks, particulalry financial, are identified in reports to committees.

Programme Risks

Risks that relate to a specific programme are likely to comprise of a mixture of the most serious project risks (see below) and cross-cutting risks that could affect two or more of the projects within the programme. All major programmes must have a risk register, owned by the programme manager. It should be reviewed by the programme board and at the most senior level of the directorate in question.

Project Risks

Risks relating to or that flow from a specific project. A project risk has the potential to impact on the project's scope, outcomes, budget or timescales. Where the risk could impact on other projects or objectives, or the project is considered a high priority and the level of risk is such that it could lead to a failure to deliver project objectives, the risk should be escalated to the programme level.

Partnership Risks

Plymouth City Council has recognised the need to include "Partnership working" within this risk management framework. Partnership working presents a number of new risks -

- Partner organisations will have different aims and objectives

- Often Partnerships are innovative, and there is no proven track record for the work they are undertaking

- By definition, they involve different organisations, with different cultures and systems

- It is likely each organisation will have a different approach to the management of risk

- Organisations will have differing risk thresholds / risk "appetite"

It is essential that the Partnership manages risks (and maximises opportunities) that can impact upon the aims and objectives of the Partnership as a whole.

Equally, Partner organisations need to understand the nature and extent of the risk they face individually through Partnership working.

As part of the development of the Council's Risk and Opportunity strategy a common approach to managing risk in partnership will be developed that enables the joint assessment of risk against partnership objectives to be made and managed through shared risk registers.

Opportunities

Opportunities can also be identified by giving consideration to those that have been neglected because of perceived, but unexamined risk. These include:-

- Learning from the past – whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots.

- Customer sensitivity – trying to understand customer needs and creating systems to exploit this information can lead to great gains.

- Learning from others – exploring and sharing best practice with other organisations can lead to benefits.

- Scenario planning – can be a powerful tool for generating new ideas.

Once the opportunity has been identified it should be described to include the expected benefits, contributions to business objectives and stakeholders.

A checklist for risk and opportunity identification is shown below as a guide (not an exhaustive list):

Category of Risk	Risk Examples
Compliance, Regulation and Safeguarding	- Legislation and internal policies/regulations - Health, safety and wellbeing - Grant funding conditions

	▪ Legal challenges, legal powers, judicial reviews or public interest reports ▪ Change in government policy
Operational/Service Delivery	▪ Emergency preparedness/business continuity ▪ Poor quality/reduced service delivery ▪ Health and safety ▪ Information security and retention accuracy ▪ ICT integrity and availability ▪ Damage to physical assets ▪ Changing needs and expectations of customers – poor communication/consultation
Financial	▪ Budgetary pressures ▪ Loss of/reduction in income/funding, increase in energy costs ▪ Cost of living, interest rates, inflation etc. ▪ Financial management arrangements ▪ Investment decisions, sustainable economic growth ▪ Affordability models and financial checks ▪ Inadequate insurance cover ▪ System/procedure weaknesses that could lead to fraud
Reputation	▪ Negative publicity (local and national) ▪ Image ▪ Increase in complaints ▪ Brand building ▪ Fines
Strategic Change	▪ New initiatives, new ways of working, new policies and procedures ▪ New relationships – accountability issues/unclear roles and responsibilities ▪ Monitoring arrangements ▪ Managing change ▪ Add value or improve customer experience/satisfaction ▪ Reduce waste and inefficiency ▪ Improve staff skills/morale ▪ Business alignment ▪ New operating models and revenue streams ▪ Market needs/growing competition ▪ New technologies
Development and	▪ Demographics

Regeneration	▪ Economic downturn – prosperity of local businesses/local communities
	▪ Impact of planning or transportation policies
	▪ Environmental, landscape, countryside, historic environment, open space
	▪ Property, land, buildings and equipment
People & Culture	▪ Political personalities
	▪ Member support/approval
	▪ New political arrangements
	▪ Loss of key staff, recruitment and retention issues
	▪ Training issues
	▪ Lack of/or inadequate management support
	▪ Poor communication/consultation
	▪ Capacity issues – availability, sickness and absence etc.

Risk Description

The risks and opportunities identified need to be recorded in a structured format. A description covering the Cause, Event and Effect is used to scope a risk or opportunity. Guidance on some typical phrasing or statements are listed below:-

Cause	Event	Effect
Because of …. As a result of …. Due to ….	\<an uncertain event i.e. risk or opportunity> may occur	which would lead to \<effect on objective(s)>
Event	**Cause**	**Effect**
Risk of …. Failure to …. Failure of …. Lack of …. Loss of …. Uncertainty of …. Delay in …. Inability to …. Inadequate …. Partnership with …. Development of / Opportunity to ….	…. due to ….	…. leads to …. and/or …. result in ….

Example of risk description – Risk of being unable to deliver Council services within the envelope of the resources provided in (year) which would lead to a negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.

Step 3: Assess raw (gross) risk level

To ensure resources are focussed on the most significant risks, the Council's approach to risk management is to assess the risks in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each new risk to be assessed twice – raw (gross) and residual (net) levels.

The first assessment (the raw/gross risk level) is taken on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively. In other words, the worst case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact. Risk scoring guidance is shown below:-

Risk Analysis and Scoring Guidance

Score	Likelihood	Threat / Risk
5	Almost Certain (81-100%)	Is expected to occur within twelve months in most circumstances Imminent/near miss
4	Likely (51-80%)	Will probably occur in many circumstances Will probably happen, but not a persistent issue e.g. once in three years Has happened in the past
3	Possible (26-50%)	Could occur in certain circumstances May happen occasionally, e.g. once in 10 years Has happened elsewhere
2	Unlikely (11-25%)	May occur only in exceptional circumstances Not expected to happen, but is possible e.g. once in 25 years Not known in this activity happening
1	Rare (0-10%)	Is never likely to occur Very unlikely this will ever happen e.g. once in 100 years

Risk Impact (Severity)		
Score	Impact	Threat / Risk
5	Catastrophic Risk	Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples:- Unable to function without the aid of government or other external Agency Inability to fulfil obligations Medium – long term damage to service capability Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available

		Death (single or multiple) or work related diagnosis leading to death
		Adverse national publicity – highly damaging, severe loss of public confidence
		Significant public interest
		Litigation certain and difficult to defend
		Breaches of law punishable by imprisonment
		Very significant exposure of public funds with funding being managed across organisations and complex reporting
		Very complex stakeholder community with new partnerships, collaborations and suppliers/stakeholder environment volatile or with significant external change factors
		Extensive use of leading edge, novel or innovative technology which requires specialist management and external audit
4	Major Risk	Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-
		Significant impact on service objectives
		Short–medium term impairment to service capability
		Major financial loss – supplementary estimate needed which will have a major impact on the Council's financial plan
		Extensive injuries, major permanent harm, long term sick
		Permanent/significant disability
		Major adverse local publicity, major loss of confidence
		Litigation likely and may be difficult to defend
		Breaches of law punishable by fines or possible imprisonment
3	Moderate Risk	Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-
		Service objectives partially achievable
		Short term disruption to service capability
		Significant financial loss – supplementary estimate needed which will have an impact on the Council's financial plan
		RIDDOR (Reporting of injuries, diseases and dangerous occurrences regulations) or major injury
		Medical treatment required, semi-permanent harm up to one year
		Some adverse publicity, needs careful public relations
		High potential for complaint, litigation possible
		Breaches of law punishable by fines only

2	Minor Risk	Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. If action is not taken, then such risks may have a more significant cumulative effect. Examples:- Minor impact on service objectives No significant disruption to service capability Moderate financial loss – can be accommodated at head of service level Three day + injury First aid treatment, non-permanent harm up to one month Some public embarrassment, no damage to reputation May result in complaints/litigation Breaches of regulations/standards Budget within delegation
1	Insignificant Risk	Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. If action is not taken, then such risks may have a more significant cumulative effect. Examples:- Minimal impact, no service disruption Negligible impact on service capability Minimal loss – can be accommodated at senior technical accounting level First aid injury Unlikely to cause any adverse publicity, internal only Breaches of local procedures/standards Budget within delegation and relatively small or within operational costs

When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix. The risk ratings for each part of the assessment are multiplied to give an overall ranking for each risk. The risk matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks.

Risk Matrix Table

		Insignificant	Minor	Moderate	Major	Catastrophic
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5

Impact / Severity

Risk Tolerance

Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Med/High Risk) Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor (as per risk appetite escalation)
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (Very low risk)	1 - 5	Can be removed from register and managed locally within team but consider adding to risk register if controls are likely to change

Step 4: Identify existing risk controls / actions

Existing controls and actions, which are helping to eliminate or minimise the likelihood and/or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed.

Step 5: Assess residual (net) risk level

The second assessment (the residual or net level) re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. In other words, the reality if the risk were to occur in the immediate future. Residual risks are prioritised by applying the same criteria and matrix for assessing the raw risk level (Step 3). It is the risk owner's responsibility to ensure the agreed residual risk level for each risk is an accurate reflection of the likelihood and impact measures.

Step 6: Risk response and further actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat. Risk response may be managed in one, or a combination of, the following ways:-

Risk Response	Risk Examples (not exhaustive list)
Avoid – The risk is avoided by process changes which bypass the risk or deciding where possible not to continue with the activity	Some political risks e.g. adverse public opinion. Some technical/operational/infrastructure risks e.g. maintenance problems.

in view of the level of risk involved.	Legal and regulatory risks e.g. regulatory controls, licensing requirements.
Transfer – Some or all of the risk is transferred to a third party through insurance or outsourcing and contracting.	Some strategic/commercial risks e.g. theft insolvency can be insured against. Environmental risks e.g. natural disasters, storms, flooding may also be insured against. Engaging professional experts – e.g. engaging a licenced contractor to undertake works on behalf of the Council.
Treat/Reduce – Action is taken to reduce either the likelihood of the risk occurring or the impact that it will have, if cost effective. Consider use of KPI metrics to monitor progress of risk treatment action plans and key controls.	The most frequently used response to risk. Widely applicable – Technical/Operational/Infrastructure e.g. negligence, performance failure, scope creep, unclear expectations. Organisational/management/human factors e.g. personality clashes, poor leadership and poor staff selection.
Tolerate/Accept – The risk may be accepted perhaps because there is a low impact or likelihood. A contingency plan will be identified should it occur.	Some political, legal and regulatory and economic / financial risks may need to be accepted with a contingency plan in place e.g. civil disorder, exchange rate fluctuation.
Opportunity response	**Opportunity Types (not exhaustive list)**
Share – An opportunity is shared with a partner or supplier to maximise the benefits	Shared resource/technology/infrastructure, Improved designs
Exploit – A project could be adjusted to take advantage of a change in technology or a new market	Economic/financial/market e.g. new and emerging markets, positive changes in exchange rates or interest rates
Enhance – Action is taken to increase the likelihood of the opportunity occurring or the positive impact it could have	Strategic/commercial opportunities such as new partnerships, new capital investment, new promoters
Reject – Here no action is taken and the chance to gain from the opportunity is rejected	*Contingency plans may be put in place should the opportunity occur. Political or environmental e.g. new transport links, change of government bringing positive changes in policy/opportunities for lobbying etc.
*Note: Contingency plans should identify the actions that will be taken if a risk occurs. Contingent actions will often have associated costs and a budget should be set aside in the business case to cover this.	

Risk Appetite

Risk appetite is the amount of risk, on a broad level, that Plymouth City Council is willing to accept in pursuit of value. It is strategic and reflects the organisations risk management philosophy,

and in turn influences the organisation's culture and operating style. Risk appetite guides resource allocation and provides the infrastructure necessary to effectively respond to and monitor risks.

Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery of benefits whilst also providing an acceptable level of value for money.

The Council's Appetite is defined in the statements below -

- **Compliance, Regulation and Safeguarding** (no appetite for risk) - The Council recognises the need to place high importance on compliance, health, safety and wellbeing, regulation, and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud. It is not acceptable for any hazard, risk or safety incident to be ignored by any member of our workforce and the Council will ensure that systems and processes exist to identify and mitigate risk as well as for reporting, investigating and learning from incidents when they do occur. All health, safety and wellbeing risks should be managed as per absolute duties cited in relevant regulations or to as low as reasonably practicable irrespective of risk score.

- **Operational/Service Delivery** (higher appetite for risk) - The Council accepts a moderate to high level of risk arising from the nature of the Council's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

- **Financial** (lower appetite for risk) - The Council acknowledges the responsibility it has for administration of public funds, and wishes to emphasise to both the public and its employees the importance it places upon probity, financial control and honest administration. Financial Regulations provide the framework for managing the Council's financial affairs and should be adhered to at all times. Finance Business Partners are an integral part of Department Management Teams and should be consulted when planning any new project.

- **Reputation** (lower appetite for risk) - It is regarded as essential that the Council preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity.

- **Strategic Change** (higher appetite for risk) - The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to move forward and develop and establish benefits for the longer term. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

- **Development and Regeneration** (higher appetite for risk) - The Council has a continuing obligation to invest in the development and regeneration of the city. To continue to be progressive and innovative in the work performed the Council is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated in both economic terms but also social and environmental terms before developments are authorised.

- **People and Culture** (higher appetite for risk) - The Council recognises that staff are critical to achieving its objectives and therefore the support, development and **wellbeing** of staff is key to making the Council an inspiring and safe place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving.

The Council's Risk Appetite Statements will be continually monitored to ensure it supports the organisation's risk and opportunity management strategy. Risk appetite is an important tool for effective risk monitoring and provides the following benefits:-

- Forms an integral part of corporate governance
- Guides the allocation of resources
- Guides an organisations infrastructure, supporting its activities related to identifying, assessing, responding to and monitoring risks in pursuit of organisational objectives
- Is multi-dimensional, including when applied to the pursuit of value in the short term and the longer term of the strategic planning cycle
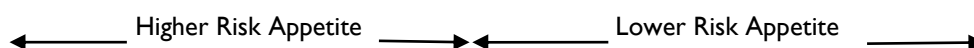- Requires effective monitoring of the risk itself

Risk Tolerance

Risk tolerance is the level of risk the Council is willing to take on in terms of individual risks. When determining our risk tolerance the Council recognises that each risk is unique in nature.

The risk tolerance table below helps to align risk exposure with management and escalation activities. An event or risk is assessed and assigned a risk score by multiplying the impact and likelihood scores. Ranges of risk scores are then associated with different levels of management attention.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

	Residual Risk Score	6-10	12-15	16	20	25
Risk Category	Compliance, Regulation & Safeguarding (including Health, Safety & Wellbeing)	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management essential	Extensive management essential
	Financial	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management required	Extensive management essential
	Reputation	Accept but monitor	Manage effort worthwhile	Management effort required	Extensive management required	Extensive management essential
	Operational/Service Delivery	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential
	Strategic Change	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential
	Development & Regeneration	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential
	People & Culture	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential

	Lower Risk			Higher Risk		
Risk Appetite Scale	Accept but monitor	Manage & monitor	Management effort worthwhile	Management effort required	Considerable management required	Extensive management essential

Higher Risk Appetite ⟵ ⟶ ⟵ Lower Risk Appetite ⟶

Tolerance Level	Escalation / Action Required
Extensive management essential	Escalate to Strategic Risk Register and brief Portfolio Holder.
	Monthly review at Senior Leadership Team level.
	Programme/project risks - Programme Board escalate to Strategic Risk Register.
	Quarterly review at Corporate Management Team.
	Risk owner to review monthly.
	Consider use of performance indicators to monitor performance of action plans and key risk controls.
Considerable management required	Consider escalation to Strategic Risk Register and brief Portfolio Holder.
	Monthly review at Department Management Team level.
	Programme/project risks - Programme Board consider escalation to Strategic Risk Register.
	Quarterly review at Corporate Management Team.
	Risk owner to review monthly.
	Consider use of performance indicators to monitor performance of action plans and key risk controls.
Management effort required	Add to Operational Risk Register and review at least quarterly at Department Management Team level (consider escalation to Strategic Risk Register if risk cannot be mitigated at department level and ensure Portfolio Holder is briefed).
	Programme/project risks - Programme Board oversight and consider escalation to Directorate Operational Risk Register.
	Six month review by Corporate Management Team.
	Risk owner to review monthly.
	Consider use of performance indicators to monitor performance of action plans and key risk controls.
Management effort worthwhile	Add to Operational Risk Register and review quarterly at Department Management Team level.
	Risk owner to review at least quarterly.
	Consider use of performance indicators to monitor performance of action plans and key risk controls.
Manage and monitor	Add to Operational Risk Register.
	Risk owner to review at least quarterly.
Accept but monitor	Risk owner to review every six months.

Step 7 – Review and report

The reason for monitoring key risks is to create an early warning system for any movement in risk – key risks are defined as those which score 12 or above in accordance with the Council's risk appetite. High level red risks may be referred to the Scrutiny Board subject to Audit and Governance Committee recommendation. Risks scoring below 12 are considered to be managed effectively and therefore within the Council's "risk tolerance". Any risk scored below six can be removed from the risk register and archived.

Risk Registers are living documents and therefore must be regularly reviewed and amended. The Risk and Opportunity Management Strategy requires risks recorded on the Strategic Risk and Opportunity Register and service level Operational Risk and Opportunity Registers to be formally monitored every three months and six months respectively by departmental risk champions in consultation with senior managers and lead officers.

Monitoring reports are presented for approval to the senior management prior to final ratification by the Audit and Governance Committee.

The Council's scrutiny function will play an increasingly important, open and transparent role in risk management. Scrutiny committees now consider risks pertinent to the terms of reference of the committee. This approach allows for detailed review of risk, its cause and mitigation, in the wider context of associated policy, performance and financial considerations.

The questions asked during monitoring are:-

- Is the risk still relevant?
- Is there any movement in the risk score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have potential opportunities been considered and maximised?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?
- If the risk is decreasing can I relax some existing controls?
- Are controls/actions built into appropriate documented action plans?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived?)

7. Evaluating Key Controls

A framework exists to performance measure effectiveness of key controls aligned to the Council's risk appetite. Risks where we have a lower appetite for risk taking are treated with a higher level of management activity and oversight.

Examples of key controls

Preventative key controls	Detective key controls	Corrective key controls
Policies and procedures	Review of performance	Business continuity plans
Authorisation and approval	Reconciliations	Insurance

Verifications	Audit and investigations	Disaster recovery plans
Staff training	Data analysis	Variance reports
	Monitoring	Case reviews

Managers should contact the Performance and Risk Team for further advice on setting up key control performance measures for risks categorised under compliance, regulation, safeguarding, financial and reputation.

8. Fraud Risk Controls

Fraud is a major drain on the public purse and it is therefore imperative that all staff prevent fraudulent activity and understand the threats and risks. The Anti-Fraud, Bribery and Corruption Strategy and Policy will assist the Council in becoming more resilient to fraud risks. The aim is to minimise fraudulent activity with a zero tolerance approach to those who commit criminal acts of fraud against Plymouth City Council whether the threat is from outside or internally within the Council.

Operational managers and supervisors are responsible for:-
- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing and testing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate
- effectively;
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

9. Health, Safety and Wellbeing Performance Standards and Risk Assessments

The Council's health and safety policies, performance standards and guidance notes should be regarded as the health and safety standard each department, service unit and team is expected to achieve and against which health and safety performance will be monitored and audited.

The purpose of the performance standard is to:

- Support the implementation of a health and safety risk management system and assist the Council in meeting its legal obligations in providing a safe working environment where risks are effectively controlled to their lowest tolerable level.
- Identify managers and risk assessors' responsibilities and encourage employees to recognise and inform their managers of hazards and risks associated with their work activities, report defects in processes and equipment and to assist in developing a positive health and safety culture.

It is the manager's responsibility to develop and maintain action plans relating to risk assessments and record them in a Health, Safety and Wellbeing Risk Assessment Register (HSWRAR). The action plan also assists in prioritising, planning and monitoring the effectiveness of the actions and controls that have been identified to reduce the risk of a particular hazard.

Risk assessments follow Health and Safety Executive (HSE) guidance and scoring methodology.

Any significant hazard requires risk control measures and/or a risk treatment plan to be put into place in order to minimise risk to an acceptable level either by reducing the likelihood of an adverse event or the severity of its consequence, or both.

Generally actions relating to risk assessments can be managed locally at team level, however, it may be necessary to escalate a health, safety and wellbeing risk to the departments Operational Risk Register in order to achieve a higher degree of management oversight. Examples of escalation criteria are:-

- Treatment of the risk requires decisions/actions, e.g. expenditures that are beyond what the budget holder is authorised to decide;
- risk controls cannot be implemented within appropriate timescales (as identified in consultation with a HSW Advisor);
- the risk is widespread beyond local area span of control;
- the risk is assessed to be significant - one in which staff, members of the public or facilities may be subject to legal, media or other interest and where, if not managed effectively, the risk could result in loss of life or significant loss of the council's assets or reputation;
- addressing the risk requires corporate changes to policy;
- Grievances from stakeholders have been received to which the risk owner cannot impartially and/or effectively respond.

A HSW risk escalation procedure within The Council's HSW Policy ensures that risks threatening the health, safety and wellbeing of employees and other people using Council premises and services are escalated in real time. Risks should be managed at the most local level, however there are some circumstances that should be notified to relevant members of the Corporate Management Team and to the Chief Executive as the accountable person for HSW as quickly as possible. Click here for access to the Council's HSW Risk Escalation Procedure.

10. Embedding Risk and Opportunity Management

The Risk and Opportunity Management Strategy is reviewed annually to ensure it remains up to date and presented to the Audit and Governance Committee. The Cabinet Member for Finance and the Assistant Chief Executive jointly champion the process.

Each directorate or department has an officer appointed as Risk Champion who is trained to advise staff on best practice to ensure that the risk and opportunity management process is embedded in the Council's business processes, including:-

- strategic and business planning
- performance management
- information quality and use
- financial planning
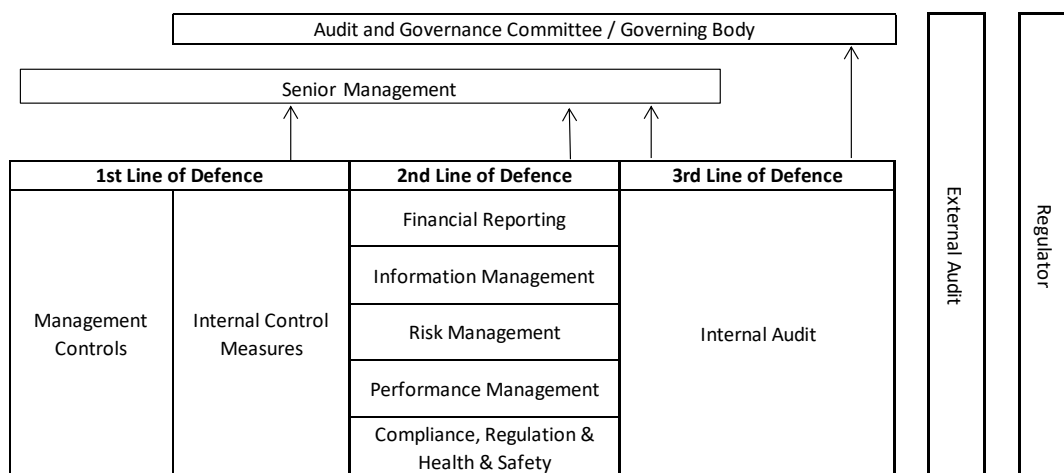- policy making and review
- project management

11. Guidance and Assistance

The Chief Executive Office, through the Head of Governance, Performance and Risk and the Performance and Risk Team, will promote and monitor good practice, provide guidance, support, advice and information and organise training. There is also a Risk Management eLearning module available on the Staff Room Page of the intranet within the Learning Zone.

12. Corporate Governance and Integrated Assurance

Integrated Assurance has resulted in risk management being formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of corporate governance. The Three Lines of Defence Model is used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to

achieve effective governance and integrated assurance. The diagram below shows the relationship between these functions:-

Audit and Governance Committee / Governing Body				External Audit	Regulator
Senior Management					
1st Line of Defence		**2nd Line of Defence**	**3rd Line of Defence**		
Management Controls	Internal Control Measures	Financial Reporting	Internal Audit		
		Information Management			
		Risk Management			
		Performance Management			
		Compliance, Regulation & Health & Safety			

First Line of Defence – Management Controls and Internal Control Measures

Line managers are responsible for ensuring that a risk and control environment is established as part of day to day operations. Line management should be adequately skilled to create risk definitions and make risk assessments. The risk profile needs to be proactively reviewed, updated and modified for changes to the business environment and emerging risk changes. Active risk management and periodic reporting on risk is crucial to quick identification and response.

The first line of defence provides management assurance by identifying risks and business improvement actions, implementing controls and reporting on progress.

Second Line of Defence – Oversight Functions

The second line of defence consists of activities covered by several components of internal governance. This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information across the organisation. These are usually management functions that may have some degree of objectivity, but are not entirely independent from the first line.

Third Line of Defence – Internal Audit

Internal audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the council's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives.

Financial Reporting

Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every member, committee, school governing body, department, officer, partner, employee of the Council, and anyone acting on behalf of the Council. The Responsible Finance Officer (Section 151 Officer) carries out the statutory duties in relation to the financial administration and stewardship of the Council. Departmental finance managers are required to bring the Responsible Finance Officer's attention to any section 151 issue they are unable to resolve.

Information Management

Like its people, information is a key Council asset. Information management is how our information is collected, used, evaluated, protected and distributed. Information must be obtained, handled, retained and disposed of in line with organisation guidelines.

Information practices must help to improve the efficiency of the services offered by the Council.

Performance Management

Managing employee or system performance and aligning their objectives facilitates the effective delivery of strategic and operational goals and maintains transparency. Effective performance management by using performance indicators to monitor performance of action plans and risk mitigation can also provide an early warning indicator so that issues can be resolved before they become a risk to the achievement of objectives.

Compliance, Regulation and Health and Safety

Adequate compliance monitoring is required in order to ensure we are working within applicable laws and regulations in areas such as health and safety, supply chain, business continuity, civil protection, statutory complaints, environmental, anti-fraud, legal, safeguarding, HR and equalities.

External Auditors and Regulators

External auditors and regulators reside outside of the Council structure but have an important role in the overall governance and control structure by providing an independent and objective function to assess the whole, or some part of the first, second or third line of defence.

Audit and Governance Committee

All three lines of defence have specific tasks in the internal control governance framework. It is the Audit and Governance Committee's role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes, as well as internal audit activities.

13. Roles and Responsibilities

Cabinet

- Approve the Council's Risk and Opportunity Management Strategy

Cabinet Member for Finance

- Receive and approve monitoring reports on the Strategic Risk and Opportunity Register

Corporate Risk Management Group/CMT

- Ensure the Council implements and manages risk effectively through the delivery of the Risk and Opportunity Management Strategy and consider risks affecting delivery of services

- Appoint a Senior Information Risk Officer (currently the Strategic Director of Customer and Corporate Services). This role also includes being the Senior Responsible Officer for overseeing the impact on the Council from the use of covert surveillance

- Ensure risk and opportunity management is considered by the Corporate Management Team Agenda on a quarterly basis

- Provide assurance to Members and the Audit and Governance Committee regarding risk and opportunity management compliance

- Be responsible for and monitor the Strategic Risk and Opportunity Register

- Receive and approve risk and opportunity management status reports from the Operational Risk Management Group

- Approve and monitor the progress and effectiveness of the Risk and Opportunity Management Strategy and Operational Risk Management Group

- Support the embedding of risk and opportunity management within the culture of the Council as an integral part of strategic/business planning, decision-making and performance management framework

- Approve risk and opportunity management monitoring reports to Members and the Audit and Governance Committee.

Lead Member and Officer for Risk and Opportunity Management

- The Cabinet Member for Finance and the Assistant Chief Executive act as Member and Officer risk champions respectively

- Ensure that the Council manages risk effectively through the development of a robust and comprehensive Risk and Opportunity Management Strategy.

Head of Governance, Performance and Risk / Performance and Risk Team

- Support the Council and its departments in the effective development, implementation and review of the Risk and Opportunity Management Strategy

- Share experiences across the Council and partners, promoting, facilitating and overseeing the arrangements for managing and monitoring of risk

- Provide training and guidance in risk and opportunity management

- Support the Corporate Risk Management Group

- Lead and direct the work of the Operational Risk Management Group.

Operational Risk Management Group

- Monitor, review and communicate information on operational and strategic risks within their directorate

- Ensure risk and opportunity management is embedded within departmental business plans.

- Review cross cutting operational issues

- Report to the Corporate Risk Management Group every three months for Strategic Risks and every six months for Operational Risks.

- Meet at least four times per year

Audit and Governance Committee

- Provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework.

Service Directors

- Take responsibility for the promotion of the Risk and Opportunity Management Strategy within their areas

- Ensure that operational risk and opportunity registers are managed, monitored, responded to and communicated effectively in their areas

- Ensure that risk and opportunity management is a key consideration in the delivery of the Council's priorities.

Managers

- Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives

- Support, assist and inform their Directorate Risk Champion on risk issues

- Include staff without direct responsibility for owning and managing risk in risk discussions to ensure teams identify potential risks associated with service delivery.

Programme and Project Managers

- Embed risk management, in line with the council's risk and opportunity management framework, within the programme/project lifecycle to support project definition, approval, change control, decision making and delivery

- Agree risk appetite with the programme/project board and the overall approach for managing and escalating risk

- Maintain a project/programme risk register aligned to programme/project objectives and outcomes

- Assign clear accountabilities for risk, including risk owners and risk action owners

- Put in early warning mechanisms

- Communicate clearly risks to stakeholders and ensure risk is comprehensively covered in project initiation documentation and monitoring reports

- Evaluate key themes and escalate risks to directors and senior managers where appropriate, and if the overall risk exposure is particularly serious, to either the directorate operational risk register or the council's strategic risk register

- Seek out expertise to help effectively identify and control risks

- Maintain records of historic and current risk register, forming an effective audit trail.

Risk Champions

- Risk Champions are colleagues who by virtue of his/ her expertise and authority champions a particular aspect of the risk management process, but who is not the risk owner.

- This is usually (not exclusively) an existing member of the management team within the Council. Risk Champions support the risk management process in specific allocated areas or functions.

- A Risk Champion has sufficient authority to drive risk management as required by the Councils risk management policy and strategy.

- Amongst others, a risk champion advocates for executive support to legitimize and sanction implementation of risk management.

- The Risk Champion should be able to show how risk management will help management meet the Councils objectives and better position the Council for the future, as well as how to communicate these benefits.

- Their overall benefit to the Council is to achieve and maintain a consistent cross corporate standard of risk recognition, mitigation practise and recognition across functions, the true level of Corporate Risk.

Risk Champions will -

- Attend Operational Risk Management Group meetings

- Promote, maintain and monitor risk and opportunity registers in line with risk and opportunity management/business planning guidance

- Support and provide guidance on the risk and opportunity management process in their department

- Promote and advise on the risk and opportunity management strategy

- Integrate and raise awareness of risk and opportunity management within their directorate.

Employees

- Assess and manage risks effectively in their job and report hazards/risks to their service managers
- Undertake their job within contractual, policy and statutory guidelines
- Consult with department Risk Champion as necessary.

Devon Audit Partnership

- Provide a risk based Audit Plan to monitor the effectiveness of internal controls and provide a trigger and action plan for management intervention
- Audit the Risk and Opportunity Management Strategy and processes
- Deliver professional counter fraud advice, guidance and investigatory work via its dedicated Counter Fraud Team.

Insurance

- Ensure appropriate risk-financing arrangements are in place to mitigate against identified insurable risks
- Work with the Corporate Risk Advisor to identify and control insurable risks effectively and economically.

Health, Safety and Wellbeing (HSW)

- Provide independent health and safety advice to the Operational Risk Management Group
- Ensure that risks threatening the health, safety and wellbeing of employees and other people using Council premises and services are escalated in real time via the HSW Steering Group
- Support the Council in managing and monitoring health and safety performance.

Civil Protection Team

- Assess, manage and monitor risks associated with civil emergencies
- Co-ordinate and advise on the production, maintenance and testing of a Business Continuity Management Plan for the council.