

## PLYMOUTH CITY COUNCIL

**Subject:** Risk Management – Revised Corporate Strategy  
**Committee:** Audit Committee  
**Date:** 13 December 2012  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Director for Corporate Services  
**Author:** Mike Hocking, Head of Corporate Risk and Insurance  
**Contact:** Tel: 01752 304967  
mike.hocking@plymouth.gov.uk  
**Ref:** CRM/MJH  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

This report is to advise Members of changes to the corporate risk management strategy following its annual review which has resulted in a recommendation that the strategy be renamed the *Risk and Opportunity Management Strategy*.

To support the delivery of the City's vision and to enable to provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of corporate governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

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.

The revised Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Risk and Opportunity Management Strategy outlines the objectives and benefits of managing risk and exploiting opportunities, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully.

The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk Registers and incorporate mitigation controls within action plans to include details of any opportunity that may arise from the successful management of each risk.

This Strategy requires Elected Members and employees alike to assist in, and take responsibility for the identification, control and reduction of risk and containment of cost in all aspects of their activities and areas of responsibility.

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.

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 organisation achieving its objectives.

**Corporate Plan 2012-2015:**

Risk Registers are aligned to Business Plan objectives which are in turn linked to the Corporate Plan and our four priorities. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land**

None arising specifically from this report but control measures identified in risk registers could have financial or resource implications.

**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

None arising specifically from this report but community safety and health and safety issues and risks are taken in to account in the preparation of risk registers.

**Recommendations & Reasons for recommended action:**

The Audit Committee is recommended to:

- Note and endorse the Risk & Opportunity Management Strategy 2012-2014.

**Alternative options considered and reasons for recommended action:**

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

**Background papers:**

- Operational Risk Management Group Minutes
- The Local Government Governance Review 2012 produced by Grant Thornton
- ALARM Opportunity Risk Management Guide
- Strategic and Operational Risk Registers and associated working papers
- Business Plan guidance and template 2012-2015
- Previous reports on risk management to Audit Committee

**Sign off:**

Fin		Leg	1619 6/DV S	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Tim Howes, Asst Director, Democracy and Governance											
Have you consulted the Cabinet Member(s) named on the report? Yes											

## **1. Introduction**

- 1.1** This report is to advise Members of changes to the corporate risk management strategy following its annual review which has resulted in a recommendation that the strategy be renamed the *Risk and Opportunity Management Strategy*.
- 1.2** To support the delivery of the City's vision and to enable to provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.
- 1.3** 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.
- 1.4** The revised Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Risk and Opportunity Management Strategy outlines the objectives and benefits of managing risk and exploiting opportunities, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully.
- 1.5** The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk Registers and incorporate mitigation controls within action plans to include details of any opportunity that may arise from the successful management of each risk.
- 1.6** This Strategy requires Elected Members and employees alike to assist in, and take responsibility for the identification, control and reduction of risk and containment of cost in all aspects of their activities and areas of responsibility.
- 1.7** 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.
- 1.8** 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 organisation achieving its objectives.
- 1.9** A copy of the revised strategy is attached to this report.

## **2. Background**

- 2.1** Nine years ago Plymouth City Council implemented its first risk management strategy which has been continuously reviewed each year and updated to ensure that it has remained fit for purpose.
- 2.2** Grant Thornton's Local Government Governance Review 2012 entitled "High Pressure System" recommended that Councils become more creative with the deployment of increasingly stretched resources and should enhance their risk management processes to

maximise opportunity rather than, as traditionally, minimise risk.

**2.3** The Institute of Risk Management (IRM) also carried out a review of opportunity risk management approaches and concluded that:

- attention to opportunity risk ensures critical new ideas and challenges are properly considered and raises the focus from day-to-day operational issues
- a move to opportunity risk helps broaden the perception of risk and supports a more dynamic, entrepreneurial business culture
- a change in approach challenges existing mind-sets and improves decision making, while aligning the risk management and business planning processes.

### **Risk and Opportunity Management Strategy**

**3.1** The concept of Opportunity Risk Management is that if only threat risks are managed, i.e. the things that might make the situation worse or go negatively to plan, then the best outcome that can be expected is to meet the promised objectives but never improve upon them. If an organisation wants to deliver projects early or under budget or increase programme benefits then it must seek out and exploit the opportunity risks, that is the things that will, if they occur, make things better.

**3.2** In reviewing the strategy consultation has been undertaken with a range of stakeholders, including the Council's risk management advisors, Gallagher Heath, operational managers and departmental Risk Champions and the revised strategy was approved by the Corporate Management Team on 4<sup>th</sup> December 2012.

**3.3** A revised Risk Register Template was piloted in Finance, Efficiencies, Technology and Assets in conjunction with the draft Risk and Opportunity Management Strategy and was well received by officers who welcomed the new approach that enabled them to include details of any opportunity that may arise from the successful management of risk and focus more on the positive outcomes.

**3.4** The major changes that have been made to the strategy are listed below:

- Page 8 : Revised Policy Statement and Aims and Objectives to include Opportunity risk.
- Page 9 : Risk Description – Guidance for describing risks and opportunities in a structured format with typical phrasing under the headings of Cause, Event and Effect.
- Page 10 : Opportunity Response – Description of the four basic ways of treating opportunity risks either by Enhancing, Ignoring, Sharing or Exploiting.
- Page 19 : Opportunity Risk Assessment – Guidance definitions for assessing the likelihood and impact of opportunity risks.

**3.5** The Risk and Opportunity Management Strategy will continue to be subject to annual review to ensure it remains up to date.

## **4. Conclusion**

**4.1** The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.

- 4.2** The Council recognises that it is operating in a climate of unprecedented financial pressure and that it therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.
- 4.3** The approach to risk and opportunity management now being proposed is focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business and Delivery Plans as well as exploiting any opportunities arising out of the successful management of risk – this in turn should in time impact positively on outcomes for service users and, as the process becomes fully implemented as a routine business practice, will go a long way towards meeting the risk management requirements of effective corporate governance in line with external inspection and stakeholder expectations. It should also contribute to reducing the Council's overall budget deficit and to meeting the challenges of the current financial climate.
- 4.4** One of the responsibilities of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.
- 4.5** The revised Risk and Opportunity Management Strategy will provide a new framework for identifying threats or risks that now includes a more outcome focussed approach that exploits and maximises the positive benefits of managing risk.

## **5. Recommendation**

- 5.1** Members of the Audit Committee are invited to note and endorse the Risk & Opportunity Management Strategy 2012-2014.