RISK AND OPPORTUNITY MANAGEMENT STRATEGY 2018-2020

PLYMOUTH
CITY COUNCIL

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EXECUTIVE SUMMARY

We live in very challenging times, but also one that provides us with real opportunities. We are a big, complex organisation, but one that needs to be continuously looking at how it can be more efficient and customer focused. Risk and Opportunity Management is both a statutory requirement and an indispensable element of 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 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. Risk and opportunity management therefore needs to be taken into the heart of the Council and our key partners. 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 but instead 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. Risks will be monitored every 6 months and findings 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 Tudor Evans (OBE)   Tracey Lee   Giles Perritt
Leader of the 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 organisation 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 and how well they are executed. As such, they are key matters for our Corporate Management Team and impinge on the whole organisation, rather than just an isolated department. 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. Operational risks should link to each service area's Business Plan/Performance Framework or Partnership Plan - high level documents that bring key information together in one place and demonstrates the service's focus on council and city priorities. 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

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 will 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 under the direction of the Oversight and Governance Manager, 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.

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 and threats 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 its 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 strategic, service, information use, financial and project planning and policy making

- 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

- Anticipate and respond to changing external and internal environment

- Embed risk and opportunity management as an integral part of delivering and aligning successful partnerships

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. Embedding Risk and Opportunity Management

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

Each Directorate has an officer appointed as Risk Champion who is trained to advice 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

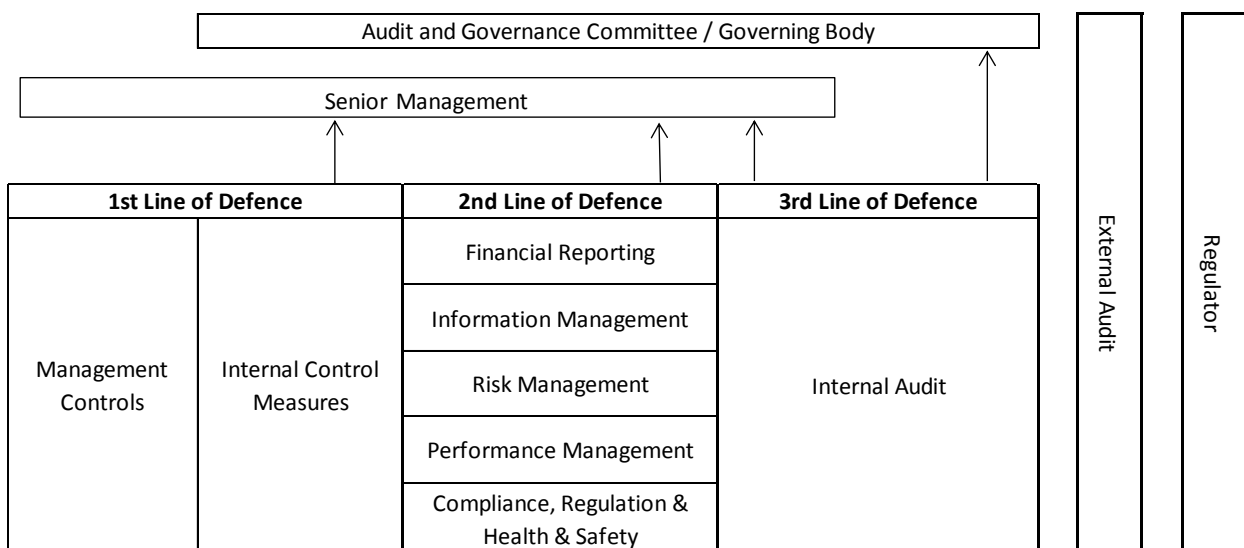- information quality and use

- financial planning

- policy making and review
- project management

6. Guidance and Assistance

The Chief Executive Office, through the Oversight and Governance Manager and Corporate Risk Advisor, 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 Staffroom Page of the intranet within the Learning Zone.

7. Corporate Governance

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 management 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 up and down 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 KPI metrics 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 & 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 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's Role

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.

8. Framework

The Council maintains two different 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
- Potential for internal and external fraud
- 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 of the Corporate Risk Management Group and maintained by the Corporate Risk Advisor and Operational Registers are maintained by the relevant Department's Risk Champion.

9. Risk and Opportunity Identification

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 such as department business plans, project plans or partnership agreements. There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people and damage to reputation. Opportunities can arise from areas within the organisation and externally. Internal sources of opportunity include how the authority structures itself, partnerships with other entities, operational changes and technological innovation. External sources of opportunity include changes to political, legal, social and environmental forces.

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):-

Compliance, Regulation and Safeguarding	• Legislation and internal policies/regulations • 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 & Safety • Information security, retention accuracy • ICT integrity, 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 & Regeneration	• Demographics
	• 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.

10. 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 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 ….

11. Risk Analysis

Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:-

The probability of an event occurring – "likelihood", and the potential outcome of the consequences should such an event occur – "impact". Managers will assess each element of the judgement and determine the score. The tables below give the scores and indicative definitions for each element of the risk ranking process:-

Risk Likelihood (Probability)

Score	Likelihood	Threat / Risk
5	Almost Certain (80-100%)	Is expected to occur in most circumstances
		Will undoubtedly happen, possibly frequently e.g. Annually or more frequently
		Imminent/near miss
4	Likely (50-80%)	Will probably occur in many circumstances
		Will probably happen, but not a persistent issue e.g. Once in 3 years
		Has happened in the past
3	Possible (25-50%)	Could occur in certain circumstances
		May happen occasionally, e.g. Once in 10 years
		Has happened elsewhere
2	Unlikely (10-25%)	May occur only in exceptional circumstances
		Not expected to happen, but is possible e.g. Once in 25 years
		Not known in this activity
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 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
		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
		Total project budget in excess of £5,000,000
		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
		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
		Relatively large budget £1M - £5M
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
		Medical treatment required, semi-permanent harm up to 1 year
		Some adverse publicity, needs careful public relations
		High potential for complaint, litigation possible
		Breaches of law punishable by fines only
		Budget between £500k - £1M

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. However, 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 HOS level
		First aid treatment, non-permanent harm up to 1 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. However, 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 SAC level
		No obvious harm/injury
		Unlikely to cause any adverse publicity, internal only
		Breaches of local procedures/standards
		Budget within delegation and relatively small or within operational costs

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix (shown below), which assists in determining the risk priority and the amount of attention it deserves.

12. Risk Matrix Table

Likelihood / Probability	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
		Impact / Severity				

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (No risk)	1 - 5	Remove from register

13. 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 organisations 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 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. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance, regulation, safeguarding and reputation risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic and business objectives as illustrated in the diagram and statements below:-

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

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

Risk Appetite Scale Definitions	
Extensive management essential	Escalate to Strategic Risk Register – Monthly review at Senior Management Team level – formal review at Corporate Management Team level every 6 months Consider use of KPI metrics to monitor performance of action plans and risk mitigation.
Considerable management required	Consider escalation to Strategic Risk Register – Monthly review at Department Management Team level – formal review at Corporate Management Team level every 6 months; Consider use of KPI metrics to monitor performance of action plans and risk mitigation.
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) – formal review at Corporate Management Team level every 6 months Consider use of KPI metrics to monitor performance of action plans and risk mitigation.
Management effort worthwhile	Add to operational risk register and review quarterly at Department Management Team level – formal review at Corporate Management Team level every 6 months; Consider use of KPI metrics to monitor performance of action plans and risk mitigation.
Manage and monitor	Add to operational risk register - formal review every 6 months.
Accept but monitor	Can be managed locally within Team but consider adding to risk register if controls are likely to change;
Accept	Can be managed locally within Team.

Risk Classifications

Compliance, Regulation & Safeguarding – (Lower appetite for risk) The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service Delivery – (Higher appetite for risk) The Council and 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. All schemes must be fully financed and approved by the Capital Delivery Board. Finance managers 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 & 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 before developments are authorised.

People & Culture – (Higher appetite for risk) The Council recognises that staff are critical to achieving its objectives and therefore the support and development 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 statement 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

14.   Risk and Opportunity Response

Response	Risk Examples (not exhaustive list)
Terminate/Avoid – The risk is avoided by process changes which bypass the risk or deciding where possible not to continue with the activity in view of the level of risk involved.	Some political risks e.g. adverse public opinion. Some technical/operational/infrastructure risks e.g. maintenance problems. Legal and regulatory risks e.g. regulatory controls, licensing requirements.
Transfer – Some or all of the risk is transferred to a third party e.g. insurance.	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.
Treat/Reduce – Action is taken to reduce either the likelihood of the risk occurring or the impact that it will have, if cost effective.	The most frequently used response to risk. Widely applicable – Technical/Operational/Infrastructure e.g. negligence,

Consider use of KPI metrics to monitor progress of risk treatment action plans.	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.

Description/Example	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 an associated costs and a budget should be set aside in the business case to cover this.	

15. Monitoring Arrangements for Key Risks

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 risk matrix table. 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 6 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 six months by departmental risk champions in consultation with senior managers and lead officers.

Monitoring reports are presented for approval to the Corporate Risk Management Group prior to final ratification by the Audit and Governance Committee. Operational red risks may be referred to the Overview and Scrutiny Management Board.

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?)

16. Roles and Responsibilities

Cabinet Members

- Approve the Council's Risk and Opportunity Management Strategy
- Receive and approve monitoring reports on the Strategic Risk and Opportunity Register and an annual Risk and Opportunity Management report

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 for Transformation and Change) 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 Management Team Agenda on a quarterly basis
- Provide assurance to Members and 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 Audit and Governance Committee

Lead Member and Officer for Risk and Opportunity Management

- The Cabinet Member for Finance and the Assistant Chief Executive will act as Member and Officer risk champions
- Ensure that the Council manages risk effectively through the development of a robust and comprehensive Risk and Opportunity Management Strategy

Oversight and Governance Manager

- 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 (ORMG)

- 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 Corporate Risk Management Group every six months
- Meet at least four times per year
- Receive, consider and approve bids for financial assistance towards risk reduction initiatives

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

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

Risk Champions

- Attend Operational Risk Management Group meetings
- Co-ordinate, present and monitor bids against the Risk Management Fund
- 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

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

- 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.