



Risk and Opportunity Management Policy

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Summary

1. This policy is part of the corporate governance policy framework underpinning the Council's Strategic Plan, and sets out how the Council will ensure that risks are effectively managed and opportunities exploited to deliver strategic priorities for the town.
2. The following sections outline:
 - the purpose of this policy;
 - definitions;
 - scope;
 - the legislative and regulatory framework;
 - policy statement;
 - roles and responsibilities;
 - supporting policies, procedures and standards; and
 - monitoring and review arrangements.

Purpose

3. The purpose of this policy is to set out a corporate approach to risk and opportunity management to ensure there is an effective, consistent and joined-up approach across the organisation.
4. This will deliver the following benefits:
 - ensure that proactive risk and opportunity management is embedded within the culture of the Council, and is integral to the business planning and performance management;
 - ensure that the risk and opportunity management cycle and associated processes are implemented consistently and proportionately across the Council; and
 - communicate the Council's approach to risk and opportunity management to all employees and stakeholders.
5. Effective implementation of the policy will significantly enhance prospects of delivering the Council's strategic, tactical and operational objectives; continuous improvement in service delivery and continued compliance with legislation and the principles of good governance.

Definitions

Corporate governance	The systems, processes and values by which local authorities operate and by which they engage with, and are held accountable to, their communities and stakeholders.
Issue	An event that <i>has</i> occurred and should be addressed (as opposed to a risk, which has not yet, or may not, occur).
Risk	The likelihood of an event occurring and its impact.
• Compliance risks	Risks relating to the contravention of legal duties.
• Hazards	Risks relating to health and safety and emergency planning.
• Operational risks	Risks arising from the day-to-day operation of services.
• PPM risks	Risks arising from the programme or project environment.

• Strategic risks	Risks to the Council's strategic objectives.
Opportunity	Positive risk, which if exploited could enhance the delivery of organisational objectives.
Risk analysis	A systematic use of available information to determine risk likelihood and impact.
Risk appetite	The amount of risk the Council is willing to accept.
Risk impact	The effect or influence of one person, thing or action on another should the risk materialise.
Risk likelihood	A measure of how likely it is that some event will occur in a given time.
Risk and opportunity management	The practice of identifying, analysing and controlling risks and opportunities in the most effective manner.
Risk matrix	A model which visibly displays the relationship between risk likelihood and impact.
Risk maturity	The effectiveness of the organisation's risk and opportunity management.
Risk mitigation	The process by which an organisation introduces specific measure to address risks outside of its appetite.
• Risk Terminate (Avoidance)	A risk response that seeks to eliminate a threat by ceasing to carry out the activity concerned.
• Risk Transfer	A response whereby a third party takes on responsibility for an aspect of the risk.
• Risk Treatment	A response that seeks to reduce the probability and / or impact of the risk.
• Risk Tolerate	A response that means the organisations takes the chance the risk will occur.
Risk profile	A summary of identified risks and assessment of their seriousness.
Risk proximity	How far away in time a risk may occur if it materialises.
Risk registers	Working documents that record and quantify risks, assess them and set out mitigation.

Scope

6. This policy applies to all employees (both permanent and temporary), contractors and consultants working for or on behalf of the Council.
7. In respect of partnerships and shared services, the risk and opportunity management policy of the lead organisation will apply. Where this is not the Council, managers must ensure that arrangements are in line with the key principles of this policy.

Legislative and regulatory framework

8. Key elements of the legislative and regulatory framework relevant to risk management are set out below.

Civil Contingencies Act 2004	Requires the Council to have risk arrangements in place to manage the risk of emergencies occurring and impacting on the public.
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Local Government Act 1999	General requirement to achieve value for money. The effective management of risk and opportunity reduces unnecessary expenditure and increases the likelihood of delivering organisational priorities.
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Policy statement

9. The Council has established a clear risk appetite statement, that:

- sets out the amount and type of risk it is willing to seek or accept in the pursuit of its strategic objectives;
- ensures that the risks it is exposed to are proportionate to the opportunity / reward to be gained;
- staff understand how to judge which risks are acceptable, and which are not;
- the response to risks is proportionate, avoiding over the top or lax reactions to risk; and
- appropriate escalation where the Council’s appetite for risk is exceeded.

10. The risk appetite is the cornerstone of risk management within the Council and provides a framework for informed decision-making. It will be reviewed annually by the Leadership Team.

11. The Council’s risk appetite is illustrated via the below risk matrix. Guidance on the use of this matrix, and all associated risk management activity, is set out in the manager’s risk management toolkit.

Likelihood (Probability)	Almost Certain >80%	5	Low (5)	Medium (10)	High (15)	High (25)	High (35)
	Likely 51% - 80%	4	Low (4)	Medium (8)	High (12)	High (20)	High (28)
	Possible 21% - 50%	3	Low (3)	Medium (6)	Medium (9)	High (15)	High (21)
	Unlikely 6- 20%	2	Low (2)	Low (4)	Medium (6)	Medium (10)	High (14)
	Rare <6%	1	Low (1)	Low (2)	Low (3)	Low (5)	Medium (7)
			1	2	3	5	7
			Insignificant	Minor	Moderate	Major	Extreme
			Impact				

12. In summary, the appetite is:

- Any current RED risks (with a current score of above 12 on the Council’s risk matrix) must be wherever possible managed down to the lowest practicable level immediately.

- Any current AMBER risks (with a current score of 6-10) must be wherever possible managed down to the lowest practicable level within three months.
- Any current GREEN risks are accepted and no specific action is required.

13. Subject to the above:

- At least 80% of employee objectives (as set out in appraisals) must be achieved annually.
- At least 90% of business plan objectives must be achieved annually.
- Programmes and projects must be managed within 5% tolerance.
- At least 90% of risk mitigation plans must be achieved annually.
- At least 75% of key performance targets must be achieved annually.
- Budgets must be managed within 5% tolerance

14. In addition to adverse risk, there are occasions when there are opportunities to exploit an issue to have a positive impact on the Council's strategic priorities. The Council's appetite for opportunity is illustrated in the matrix below, using the same thresholds as those used for risk scoring:

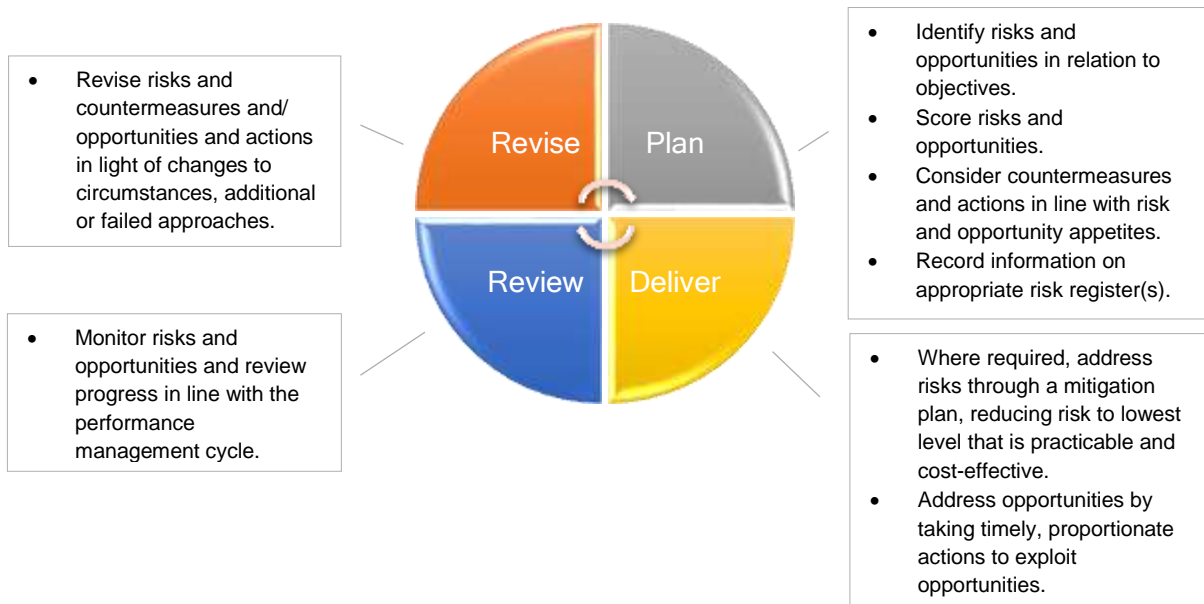
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			1	2	3	5	7
			Minimal	Minor	Moderate	Major	Maximum
			Impact				

Risk and opportunity management cycle

15. The Council's risk and opportunity management cycle is based on the best practice outlined in A Risk Management Standard (IRM/AIRMIC/ALARM: 2002), ISO31000 Risk Management principles and guidelines, and other associated documents.

16. There is a clear similarity between the objectives and core processes of risk and performance management, which can essentially be viewed as two sides of the same coin. Both systems support the achievement of the Council's strategic objectives, with performance management identifying and monitoring what is required to achieve objectives, and risk management addressing those hazards that may occur to prevent this.

17. As such the Council's risk and opportunity management cycle supports, and is integrated within the Council's performance management cycle, with all risks and opportunities being identified, reviewed and mitigated or exploited through the Council's performance management processes. The key elements of the cycle are set out in the following graphic:



18. The Strategic Risk Register sets out risks and opportunities to the Council's strategic objectives and appropriate countermeasures.

19. As for business plans, risk and opportunity registers will also be developed, managed and reviewed on at least a quarterly basis at the three most senior management levels of the organisation:

- Departmental (owned by Executive Directors)
- Directorate (owned by Directors)
- Service (owned by Heads of Service).

20. In addition, separate registers will be maintained for programmes and projects and for specific types of risk such as health and safety and information governance.

21. The more volatile the risk or opportunity, the more closely it must be monitored and managed. Managers are responsible for identifying and recording the countermeasures / actions require to address risks and opportunities and maintaining those details within the Council's risk management solution. Countermeasures to risk will include actions to terminate, transfer, treat or tolerate the risk. Actions in relation to opportunity will include exploitation (fully or partially) or avoidance.

22. When, following review, risk or opportunity scores move outside of the Council's appetites, or where controls have failed, or are no longer effective in reducing a risk or exploiting an opportunity as intended, this must be escalated by the risk or opportunity owner to the next level of management as soon as possible and appropriate mitigation plans put in place to ensure that the risk or opportunity complies with the Council's appetites as soon as practicable.

Roles and Responsibilities

The Mayor and Executive	Overall responsibility for effective risk management, including agreeing the Council's Risk and Opportunity Management Policy, and ensuring that both it and the Council's strategic risk register are monitored and reviewed regularly.
Corporate Affairs and Audit Committee	Review the effectiveness of risk and opportunity management and receive an annual assurance report on progress being made. The committee will receive periodic reports on specific risks and opportunities within the Strategic Risk Register to provide assurance around governance arrangements.
Elected members	Ensure that risks and opportunities are being identified and effectively managed, and scrutinise the Executive's decisions to ensure that they meet the requirements of this policy.
Chief Executive and Leadership Team	Lead, coordinate and champion effective risk and opportunity management across the Council, ensuring that the Council fully complies with all corporate governance requirements; regularly review the Council's risk appetite and strategic risk register, utilising the Council's risk management solution to do so.
Executive Directors	Own and manage departmental risk and opportunity registers, and ensure that compliance with this policy is embedded within department and directorates, utilising the Council's risk management solution to do so.
Directors	Ensure that risk management is implemented within the directorate in line with this policy, own and manage directorate risk and opportunity registers, utilising the Council's risk management solution to do so.
Senior Information Risk Owner (SIRO)	Responsible for the overall management of information risk within the Council, advising the Chief Executive, management team and Information Asset Owners, and ensuring that staff training is available and fit-for-purpose.
Information Strategy Group	Operational group of key officers led by the SIRO responsible for implementing the Information Strategy, in conjunction with Information Asset Owners (Heads of Service).
Risk Management Group	Group of senior officers responsible for ensuring the Council has in place an approach to risk and opportunity management that complies with this policy. The group has reporting lines to enable risks in relation to this policy and other issues to be escalated by the SIRO and other risk owners to be considered as necessary.
Strategy, Information and Governance Service	Provides guidance and coordinates the Council's approach to risk and opportunity management, maintaining oversight over all risk registers.

Internal Audit	Ensures that internal controls are robust and operating correctly, audits the key elements of the risk management process and ensures that risk work undertaken across the Council informs the overall audit plan.
Heads of Service	Adopt a risk-based approach to service planning, own and manage service risk and opportunity registers, utilising the Council's risk management solution to do so.
Middle Managers	Adopt a risk-based approach to service planning, own and manage team risk registers, utilising the Council's risk management solution to do so.
Frontline Managers	Adopt a risk-based approach to service planning, manage day-to-day risks, utilising the Council's risk management solution to do so.
All employees	Understand the level of personal performance that is expected and deliver on this. Ensure data is entered accurately and in a timely manner.
Programme Managers	Ensure that programmes are managed within established tolerances for acceptable risk and that programme boards take ownership of and manage programme risk registers.
Project Managers	Ensure the projects are managed within established risk tolerances, manage the project risk register, and facilitate appropriate escalation and de-escalation of risks between programme and project risk registers.

Supporting policies, procedures and standards

23. The following policies, procedures and standards will be implemented across the Council to support effective risk and opportunity management.

Information Governance Framework	Sets out a framework for effective information governance within the Council, meeting all legal obligations and underpinning the achievement of strategic objectives.
Manage your Risks – Pentana User Guide	Guidance on how risks and opportunities are stored and updated within risk software.
Opportunity impact matrix guidance	Guidance that provides parameters for the scoring of opportunities to ensure consistency across the organisation.
Opportunity Profile Form	Form utilised for profiling and collecting data on opportunity.
Risk impact matrix guidance	Guidance that provides parameters for the scoring of risks to ensure consistency across the organisation.
Risk Profile Form	Form utilised for profiling and collecting data on risk.
Partnership Governance Policy	Sets out the Council's approach to developing and managing partnerships to ensure that their contribution to strategic aims and priorities are maximised.

Performance Management Policy	Sets out how the Council will ensure that performance is effectively managed to deliver strategic priorities for the town.
Project and Programme Management Policy	Sets out how the Council will manage its portfolio of programmes and projects to ensure delivery to scope, cost, time and quality.
Project and Programme Management Framework	Provides more detailed guidance and templates to be used within the life cycle of programmes and projects.
Project Risk Guide	Guidance on the PPM framework and standard project risks.
Project and Programme Management risk impact matrix	Sets out guidance on risk and opportunity scoring within the PPM environment to ensure consistency and appropriate escalation.

Monitoring and review arrangements

24. The Council's expectations around risk and opportunity management are clearly set out within its corporate values and associated competency frameworks. All managers and employees are required to comply with this risk and opportunity management policy to ensure that the Council effectively manages risks and exploits opportunities in pursuit of its strategic objectives. Managers and employees will be provided with a range of resources, and where appropriate, training, to support the effective implementation of this policy.
25. An annual assurance report on the Council's risk and opportunity management arrangements will be submitted to Corporate Audit and Affairs Committee. This will be supported by a targeted internal audits as appropriate, which will be listed in the Council's annual audit plan.
26. The SIRO and other risk owners will provide a quarterly updates to the Council's Risk Management Group, and annual reports to management team and Corporate Audit and Affairs Committee.
27. The implementation and effectiveness of this policy and its supporting procedures will be reviewed on a quarterly, using the following metrics:
- availability of registers against corporate profile and timetable;
 - availability of information to support regular tracking;
 - completion rate of regular tracking;
 - the proportion of risk mitigation plans achieved annually;
 - effectiveness of mitigations in delivering targeted risk scores; and
 - the number of risks that become live issues for the organisation.
28. This policy will be reviewed every three years, unless there is significant development that would require a more urgent review e.g. new legislation.