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Risk and Opportunity Management Policy

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Summary

1. This policy forms part of Middlesbrough Council's corporate governance framework and establishes a mandatory, organisation-wide approach to the identification, assessment, management, escalation and monitoring of risks and opportunities. It ensures that risk and opportunity management:

- Supports delivery of the Council Plan and strategic priorities
- Enables informed decision-making and resource allocation
- Strengthens organisational resilience and accountability
- Aligns with the Enterprise Risk Management Framework, the Orange Book and ISO 31000.

2. This Policy is supported by the Enterprise Risk Management (ERM) Framework, which sets out the practical arrangements, tools and architecture required for implementation. Where any ambiguity arises, this Policy takes precedence.

3. 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

4. The purpose of this policy is to:

- Establish a consistent, structured and mandatory approach to risk and opportunity management;
- Define the Council's risk governance system and expectations;
- Embed a risk-aware culture that supports innovation and accountability;
- Ensure risks and opportunities are managed within defined risk appetite and tolerance levels;
- Support compliance with statutory obligations and recognised standards.
- Ensure that all risks and opportunities include consideration of their actual or potential impact on individuals and communities, including those with protected characteristics, in line with the Public Sector Equality Duty.

5. The policy will deliver the following benefits:

- embed proactive risk and opportunity management within the culture of the Council, making it integral to business planning, decision-making and performance management;
- ensure that the risk and opportunity management cycle and associated processes are implemented consistently and proportionately across the Council;

- clearly communicate the Council's approach to risk and opportunity management to employees, Members and other stakeholders; and
- ensure that potential disproportionate impacts on individuals and communities, including those with protected characteristics, are proactively identified and assessed, with Equality Impact Assessments informing decision-making, mitigating risk, and driving improved, inclusive outcomes.

6. Effective implementation of this policy will enhance the Council's ability to deliver its strategic, tactical and operational objectives, support continuous improvement in service delivery, and ensure ongoing compliance with legislation and the principles of good governance.

Risk Management Principles

7. Middlesbrough Council adopts the principles of effective risk management as set out in ISO 31000, ensuring that risk management is integrated, structured, and embedded across all organisational activities. Risk management supports the delivery of strategic objectives by creating and protecting value, improving decision-making, and strengthening resilience. The Council's approach to risk management is:
   - **Integrated** – embedded within governance, planning, performance management and decision-making processes across all levels of the organisation.
   - **Structured and comprehensive** – applying a consistent approach through the Enterprise Risk Management Framework to ensure comparability and informed oversight.
   - **Customised** – aligned to the Council's external environment, statutory responsibilities and strategic priorities.
   - **Inclusive** – engaging stakeholders, including Members, officers, partners and communities where appropriate, to ensure diverse perspectives inform risk identification and management.
   - **Dynamic** – responsive to change, recognising that risks and opportunities evolve over time and require regular review.
   - **Based on best available information** – drawing on data, experience, intelligence and expert judgement, while recognising limitations and uncertainty.
   - **Supportive of continual improvement** – strengthening organisational learning through monitoring, review and maturity development.

8. These principles underpin both this Policy and the Enterprise Risk Management Framework and guide how risk and opportunity management is applied in practice.

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 *has* occurred and should be addressed (as opposed to a risk, which has not yet, or may not, occur).

Risk	The effect of uncertainty on objectives.
• **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 and its posture for treating those risks.
Risk impact	The effect a risk would have if its occurred.
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 and provides a guide for scoring of risks to ensure consistency.
Risk maturity	The effectiveness of the organisation's risk and opportunity management.
Risk mitigation	The process by which an organisation introduces specific measures 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

9. This policy applies to:
   - All employees, elected members, contractors and partners
   - All Council activities, including:
     - Strategic planning;
     - Service delivery;
     - Programme and project management;
     - Partnerships and commissioned services.

10. All risk and opportunity management activity must be undertaken in accordance with this Policy and the ERM Framework.

11. 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.

12. Where partnership arrangements apply, the Council must also ensure that equality and inclusion standards within those arrangements meet its own statutory obligations and risk management expectations, including compliance with the Public Sector Equality Duty.

13. The Council has in place a separate Partnership Governance Policy and supporting register of key partnerships and their governance arrangements.

Legislative and regulatory framework

14. 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.
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.

Public Sector Equality Duty (Equality Act 2010)	Requires the Council, in the exercise of its functions, to have due regard to the need to: • eliminate discrimination, harassment and victimisation • advance equality of opportunity between people who share a protected characteristic and those who do not • foster good relations between different groups

Policy statement

15. Middlesbrough Council is committed to managing risk across all levels of the organisation, adopting a proportionate approach to identifying, analysing, evaluating, and treating risks. This approach underpins the achievement of our strategic objectives and strengthens the quality and resilience of the services we deliver to our communities.
    We foster a culture that prioritises accountability over blame, ensuring that risks are actively managed rather than avoided.
    Our governance mapping policy reflects Middlesbrough Council's commitment to being a risk-informed organisation, where decisions are guided by a balanced understanding of risk, and where it is recognised that not all risks can be controlled to the same extent.
    This policy statement forms part of our Risk Management Strategy with the following subset of objectives:
    - 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 if 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.

16. 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.

17. The Council's risk appetite sets out the amount and type of risk it is willing to accept in pursuit of its strategic objectives, and provides a framework to support consistent, proportionate and risk-informed decision-making across the organisation.

18. Middlesbrough Council seeks to be a secure, resilient and forward-looking organisation, where risks are managed deliberately and proportionately, and where well-considered risk-taking is recognised as an enabler of innovation, improvement and value creation.

19. The Council has a low appetite for risks that threaten:

- the safety and wellbeing of people;
- compliance with legal and regulatory obligations;
- equality breaches, reputational damage from exclusion and community trust; and;
- the security of property, assets and information.

20. Strong controls are maintained in these areas and any significant exposure outside appetite must be escalated and addressed promptly.

21. The Council recognises that some financial, commercial and operational risk may be necessary to achieve significant improvements in service delivery, long-term sustainability and community outcomes. Such risks will be taken within a robust governance, legal and regulatory framework, supported by appropriate assurance and oversight.

22. Where risks are non-critical and within appetite, decision-making may be appropriately devolved to enable timely action, innovation and service improvement. Managers are expected to exercise professional judgement, supported by evidence, transparency and effective risk controls.

23. The Council's risk appetite is defined and applied through:
    - The corporate risk matrix and escalation thresholds;
    - The Risk Framework aligned to the Council's Principal Risks; and
    - Regular review by the Leadership Management Team.

24. The risk appetite will be reviewed at least annually, or more frequently where there are significant changes in the Council's operating environment, priorities or risk profile.

Risk Scoring and Assessment

25. Middlesbrough Council uses a consistent risk scoring approach based on the assessment of impact and likelihood, supported by defined descriptors and escalation thresholds.

26. Detailed guidance on risk scoring, including impact and likelihood definitions, scoring matrices, escalation thresholds, and review cycles, is set out in the Enterprise Risk Management Framework and associated Risk Management Toolkit.

27. All risks and opportunities must be assessed and managed in accordance with that Framework.

Risk Escalation and Tolerance

28. Risks are categorised using the Council's standard risk ratings of Low, Medium, High and Very High, based on combined impact and likelihood scoring as defined in the Enterprise Risk Management Framework.

29. High and Very High risks must be actively managed and escalated where they exceed the Council's risk appetite.

30. Medium risks must be managed to the lowest practicable level within an agreed timeframe.

31. Low risks are accepted and monitored through normal management arrangements.

32. Risk ratings may be summarised using colour-based indicators for reporting purposes; however, escalation and decision-making are driven by the underlying risk rating and appetite.

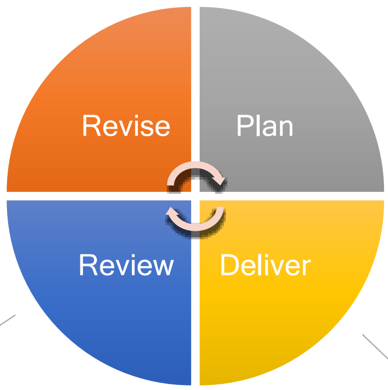
Risk and opportunity management cycle

33. 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.

34. 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.

35. 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:

- Revise risks and countermeasures and/ opportunities and actions in light of changes to circumstances, additional or failed approaches.



- Identify risks and opportunities in relation to objectives.
- Score risks and opportunities.
- Consider countermeasures and actions in line with risk and opportunity appetites.
- Record information on appropriate risk register(s).

- Monitor risks and opportunities and review progress in line with the performance management cycle.

- Where required, address risks through a mitigation plan, reducing risk to lowest level that is practicable and cost-effective.
- Address opportunities by taking timely, proportionate actions to exploit opportunities.

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

37. 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:

Level 1	Strategic Risks
Level 2	Directorate level risks
Level 3	Project/Programme level risks.

38. 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 required 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.

39. 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.
Audit Committee	Review the effectiveness of risk and opportunity management and receive a bi-annual assurance report on progress being made.
Elected members	Ensure that risks and opportunities are being identified and effectively managed. Scrutinise the Executive's decisions to ensure that they meet the requirements of this policy.
Chief Executive and Leadership Management 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.
Section 151 Officer	Supporting the effective governance of the authority through development of: • corporate governance arrangements, risk management and reporting frameworks • corporate decision making arrangements. The section 151 officer must ensure that financial and risk implications of policy initiatives have been analysed and appropriately addressed.
Monitoring Officer	Responsible for ensuring the Council operates within the law and in accordance with its Constitution, including: • maintaining and promoting high standards of conduct and lawful decision-making • ensuring that governance, decision-making, and risk management arrangements comply with statutory requirements

	• providing oversight that legal, ethical, and equality considerations are fully integrated into Council processes The Monitoring Officer plays a key role in ensuring that equality duties, including the Public Sector Equality Duty (Equality Act 2010), are embedded within risk and decision-making frameworks, so that potential impacts on protected groups are identified, assessed, and addressed.
Executive Director and Strategic Director	Own and manage Level 1 strategic risk register and ensure that the risk management framework is implemented within department and directorates
Corporate Directors	Own and manage Level 1 Strategic risk register and Level 2 Directorate risk registers and ensure that the risk management framework is implemented within department and directorates.
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.
Enterprise Risk Management Function (Risk and Health and Safety Manager)	Develops and maintains the council's risk management policy, fosters a risk-aware culture through training and building organisational understanding, and establishes internal risk frameworks. Coordinates risk management activities and prepares risk reports for senior leaders and committees.

Governance, Policy and Information 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	Own and manage Level 3 Project/Programme risk register and 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	Own and manage Level 3 Project risk register and 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.

Assurance Framework and Three Lines Model

40. Middlesbrough Council applies a structured approach to assurance through the Three Lines Model, as defined within the Enterprise Risk Management Framework and Governance and Assurance Mapping arrangements. This model supports a

clear distinction between risk ownership, oversight and independent assurance, strengthening accountability and transparency across the organisation.

- **First Line – Operational Management**
  Directorates, services and programme teams are responsible for identifying, assessing and managing risks and opportunities. This includes implementing controls, maintaining risk registers and providing assurance on the effectiveness of those controls through routine management activity.

- **Second Line – Oversight and Support Functions**
  Corporate functions, including governance, risk management, compliance and specialist risk disciplines, provide guidance, challenge and oversight. They establish frameworks, policies and methodologies, support consistent application of risk management, and monitor adherence to the Council's risk appetite and governance requirements.

- **Third Line – Independent Assurance**
  Internal Audit, supported where appropriate by external audit and regulatory inspection, provides independent assurance on the effectiveness of risk management, governance and internal control arrangements. This includes evaluating the adequacy of both first and second line activities.

41. This structured approach ensures that risks are managed at the appropriate level, with proportionate oversight and independent assurance, and that significant issues are escalated through established governance routes to the Leadership Management Team and Audit Committee.

Supporting policies, procedures and standards

42. 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 – Ideagen Risk Portal 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.

Emerging Risks and Horizon Scanning

43. In addition to the management of known risks, Middlesbrough Council recognises the importance of identifying and responding to emerging risks and opportunities. The Council will:
    - Undertake horizon scanning to identify new and evolving risks arising from changes in the external and internal environment.
    - Consider emerging risks as part of the regular review of strategic and directorate risk registers.
    - Draw on data, intelligence, professional networks and sector insight to inform risk identification.
    - Ensure that emerging risks are assessed, aligned to the Council's Principal Risk categories, and escalated where appropriate in line with the Enterprise Risk Management Framework.

44. This forward-looking approach strengthens organisational resilience and supports proactive decision-making.

Monitoring and review arrangements

45. 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.

46. A bi-annual assurance report on the Council's risk management arrangements will be submitted to Audit Committee. This will be supported by a targeted internal audit as appropriate, which will be listed in the Council's annual audit plan.

47. The SIRO and other risk owners will provide quarterly updates to the Council's Risk Management Group, and annual reports to management team and Audit Committee.

48. LMT will review the Councils strategic risks on a quarterly basis or more frequently where they are volatile and ensure that any risk whether it be negative or positive affecting the strategic objectives is reviewed and actioned where necessary.

49. Middlesbrough Council is committed to the continuous improvement of its risk management framework and practices. This will be achieved through:
    - Periodic risk maturity assessments to evaluate the effectiveness of the Council's approach.
    - Incorporating lessons learned from risk events, internal audit findings and assurance activities.
    - Ongoing review and refinement of the Enterprise Risk Management Framework, tools and guidance.
    - Investment in training and capability development to strengthen organisational understanding and application of risk management.

50. This approach ensures that risk management remains effective, proportionate and aligned to the Council's evolving priorities.

51. The implementation and effectiveness of this policy and its supporting procedures will be reviewed annually, using the following metrics:

    - Availability of registers against corporate profile;
    - Availability of information to support 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.

52. This policy will be reviewed every three years, unless there is significant development that would require a more urgent review e.g. new legislation.