Corporate Risk and Opportunity Management Strategy

Revised 15 June 2021

Section 1: Introduction

1.1 Policy Statement

1.1.1 The Council recognises that the delivery of effective risk and opportunity management is a vital activity that both underpins and forms part of our vision, values and priorities, including those of operating effectively and efficiently as well as providing confidence to our community. The Council will take all reasonable steps to ensure that the organisation is not unreasonably financially or operationally disrupted and that identified opportunities are realised.

1.1.2 The Council seeks to embed risk and opportunity management into its culture and throughout all processes, projects and decision making, including procurement and contracting which will ensure partnerships and third party relationships are fully compliant with this policy.

In implementing this, it is the corporate policy of the Council to:

1. Ensure that risks and opportunities are formally considered as part of all decision-making processes and projects.

2. Identify, measure and control those activities which have or may give rise to significant risk to the Council.

3. Identify, measure and enable those activities which have been identified as potential opportunities to be maximised

4. To consider, where appropriate insurance for those risks which cannot be avoided or reduced further where this is economically attractive or viable.

5. Ensure that strategic and service risk and opportunity registers are developed, maintained and reviewed.

6. Deliver effective officer and member scrutiny of risk and opportunity management.

7. To fully implement the Council's corporate risk and opportunity management strategy

1.2 An Overview of Risk and Opportunity Management

1.2.1 The purpose of this strategy is to outline the overall approach to risk and opportunity management for Mansfield District Council. It provides a comprehensive framework and process designed to support both Members and employees in delivering effective risk and opportunity management

1.2.2 Effective risk and opportunity management is essential for this Council to achieve its priorities, comply with its statutory responsibilities as stated in the Accounts and Audit Regulations 2015 and improve outcomes for the community. It also contributes to both effective service delivery and governance arrangements of the Council

1.2.3 Risk is defined by the Council as:

"The threat that an event or action will adversely affect the Council's ability to achieve its priorities; successfully deliver its approved strategies, perform its duties or meet the expectations of its stakeholders"

1.2.4 Conversely an opportunity will enhance the Council's ability to achieve and effectively deliver

1.2.5 The Council is aware that risks will always arise and that most risks cannot be fully eliminated, only managed to an acceptable level. Within this context, the Council is committed to managing risks in order to reduce the impact on the delivery of its priorities and services

1.2.6 Risk and opportunity management will be embedded within the daily operations of the Council, from strategy and policy formulation through to business planning, project management and general management processes. It will also be applied where the Council works in partnership with other organisations

1.2.7 Effective risk and opportunity management will enable decision makers to better evaluate the impact of a particular decision or action on the achievement of the Council's priorities

1.3 **Benefits of Effective Risk and Opportunity Management**

1.3.1 The integration of risk and opportunity management into the culture and working practices of the Council and its partnerships has numerous benefits, which include:

> - Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's vision and Corporate Plan priorities
> - Improved strategic, operational and financial management
> - Contributing to more efficient use / allocation of resources within the Council and its partners
> - Keeping the Council within the requirements of the law
> - Mitigation of key threats and taking advantage of key opportunities
> - Protecting and enhancing assets and image
> - Improving decision making, planning and prioritisation by comprehensive and structured understanding of activity and volatility
> - Promotion of innovation and change
> - Improved customer service delivery
> - Continuity of knowledge and information management processes

- ➢ Developing and supporting people
- ➢ Optimising operational efficiency and therefore delivering efficiency gains and value for money
- ➢ Satisfying stakeholder / partner expectations on the effectiveness of our internal control framework
- ➢ Better allocation of time and management effort to major issues

1.3.1 **<u>Strategy Objectives</u>**

1.3.2 The Council recognises that it has a responsibility to identify, evaluate and manage risks whilst still creating a fertile climate for innovation. It therefore supports a structured approach to risk and opportunity management through the implementation of this strategy, the key objectives of which are to:

- ➢ Raise awareness of the principles and benefits of effective risk and opportunity management with all those responsible for the delivery of Council services
- ➢ Comply with BS ISO 31000
- ➢ Embed risk and opportunity management as an integral part of strategic, service, financial and project planning and management
- ➢ Establish a standard systematic approach to risk and opportunity identification, analysis, control, monitoring and reporting
- ➢ Provide a robust and transparent framework, including responsibilities for managing risks and opportunities which will support decision making
- ➢ Anticipate and respond to changes in the external or internal environment
- ➢ Embed risk and opportunity management as an integral part of delivering and aligning successful partnerships

1.4 <u>BSI Standard 31000 – Enterprise Risk Management</u>

1.4.1 The Council will ensure that its risk management arrangements are fully compliant with the following principles stated in the Standard:

- ➢ Integrated
- ➢ Structured and comprehensive
- ➢ Customised
- ➢ Inclusive
- ➢ Dynamic
- ➢ Based on the best available information
- ➢ Recognises human and cultural factors
- ➢ Delivers continual improvement

1.6   Risk Appetite Statement

1.6.1   The Council is risk aware when making decisions and taking actions to achieve its Corporate Vision and priorities as contained in its "Making Mansfield: Towards 2030" strategy for transforming the Mansfield district and for providing services in support of this.

Where significant risk arises, the Council will take effective control action to reduce these risks to a safe level.

The Council will have areas where a higher level of risk will be taken such as in supporting innovation in service delivery. These will be offset by areas where it maintains a very cautious approach such as in matters of compliance with law, its governance arrangements and public confidence in the Council.

1.7   Risk Response

1.7.1   There are the following four basic ways of responding to risk:

Treat   Ensuring effectiveness of existing controls and implementing new controls or actions where considered necessary and cost effective

Transfer   Involves another party bearing or sharing the risk e.g. insurance

Tolerate   Where it is not possible to treat or transfer, consideration needs to be given to how the risk and consequences of such are to be managed should they occur

Terminate Deciding where possible not to continue with the activity in view of the level of risks involved
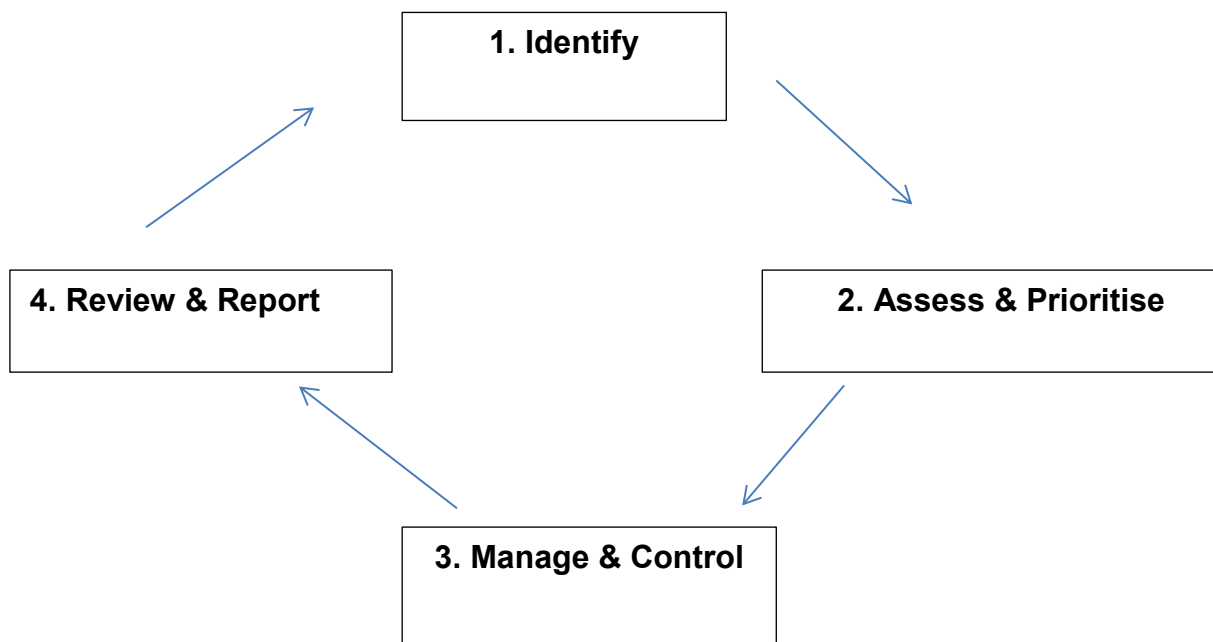
1.8   Opportunity Response

1.8.1   There are the following four basic ways of dealing with an opportunity:

Enhance   Seek to increase the likelihood and or the impact of the opportunity in order to maximise the benefit

Share   Seek a partner / stakeholder able to manage the opportunity which can maximise the likelihood of it happening and increase the potential benefits

Exploit   Seek to make the opportunity definitely happen by using aggressive measures to ensure the benefits from the opportunity are realised

Ignore   Minor opportunities can be ignored by adopting a reactive approach without taking any explicit actions

Section 2: Risk and Opportunity Management Processes

2.1 The Risk and Opportunity Management Framework

2.1.1 Risk and opportunity management follows the following four stage process:

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                          │   1. Identify    │
                          └──────────────────┘

┌──────────────────────┐                      ┌──────────────────────────┐
│ 4. Review & Report   │                      │ 2. Assess & Prioritise   │
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                    │  3. Manage & Control    │
                    └────────────────────────┘
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2.2 Identifying Risks and Opportunities

2.2.1 This is the process of determining the key risks and opportunities in relation to the achievement of the Council's priorities and delivery of its services

2.2.2 Risks and opportunities can generally be categorised as follows:

- ➢ **Legislative** – associated with current or potential changes in national law

- ➢ **Political** – associated with delivery of either national or local policies or commitments

- ➢ **Social** – relating to the effects of demographics, residential or socio-economic trends that impact on the Council's ability to deliver

- ➢ **Competitive** – relating to the competitiveness of the service in terms of cost or quality and / or its ability to deliver best value

- ➢ **Economic** – associated with meeting financial commitments including internal budgetary pressure or consequences of proposed investment decisions

- ➢ **Physical** – relating to fire security, accident prevention and health and safety

- ➢ **Environmental** – relating to areas such as energy efficiency, pollution control, recycling, landfill or emissions

- ➢ **Financial** – associated with financial planning and the adequacy of insurance cover

- ➢ **Contractual** – associated with delivery of services, supplies or projects by external contractors

- ➢ **Technological** – associated with the ability of the Council to use technology to address changing demands and also the consequences of inadequate or unreliable technology

- ➢ **Customer** – relating to meeting the current and changing needs and expectations of customers and stakeholders

- ➢ **Partnership** – associated with joint responsibility to deliver outcomes for the community

- ➢ **Workforce** – relating to the capacity, competence and motivation of employees to deliver services to the required standard

- ➢ **Professional** – associated with the particular nature of each profession in respect of providing advice or taking actions that could impact on the finances or reputation of the Council

2.3   Evaluating Strategic Risks & Opportunities

2.3.1   The Council's strategic risks and opportunities are recorded on the 'Pentana' system, along with the key controls to mitigate a risk and the key enablers to maximise an opportunity. These are weighted by significance.

2.3.2   Each strategic risk and opportunity is owned by a member of CLT

2.3.3   The effectiveness of the existing key controls and enablers is then assessed using the scoring mechanism and the outcome is compared to the pre-determined target score. An action plan is produced to address any shortfalls as appropriate and progress monitored as part of the performance management cycle

2.3.4   The assurance framework in respect of individual strategic risks and opportunities will be agreed with the relevant risk or opportunity owner

2.4   Assessing and Prioritising Risk for Decision Making

2.4.1 Once a risk has been identified (strategic, service or project), it needs to be assessed. The assessment process considers the likelihood that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised as not all risks represent equal significance to the Council

2.4.2 The Council uses a risk scoring matrix to work out the risk scores (likelihood x impact). This score helps to make decisions about the significance of risks to the Council, how they will be managed, the controls required and the treatment of risk

2.4.3 The tables below give the scores and indicative definitions for each element of the risk assessment process:

Likelihood

Score	Definition
1	Almost Impossible (< 5%)
2	Unlikely (5 – 35%)
3	Likely (36 – 75%)
4	Almost Certain (>75%)

Impact

Score	Definition
1	Low / Negligible e.g. • Minor service disruption • Minor injury • Minimal financial loss • Isolated complaints
2	Medium e.g. • Service disruption • Loss time injury • Moderate financial loss which can be accommodated from within existing budgets • Adverse local media coverage • Fail to achieve a service plan objective
3	High e.g. • Significant service disruption • Major / disabling injury • Major financial loss which will have a significant impact on the Council's Medium Term Financial Strategy • Adverse national media coverage • Fail to achieve Corporate Plan objective
4	Catastrophic e.g. • Total service loss for a significant period • Fatality to employee or service user • Severe financial loss with resources unlikely to be available • Government intervention in running services

2.4.4 Risks that are scored between 1 and 4 are considered to be Low, between 6 and 9 are Medium and between 12 and 16 are considered to be High

2.4.5 The risk scores can be plotted onto the risk matrix, see below, which assists in determining the risk priority and the attention required in accordance with the Risk Tolerance.

LIKELIHOOD		IMPACT 1	IMPACT 2	IMPACT 3	IMPACT 4
	4	Green	Amber	Red	Red
	3	Green	Amber	Amber	Red
	2	Green	Green	Amber	Amber
	1	Green	Green	Green	Green
		1	2	3	4
		IMPACT			

Risk Tolerance

Red	12 – 16	Must be managed down urgently
Amber	6 - 9	Seek to influence in the medium term and monitor
Green	1 - 4	Acceptable but continue to monitor

2.5 Opportunity Assessment for Decision Making

2.5.1 When dealing with opportunity management, the Council is trying to predict future events and recognises that there is a degree of uncertainty in its assessment. The process involves judgement as well as measurement and the precise value will not be known in advance.

2.5.2 Opportunity likelihood and indicative impact definitions are detailed below:

<u>Likelihood</u>

Score	Definition
1	Almost Impossible: • Less than 5% chance of achievement • Achievable in over 4 years
2	Unlikely: • 5 – 35% chance of achievement • Requires a considerable amount of extra work • Achievable in 2 – 4 years
3	Likely: • 36 – 75% chance of achievement • Probable opportunity identified but as yet to be fully investigated • Achievable in 6 – 18 months
4	Almost Certain: • More than 75% chance of achievement • Clear opportunity that can easily be achieved with a bit more work • Achievable in less than 6 months

Impact

Score	Definition
1	Minor e.g. • Minor improvement to service or delivery of Corporate Plan priorities • Minimal positive local media coverage • Minor improvement to the local environment • Income and or savings of below £10,000
2	Moderate e.g. • Moderate improvement to service(s) or delivery of Corporate Plan priorities • Positive local media coverage • Moderate improvement to local environment • Income and or savings of £10,000 – £100,000
3	Major e.g. • Major improvement to service(s) or delivery of Corporate Plan priorities • Positive national media coverage • Major improvement to the local environment • Income and or savings of £100,000 - £500,000
4	Exceptional e.g. • Exceptional improvement to service(s) or delivery of Corporate Plan priorities • Extensive national media coverage • Significant improvement to local environment / improvement nationally • Income and or savings of £500,000

2.5.3 Opportunities that are scored between 1 and 3 are considered to be Low priority, between 4 and 8 are Medium priority and between 9 and 16 are considered to be High priority

2.5.4 The opportunity scores can be plotted onto the following matrix, which assists in prioritisation:

LIKELIHOOD		IMPACT			
4		Orange	Orange	Red	Red
3		Green	Orange	Red	Red
2		Green	Orange	Orange	Red
1		Green	Green	Green	Orange
		1	2	3	4

2.6 <u>Managing and Reporting on Risks and Opportunities</u>

2.6.1 The Council maintains two different types of risk and opportunity register – Strategic and Service.

2.6.2 It is necessary to ensure that appropriate measures are in place to manage the risks identified either strategic or service. These measures should aim to reduce or prevent each of the identified triggers or mitigate each of the identified consequences. It is important that the identified controls operate effectively and consistently and that any further action required to reduce the risk to the target level is implemented to the agreed timescale

<u>Strategic</u>

2.6.3 These can be defined as those that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its "Making Mansfield: Towards 2030" strategy for transforming the Mansfield district.

2.6.4 They are owned by a member of the Corporate Leadership Team (CLT) and are reviewed at the Heads of Service – Performance Clinic, with member scrutiny being provided by the Governance and Standards Committee.

Service

2.6.5 These should be aligned to the strategic risks and opportunities and owned by Heads of Service and their departmental teams.

Monitoring

2.6.6 The following areas should be considered:

> ➢ The continued relevance of the risk or opportunity
> ➢ The continued accuracy of the score
> ➢ The continued existence and effectiveness of the controls
> ➢ Have potential opportunities been maximised
> ➢ Have any significant control failures or weaknesses occurred since the last monitoring exercise and what effect does this have on the score
> ➢ Is the current control framework appropriate for the current level of risk
> ➢ Any new or emerging risks or opportunities

Section 3: Roles and Responsibilities

3.1 The table below outlines the key roles within the corporate risk and opportunity management framework:

Portfolio Holder – Finance & Corporate	• To champion the corporate risk and opportunity management strategy as part of policy development
CLT	• To determine the Council's risk appetite • To own strategic risks and opportunities
Head of Law and Governance	• To approve the corporate risk and opportunity management strategy • To approve the strategic risk and opportunities register • To ensure the Council has effective corporate risk and opportunity management arrangements in place

Corporate Assurance Manager	• To review the corporate risk and opportunity management strategy annually • To provide advice and support to CLT and service managers on the corporate risk and opportunity management processes • To ensure that there is an effective assurance framework in place in respect of the strategic risks and opportunities • To consider emerging strategic risks or opportunities • To develop existing arrangements in accordance with good practice • To provide training on corporate risk and opportunity management to officers and members • To report to the Heads of Service – Performance Clinic on a quarterly basis and the Governance and Standards Committee at least twice yearly on the effectiveness of the corporate risk and opportunity management processes • To ensure full alignment of the Internal Audit Plan with the Council's strategic risks
Service Managers	• To support CLT in the implementation of the corporate risk and opportunity management strategy • To effectively manage service risks and opportunities
Resilience Board	• To meet at least quarterly • To review and approve new emergency plan • To maintain existing emergency plan • To develop and maintain business continuity plans • To make recommendations to CLT on any required actions / spending
Governance and Standards Committee	• To monitor the effective development and operation of corporate risk and opportunity management
Employees	• To identify and report actual or potential risks or opportunities to their line manager • To implement actions as required to comply with the corporate risk and opportunity management strategy