



ADUR & WORTHING COUNCILS

**RISK AND OPPORTUNITY
MANAGEMENT STRATEGY**
2024 to 2025

**A Guide to managing Risks and Opportunities in
Adur and Worthing**

March 2024

1. Risk and Opportunity Management Strategy

This document outlines the Council's commitment to managing risk and opportunity in an effective and appropriate manner. It is intended to be used as the framework for the delivery of the Risk and Opportunity management function and provides guidance on developing risk and opportunity management as a routine process for all services.

This Risk and Opportunity management framework will help improve strategic, operational and financial management, provide better decision making, improve compliance and help improve customer service delivery and provide better outcomes for the citizens of Adur and Worthing.

Introduction

The Councils undertake that this Strategy will ensure that:-

- The management of Risks and Opportunities is linked to performance improvement and the Council's Strategic objectives and priorities and in particular the direction which is contained in the Corporate Plan 'Our Plan' covering three years (2023-2025) and the Strategic Priorities for the Councils.
- The Councils Leadership Team, Service Heads and the Adur and Worthing Cabinet Members lead and support on Risk and Opportunity management.
- Ownership and accountability are clearly assigned for the management of risks and opportunities throughout the Councils.
- There is a commitment to continue to embed Risk and Opportunity management into the Councils culture and organisational processes at all levels including Corporate, Service and Project.
- All Officers acknowledge and embrace the importance of risk and opportunity management as a process by which key risks and opportunities are identified, evaluated, managed and contribute towards good corporate governance.
- Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to the risks and opportunities.
- Accountability to stakeholders is fully demonstrated through periodic progress reports to the Joint Audit and Governance Committee and Joint Strategic Committee.
- The Council's approach to Risk and Opportunity management is regularly assessed by internal and external assessment.
- The Risk and Opportunity management Strategy is reviewed and updated every 2 years in line with developing needs and requirements.

Endorsement:-

Adur and Worthing Councils are committed to ensuring that Risks and Opportunities to the effective delivery of services and achievement of its overall strategic priorities are properly and adequately controlled. It is recognised that effective management of risk and opportunities will enable the Councils to maximise their opportunities and enhance the value of their services provided to the Adur and Worthing communities.

Councillor Neil Parkin - Leader of Adur District Council

Councillor Beccy Cooper - Leader of Worthing Borough Council

Catherine Howe - Chief Executive

2. What is Risk and Opportunity Management?

Risk and Opportunity management is the control of business risks and opportunities in a manner to ensure that both long and short term objectives and priorities of the Councils are achieved and that opportunities are fully maximised. 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.

Good Risk and Opportunity Management is about finding the right sort of balance: that between an approach which is excessively bureaucratic and burdensome and one which lacks vigour. It is not always solely about eliminating risk as this would limit the ability of the Councils to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of Council objectives and priorities and develop actions to control or reduce those risks. It is also important to ensure that the framework for the management of risks and opportunities must be owned and applied by managers rather than just being left for the corporate centre to worry about. The Councils have an agreed appetite for Risk which is explained later. Acknowledgement of potential problems and preparing for them is an essential element of risk that will enable the Councils to rapidly respond to change and develop innovative responses to challenges and opportunities.

Risk and Opportunity management is essential for the successful delivery of public services. An effective Risk and Opportunity management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. It is also about identifying opportunities which may have been neglected because of perceived but unexamined risk.

Opportunities Management is defined as the process used to identify, evaluate and manage the whole range of business opportunities for the Councils. An opportunity can be defined as something happening which may have an impact on the achievement of Adur and Worthing Councils objectives in a positive way. Often internal and external factors can limit the benefit or impact potential improvements.

Opportunities may include the following:-

- Customers - Identifying customer needs and demands to improve services.
- Competition - Looking for opportunities in the market.
- Resource - Assessing Adur and Worthing Councils ability to leverage resource and/or streamline working practices;and
- Technology skills - Controlling the evolution of technology and developing/enhancing skills
- 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;
- 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.

When Opportunities are identified they should be described to include the expected benefits, contributions to business objectives and stakeholders.

3. Background - Process for Managing Risks and Opportunities

The Councils have developed an effective process for managing Risks and Opportunities.

Risk and Opportunities Management Framework

Risks and Opportunities are split into three categories:

- **Corporate** - These are Risks and Opportunities which relate to the long term strategic objectives and priorities of the Councils. These tend to be medium to long term but some may feature for a shorter period of time because of a significant event or planned business activity. Inclusion of a Risk or Opportunity in the Corporate Risk and Opportunity register indicates that it is one of a number of Risks/Opportunities that the Councils need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.
- **Service.** - These are Risks and Opportunities which relate to the day to day operations of each individual service and may also link to the overall strategic objectives and priorities of the Councils. Service Risks and Opportunities should also link to each Service area's Business Plan.
- **Project** - These are Risks identified in connection with all major projects which the Councils undertake. These projects are run in accordance with appropriate project

management guiding principles. Risks associated with major projects are those that if they occur will have an effect on at least one project objective.

All major projects risks will be identified, managed and reported via either the Corporate Risks or Service Risks registers. All major Project Risks should have a risk budget identified within internal controls.

4. Aims and Objectives

The aim for the Councils in Risk and Opportunity management is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks and opportunities across all processes to ensure that risks and opportunities are properly considered and reduced as far as practicable.

The Risk and Opportunity management aims and objectives of the Councils 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, information use, financial, business continuity 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 environments.
- Embed Risk and Opportunity management as an integral part of delivering and aligning successful partnerships.
- 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.

The three categories of Risks and Opportunities are split into separate Risk and Opportunity registers - Corporate and Service (each Directorate has its own Service Risk and Opportunities registers for each service).

Both Registers detail the following information:-

- Potential effects of the risks identified, both negative (risks and threats) and positive (opportunities)
- The impact and likelihood of the risk/opportunity identified
- Existing internal controls in place to mitigate the risk.
- Internal controls planned to mitigate the risks with relevant timescales and the responsible officers.

5. Ownership

The responsibility to manage Risks and Opportunities rests with every member and officer of the Councils however, it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

The following defines the responsibility for the Risk and Opportunity management process at Adur and Worthing:-

Council Leadership Team - Ownership of the Corporate Risks and overview of the Service Risks. Actively support the Risk and Opportunity Management Strategy and the framework. Directors and Assistant Directors to facilitate regular discussions on Risks and Opportunities at Directorate Departmental Management Team meetings.

Adur District Council Leader - Responsible for general Risk and Opportunity policy.

Worthing Borough Council Leader - Responsible for general Risk and Opportunity policy.

Joint Strategic Committee - To monitor the progress of the management of the Corporate Risks and Opportunities.

Joint Audit and Governance Committee - To monitor the effective development and operation of Risk and Opportunity management in the Councils.

Director for Sustainability and Resources and Scrutiny and Risk Officer - Lead Officers for the risk and opportunity management process, demonstrating commitment to manage risks and opportunities. The Scrutiny and Risk Officer is also responsible for the coordination of the Risk and Opportunity management process, co-ordinating and preparing reports and providing advice and support in consultation with Directors, Assistant Directors and Heads of Service.

Assistant Directors and Heads of Service - Ownership, control and providing updates on Service Risks in consultation with the Scrutiny and Risk Officer. Help contribute to the development of a Risk and opportunity management culture in their teams and facilitate discussions on Risks and Opportunities at Team meetings.

All employees - To understand and to take ownership of the need to identify, assess, and help manage risk and opportunities in their areas of responsibility and to bring to the management's attention at the earliest opportunity the details of any emerging risks and opportunities that may adversely impact on service delivery. Undertake the mandatory

training on risk and opportunity management which is available via the Councils Learning Pool training system.

Internal Audit and External Audit - Annual review and report on the Council arrangements for managing risk and opportunities throughout the Councils, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk and opportunity management and the control environment.

6. The Risk and Opportunity Management process

Stage 1 - Risk and Opportunity identification

Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. Once a risk or opportunity has been identified the relevant Director, Assistant Director or Head of Service will consider its inclusion on the relevant risk and opportunities register in consultation with the Scrutiny and Risk Officer.

Stage 2 - Risk and Opportunity Analysis

When Risks and Opportunities have been identified they need to be assessed systematically and accurately. If a Risk is considered to be unacceptable then steps need to be taken to control or respond to it. The process involves discussions with Directors, Assistant Directors and Heads of Service in consultation with the Scrutiny and Risk Officer 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'. Directors, Assistant Directors and Service Heads should assess each element of the judgement and determine the score in accordance with the scoring system set out below:-

Stage 3 - Risk Management Control

Likelihood

Score	Likelihood	Threat/Risk
5	Very Likely (80-100%)	Is expected to occur in most circumstances. Will undoubtedly happen, possibly frequently for example annually or more frequently. Imminent/near miss.
4	Likely (60-80%)	Will probably occur in many circumstances. Will probably happen, but not a persistent issue for example once in three years. Has happened in the past.
3	Moderate (30-60%)	Could occur in certain circumstances.

		May happen occasionally, for example once in 10 years. Has happened elsewhere.
2	Unlikely (15-30%)	May occur only in exceptional circumstances. Not expected to happen, but is possible for example once in 25 years.
1	Rare (0 to 15%)	Is never likely to occur. Very unlikely this will ever happen for example once in 100 years.

Impact

Score	Impact	Threat/Risk
5	Extreme Risk	<p>Risks which can have an extreme 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.</p> <p>Examples:</p> <ul style="list-style-type: none"> ● Unable to function without aid from the 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 £250,000.
4	Major Risk	<p>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.</p> <p>Examples:</p> <ul style="list-style-type: none"> ● Significant impact on service objectives. ● Short - medium term impairment to service capability.

		<ul style="list-style-type: none"> • Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plans. • Extensive injuries, major permanent harm, long term sickness. • Major adverse local publicity, major loss of confidence. • Litigation is likely and may be difficult to defend. • Breaches of law punishable by fines or possible imprisonment. • Relatively large budget of £75K to £250K
3	Moderate Risk	<p>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.</p> <p>Examples:</p> <ul style="list-style-type: none"> • 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 one year. • Some adverse publicity which needs careful public relations. • High potential for complaint, litigation possible. • Breaches of law punishable by fines only.
2	Minor Risk	<p>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.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Minor impact on service objectives • No significant disruption to service capability. • Moderate financial loss - can be accommodated at Service Head level. • First aid treatment, non permanent harm up to one month. • Some public embarrassment, no damage to reputation. • May result in complaints/litigation • Breaches of regulations/standards • Budget within delegation.
1	Trivial Risk	<p>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.</p>

		<p>Examples:</p> <ul style="list-style-type: none"> • Minimal impact, no service disruption • Negligible impact on service capability. • Minimal loss - can be accommodated at Service 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.
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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, see below, which assists in determining the risk priority and the amount of attention it deserves. An overall risk score is arrived at by multiplying the likelihood and the impact rating. Using the grid below, the possible scores therefore range from 1 to 25.

Risk ranking table/Matrix

Likelihood ↑	Very likely (5)	Medium	Medium	High	High	High
	Likely (4)	Medium	Medium	Medium	High	High
	Moderate (3)	Low	Medium	Medium	Medium	High
	Unlikely (2)	Low	Low	Medium	Medium	Medium
	Rare (1)	Low	Low	Low	Medium	Medium
		Trivial (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
		Impact →				

The risk rating is based upon the result of any mitigation measures. If after considering mitigation it appears the likelihood or impact has been reduced then the risk rating should be changed.

Opportunity Management Control

<u>Likelihood</u>	<u>Score</u>	<u>Opportunity Likelihood definitions</u>
Very likely	5	Opportunity has been realised and will continue to be exploited.
Likely	4	Opportunity is likely to be realised.
Moderate	3	Opportunity may be realised.
Unlikely	2	Opportunity is unlikely to be realised
Rare	1	Opportunity may be realised in exceptional circumstances.

<u>Impact</u>	<u>Score</u>	<u>Opportunity impact definitions</u>
Exceptional	5	Exceptional improvement to service (s) (e.g. quality, level, speed, cost, etc). Exceptional delivery of strategic objectives or priorities. National or international partnership initiative or arrangement. Extensive positive coverage in national press. Major improvement to local, national or international environment. Income and, or savings of >£250K. Exceptional savings of resource (e.g. time, labour).
Major	4	Major improvement to service (s) (e.g. quality, level, speed, cost, etc). Major delivery of strategic objectives or priorities. National or regional partnership initiative or arrangement. Positive coverage in the national press. Major improvement to the local environment. Income and, or savings of >£100K >£250K. Major savings of resource (e.g. time, labour)
Significant	3	Significant improvement to service (s) (e.g. quality, level, speed, cost, etc). Significant delivery of strategic objectives or priorities. Regional partnership initiative or arrangement. Significant positive coverage in the local press. Significant improvement to the local environment. Income and, or savings of >£50K >£100K. Significant savings of resource (e.g. time, labour).
Moderate	2	Moderate improvement to service (s) (e.g. quality, level, speed, cost, etc). Moderate delivery of strategic objectives or priorities. County wide level partnership initiative or arrangement. Positive coverage in the local

		press. Moderate improvement to the local environment. Income and, or savings of >£10K >£50K. Moderate savings of resource (e.g. time, labour).
Minor	1	Minor improvement to service. Minor delivery of strategic objectives or priorities. Local level partnership initiative or arrangement. Minimal positive coverage in local press. Minor improvement to the local environment. Income and, or savings of <£10K. Minor savings of resource (e.g. time, labour).

The Opportunity ratings for each part of the assessment are then combined to give an overall ranking for each Opportunity. The ratings can be plotted onto the Opportunity matrix, see below, which assists in determining the Opportunity priority and the amount of attention it deserves. An overall Opportunity score is arrived at by multiplying the likelihood and the impact rating. Using the grid below, the possible scores therefore range from 1 to 25.

Likelihood 					
Very Likely(5)	Medium	Medium	High	High	High
Likely(4)	Medium	Medium	Medium	High	High
Moderate (3)	Low	Medium	Medium	Medium	High
Unlikely(2)	Low	Low	Medium	Medium	Medium
Rare(1)	Low	Low	Low	Medium	Medium
Impact 	Exceptional(5)	Major (4)	Significant(3)	Moderate(2)	Minor(1)

Risk Tolerance

Red (High Risk)	Must be managed down urgently
Amber (Medium Risk)	Seek to influence medium term/monitor
Green (Low Risk)	Acceptable but continue to monitor

(a) Risk appetite

Risk appetite is the level of risk the Councils are prepared to tolerate or accept in the pursuit of strategic objectives. The aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery 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 risks are established before decisions are made. The Councils 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 and reputation risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below:

	Lower Risk		Higher Risk		
	1	2	3	4	5
Compliance & Regulation					
Operational/Service delivery					
Financial					
Reputation					
Strategic transformational change					
Development & Regeneration					
People & Culture					

Compliance and Regulation - 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 - The Council 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 - The Council acknowledges the responsibility it has for administration of public funds and emphasises 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 the Financial Services Section should be consulted when planning new projects.

Reputation - It is regarded as essential that the Councils preserve a high reputation and, therefore, a low appetite for risk has been set in the conduct of activities that puts the reputation of the Councils in jeopardy through any adverse publicity.

Strategic transformational change - The environment that the Councils work in is continually changing through both internal operations and the services provided. Change projects provide the Council with an opportunity to move forward and develop and establish benefits for the longer term. The Councils recognise that this may require increased levels of risk and are comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

Development and Regeneration - The Councils have a continuing obligation to invest in the development and regeneration of the areas. To continue to be progressive and innovative in the work performed, the Councils are 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 and Culture - The Councils recognise that staff are critical to achieving objectives and, therefore, the support and development of staff is key to making the Councils an inspiring and safe place to work. It has a moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Councils are continually improving.

(b) Risk Response

There are four basic ways of treating risk, which are:

- Treat - Ensuring effectiveness of existing controls and implementing new controls where considered necessary and cost effective.
- Transfer - Involves another party bearing or sharing the risk in other words via 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 or proceed with the activity in view of the level of risks involved.

(c) Opportunity Response

There are four basic ways of treating opportunity, which are:-

- Enhance - Seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit.
- Ignore - Minor opportunities can be ignored by adopting a reactive approach without taking any explicit actions.
- Share - Seek partners/stakeholders 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. Aggressive measures to ensure the benefits from the opportunity are realised.

Stage 4 - Risk Monitoring and reporting

The risk and opportunity management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues/processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk and opportunity management process to both members and officers.

Types of report and monitoring

- Reports to the Council Leadership Team (CLT) - Corporate Risks and Opportunities at least twice a year and Service Risk and Opportunities review on an annual basis. Ad hoc reports need to be presented to CLT when any new and significant risk and opportunities issues arise.
- Assistant Directors and Heads of Service to review all Risks and Opportunities in consultation with the Scrutiny and Risk Officer at least twice a year.
- Two reports each Municipal year to the Joint Audit and Governance Committee detailing the progress made in controlling the Corporate and Service Risks and Opportunities and also updates on the overall Risk and Opportunity management processes undertaken by the Councils.
- Two reports each Municipal Year to the Joint Strategic Committee including a summary of current corporate risks and opportunities and their management.

March 2024