

ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
31 July 2018  
Agenda Item 11

Joint Strategic Committee  
11 September  
2018  
Agenda Item [...]

Key Decision [No]

Ward(s) Affected: N/A

## **Revised Risk & Opportunity Management Strategy - 2018/20**

**Report by the Director for Digital & Resources**

### **Executive Summary**

#### **1. Purpose**

1.1 This report provides the detail of the updated revised Risk and Opportunity Management Strategy (ROMS) for the Councils for 2018 - 2020 which the Joint Governance Committee is asked to consider and make any comments on the Strategy to the Joint Strategic Committee (JSC) which will consider the Strategy for approval.

#### **2. Recommendations**

##### **Recommendation for Joint Governance Committee**

**2.1 That the revised/updated Risk and Opportunity Management Strategy 2018 - 2020 be noted and any comments be submitted to the Joint Strategic Committee.**

##### **Recommendation for Joint Strategic Committee**

**2.2 That the revised/updated Risk and Opportunity Management Strategy 2018 - 2020 be approved and adopted from 1 October 2018.**



### **3. Context**

3.1 The current Risk and Opportunity Management Strategy was approved by the Joint Strategic Committee in April 2016 for a two year period until 2018. The Strategy is now due for review and update to reflect changes in the framework for managing risks and opportunities in the Councils.

3.2 A revised/updated Risk and Opportunity Management framework set out in the revised Strategy will help continue to improve strategic, operational and financial management in the Councils and help provide better decision making.

### **4. Issues for consideration**

4.1 A copy of the revised ROMS is attached to this report and provides the detail of the framework for how the Councils should manage risk and opportunities. The revised Strategy provides clearer guidance on how the Councils manage risks and opportunities. This Strategy will continue to provide appropriate guidance to help the Councils embed the Risk and Opportunity management process within the workforce.

### **5. Engagement and Communication**

5.1 The Councils Leadership Team and other appropriate staff have been consulted on this report.

### **6. Financial Implications**

6.1 There are no direct financial implications associated with the implementation of the revised ROMS, however, there will likely be some financial implications associated with the Risks and Opportunities identified.

### **7. Legal Implications**

7.1 The approved Code of Corporate Governance specifies that the Councils should have an effective system of Risk management in place. The approval of this revised Risk and Opportunity Management Strategy falls within the Portfolio of the Leaders but can be exercised by the Joint Strategic Committee. The Joint Governance Committee has responsibility for receiving the receiving regular updates on the status of Risks and Opportunities and for monitoring the effective development and operation of Risk and Opportunity management.

7.2 Section 111 of the Local Government Act 1972 provides Local Authorities with the power to do anything ancillary or incidental to the discharge of their function.

7.3 Section 1 of the Localism Act 2011 provides the Councils with a general power of competence and empowers Local Authorities to do anything which individuals generally do.

7.4 The management of all Risks and Opportunities should be carried out in accordance with the Council's policies and procedures including the Constitution, the financial procedure rules and the Contract procedure rules.

## **Background Papers**

Risk and Opportunity Management Strategy 2016 - 2018

### **Officer Contact Details:-**

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## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no direct issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no direct issues identified.

### **3. Environmental**

Matter considered and no direct issues identified.

### **4. Governance**

A revised Risk and Opportunity Management Strategy will help the Councils achieve the objectives and Commitments contained in Platforms for our Places.



# ADUR & WORTHING COUNCILS

**RISK AND OPPORTUNITY  
MANAGEMENT STRATEGY**  
2018 to 2020

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

**July 2018**

## 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 Opportunities 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 contained in the Strategic vision - 'Platforms for our Places'.
- The Councils Leadership Team, Service Heads and the Adur and Worthing Executive 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 embedding 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 Governance Committee and Informal Cabinet meetings.
- The Councils 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 objectives 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 Dan Humphreys - Leader of Worthing Borough Council**

**Alex Bailey - 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 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.

Risk and Opportunity Management 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 develop actions to control or reduce those risks. 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. These could include:-

- Learning from the past - whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots;
- Customer sensitivity - trying to understand customer needs and creating systems to exploit this information can lead to great gains.
- Learning from others - exploring and sharing best practice with other organisations can lead to benefits.
- Scenario planning - can be a powerful tool for generating new ideas.

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 Management Framework

Risks and Opportunities are split into three categories:

- **Corporate** - These are Risks and Opportunities which relate to the long term goals 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. Service Risks and Opportunities should also link to each Service area's Business Plan. Service Risks will also be identified as part of the business continuity process. As part of these business continuity processes, each Service area will be required to complete a business impact analysis which will identify risks associated with its operation and the impact on business processes/activities and appropriate mitigation procedures that will be implemented. Local Service Business unit strategies will help to mitigate the risks.
- **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 environment.
- 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 Risk and Opportunity registers - Corporate and Service (each Directorate has its own Service Risk register 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:-

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

**Joint Strategic Committee** - Responsible for approving the Risk and Opportunity Management Strategy.

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

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

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

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

**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.

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

**Adur and Worthing Informal Cabinets** - Responsible for monitoring the Corporate Risks and Opportunities and the strategic direction of risk and opportunity management.

## 6. The Risk and Opportunity Management process

### Stage 1 - Risk 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 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 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 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 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 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"> <li>● Unable to function without aid of Government or other external agency.</li> <li>● Inability to fulfil obligations</li> <li>● Medium - long term damage to service capability</li> <li>● 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.</li> <li>● Death</li> <li>● Adverse national publicity - highly damaging, severe loss of public confidence</li> <li>● Significant public interest</li> <li>● Litigation certain and difficult to defend</li> <li>● Breaches of law punishable by imprisonment.</li> <li>● Very significant exposure of public funds with funding being managed across organisations and complex reporting.</li> <li>● Total project budget in excess of £250,000.</li> </ul>
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"> <li>● Significant impact on service objectives.</li> <li>● Short - medium term impairment to service capability.</li> </ul>

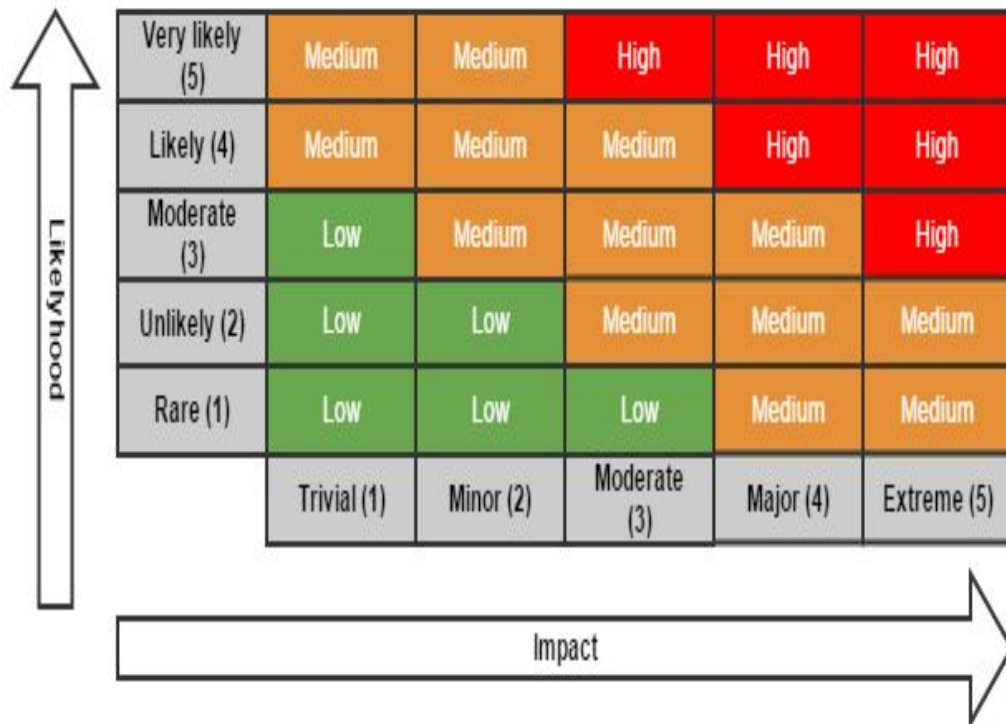
		<ul style="list-style-type: none"> <li>• Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plans.</li> <li>• Extensive injuries, major permanent harm, long term sick.</li> <li>• Major adverse local publicity, major loss of confidence.</li> <li>• Litigation likely and may be difficult to defend.</li> <li>• Breaches of law punishable by fines or possible imprisonment.</li> <li>• Relatively large budget of £75K to £250K</li> </ul>
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"> <li>• Service objectives partially achievable.</li> <li>• Short term disruption to service capability.</li> <li>• Significant financial loss - supplementary estimate needed which will have an impact on the Council's financial plan.</li> <li>• Medical treatment required, semi permanent harm up to one year.</li> <li>• Some adverse publicity, needs careful public relations.</li> <li>• High potential for complaint, litigation possible.</li> <li>• Breaches of law punishable by fines only.</li> </ul>
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"> <li>• Minor impact on service objectives</li> <li>• No significant disruption to service capability.</li> <li>• Moderate financial loss - can be accommodated at Service Head level.</li> <li>• First aid treatment, non permanent harm up to one month.</li> <li>• Some public embarrassment, no damage to reputation.</li> <li>• May result in complaints/litigation</li> <li>• Breaches of regulations/standards</li> <li>• Budget within delegation.</li> </ul>
1	Trivial Risk	Risks where the consequences will not be severe and



		<p>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"> <li>● Minimal impact, no service disruption</li> <li>● Negligible impact on service capability.</li> <li>● Minimal loss - can be accommodated at Service Level</li> <li>● No obvious harm/injury.</li> <li>● Unlikely to cause any adverse publicity, internal only.</li> <li>● Breaches of local procedures/standards.</li> <li>● Budget within delegation and relatively small or within operational costs.</li> </ul>
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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.

**Risk ranking table/Matrix**



The risk rating is based upon the 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.

**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 Councils Leadership Team (CLT) - Corporate Risks and Opportunities on a quarterly basis 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.
- Heads of Service to review all Risks and Opportunities in consultation with the Scrutiny and Risk Officer on a quarterly basis.
- Three reports each Municipal year to the Joint 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.
- Reports to the Informal Cabinet meetings - Corporate Risks and Opportunities update reports on a six monthly basis.

July 2018