

## **Risk & Opportunity Management Framework**

### **1. The importance of managing risk and opportunity**

The Council is a complex organisation, operating in a changing environment. Changes to national policy and financial pressures mean that, increasingly, there is a need to anticipate, identify and pro-actively manage risk and opportunity in order to maximise use of resources, make effective decisions and ensure efficiency and customer focus.

A robust approach to risk and opportunity management will:

- Strengthen our ability to achieve our outcomes, priorities and vision.
- Improve strategic, operational and financial management.
- Allow us to plan effectively, avoid surprises and increase our flexibility to cope with internal and external pressures and demands.
- Provide assurance that our governance and conduct of business is sound.
- Enable better, informed decision making about policies and service delivery options.
- Create a positive environment where we can pro-actively challenge, innovate and make the most of our opportunities.
- Ensure that we comply with our duties as part of the Equality Act 2010.

### **2. Objectives of the Risk & Opportunity Management Framework:**

- To provide a comprehensive framework, systems, and processes to identify, evaluate and manage risks and opportunities.
- To integrate risk and opportunity in our organisational culture and encourage an environment of challenge and innovation.
- To embed risk and opportunity management as an integral, day-to-day, part of business planning, project management, financial management, policy setting and decision making.
- To understand how risk and opportunity can be positively used to make improvements.
- To enable officers and Members to understand their roles and responsibilities in risk and opportunity management.
- To set out a common language for risk and opportunity management that is simple and easy to understand, so that we are consistent in our approach.
- To help ensure that we comply with our equality duty as set out in the Equality Act 2010.

### **3. Our Approach to Risk and Opportunity Management**

The Council recognises that there are risks and opportunities in everything it does, and that it has a duty to manage this in a balanced and cost-effective way. This framework sets out the processes by which the Council seeks to identify, understand and manage risks and opportunities which may prevent or enhance the achievement of the corporate vision, priorities, or desired outcomes.

The words 'risk' and 'opportunity' are used in this context to describe uncertainties that would impact on the achievement of an outcome. Risk is perhaps more commonly perceived to be related to threat, but it is important to remember that it can also present opportunities and chances for improvement. This could be through improving or enhancing the outcomes of a service or project or allowing additional benefits to be realised.

In line with the Council's corporate value to 'challenge and innovate', Officers and Members should be pro-active in seeking opportunities and should not be afraid to take opportunity risks where they are properly managed and will add value to the organisation.

Risk and opportunity management is part of our day-to-day business, and should always be considered in relation to:

- Service delivery
- Policy Setting
- Project Management (particularly in the early planning stages and Business Case, as well as through ongoing highlight reports.)
- Options Appraisals
- Planning and delivering services in partnership or with other agencies.
- Service reviews and improvements.

All risks are held in the Risk Register in Pentana, which is the Council's integrated Performance and Risk Management system.

#### **4. Governance of Opportunity & Risk**

The Council has a number of governance arrangements in place which vary according to the type and colour of the risk or opportunity. The key types and their governance arrangements are captured in the table below:

<b>Type</b>	<b>Definition</b>	<b>Accountability</b>	<b>Reporting Mechanism</b>
<b>Corporate</b>	This will have a significant impact on the delivery of the Council's vision and priorities.	Risk Strategy Board – Quarterly Monitoring Meetings	Quarterly Reports to Cabinet and the Audit and Standards Committee.
<b>Operational</b>	This affects service areas, Key Activities and activities that managers and staff carry out during their day to day operational activities.	Corporate Management Team, Quarterly Updates on Pentana.	Red Risks and Opportunities (those scoring 9 or above) are reported to the Performance Improvement Board, and escalated to the Risk Strategy Board if necessary.
<b>Project</b>	This affects the delivery of a specific project, identified in its Business Case & Highlight Reports.	Project Leads and Project Sponsors Monthly / Quarterly Updates as part of highlight reports.	Red Risks and Opportunities are reported to the Programme Board, and escalated to the Risk Strategy Board if necessary.

A full review of risks and opportunities is undertaken annually as part of the Business Planning Process. Operational Risks and Opportunities are identified in line with the production of the Corporate Plan and Team Plans.

All opportunities and risks are held on the Pentana system and are reviewed by the relevant lead officer on a quarterly basis for any changes to score and progress on mitigations and actions.

Risk and opportunity management forms a key part of the decision-making process within the Council. Committee reports and business cases contain a section to record the risk and opportunity implications associated with the content of the report or project. In line with the Council's Constitution and report writing guides, submissions to Cabinet, Council, Scrutiny and any other decision-making bodies should contain a risk and opportunity narrative covering all of the options that are being considered.

#### **Roles and Responsibilities**

All Officers and Members have a role to play in delivering the Council's Risk & Opportunity Management Framework, by making themselves aware of risks and opportunities within their day-to-day duties and ensuring that any issues are escalated as appropriate.

**Appendix A**  
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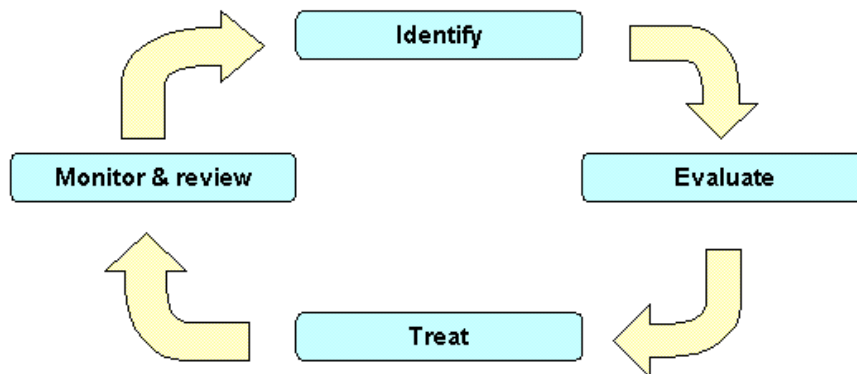
It is part of mainstream line management and therefore a duty of all managers to identify risks and opportunities within their areas of responsibility and to follow the procedures set out in this framework.

Specific responsibilities are summarised below:

<b>Who?</b>	<b>What?</b>
Risk and Opportunity Strategy Board  This Board is comprised of: - the Chief Executives, - all Members of the Corporate Management Team.	<ul style="list-style-type: none"> <li>• Quarterly monitoring meetings.</li> <li>• Accountability for identifying and managing the Council's Strategic Risks and Opportunities.</li> <li>• Receive Red Risks &amp; Opportunities that have been escalated by the Performance Improvement Board.</li> </ul>
Performance Improvement Board	<ul style="list-style-type: none"> <li>• Receive Red Risks and Opportunities (with a residual score of 9 or above) on a quarterly basis.</li> <li>• Escalation of Red Risks &amp; Opportunities to the Risk Strategy Board as necessary.</li> </ul>
Programme Board	<ul style="list-style-type: none"> <li>• Receive Project Highlight Reports which document risks associated with projects.</li> <li>• Escalation of Red Risks &amp; Opportunities to the Risk Strategy Board as necessary.</li> </ul>
Service Managers	<ul style="list-style-type: none"> <li>• Accountability for identifying and managing opportunity and risk within their service area.</li> <li>• Quarterly review of opportunity and risk and constant horizon scanning.</li> </ul>
Project Sponsors	<ul style="list-style-type: none"> <li>• Ultimately accountable for management of project risks and opportunities.</li> </ul>
Project Managers	<ul style="list-style-type: none"> <li>• Accountability for identifying and managing project risks and opportunities.</li> </ul>
Chief Executive	<ul style="list-style-type: none"> <li>• Overall accountability for the Risk &amp; Opportunity Management Framework.</li> </ul>
Business Planning Officer	<ul style="list-style-type: none"> <li>• Development of the Risk &amp; Opportunity Management Framework and processes and systems to manage opportunity and risk, including the co-ordination of the Risk and Opportunity Register.</li> <li>• Central point of contact for managers about Risk and Opportunity Management.</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>• Approve the Risk and Opportunity Management Framework.</li> <li>• Receive Quarterly Reports on Risk &amp; Opportunity.</li> </ul>
Audit and Standards Committee	<ul style="list-style-type: none"> <li>• Receive Quarterly Reports on Risk &amp; Opportunity.</li> </ul>

## Opportunity and Risk Management Cycle

There is a cyclical process which underpins the effective management of opportunities and risks. The four stages are identify – evaluate – treat – monitor and review.



### 1. Identify

The first stage is to identify where opportunities and risks may arise.

If you can identify your opportunities you can do something about them to make them happen or increase the impact and likelihood of their occurrence - just as if you identify your threats you can do something about them to minimise the chance that they will occur.

This involves anticipating changes to the internal and external environment, and having a good understanding of the context of the project / service / change. It is important to consider this at the planning stage of service delivery, projects etc.

Horizon scanning can be a good exercise. There are number of techniques to do this, including SWOT and PESTLE analysis - these are set out in detail in the Risk & Opportunity Management Toolkit.

Consider the objectives, benefits and outcomes of the project / service in question and think about anything that may enhance or prevent their achievement.

Next, define the opportunity or risk clearly so that its potential effects are understood. An easy way to do this effectively is by using the Cause – Event – Effect method (eg. Because of...xxx may occur...which would lead to...). Remember that a risk is not simply the opposite of the outcome. There are further details on how to do this in the Opportunity & Risk Management Toolkit.

In some cases, risks which are at first identified as a threat with negative connotations may be 'flipped' to become positive opportunities.

#### Key points:

- **Horizon scanning**
- **Consider the objectives**
- **Cause – Event – Effect**

## 2. Evaluate

All risks and opportunities should fit into one of the following categories.

- Corporate – has a significant impact on the delivery of the Council's vision and priorities.
- Operational – affects key activities and activities that managers and staff carry out during their day-to-day operational activities.
- Project – affects the delivery of a specific project, identified in Business Case & Highlight Reports.

Different review mechanisms are in place to monitor and manage each of these categories. More detail on this can be found on page 3 of this framework document.

### Estimating impact and likelihood

The next stage is to estimate which are going to pose our greatest threats and opportunities and prioritise how we deal with them. This is done by making an assessment of the impact (the effect a risk or opportunity would have, should it occur) and likelihood (the probability that it will occur).

These two scores are then multiplied to give an overall score. The criteria for scoring impact and likelihood are available on page 11.

The scoring should be done twice. Firstly, a score should be given based on the risk or opportunity before actions have been identified to prevent or enhance it – this is known as the Inherent Score. Once actions have been identified to prevent or enhance the risk or opportunity as part of the 'Treat' stage of the cycle, it should be assessed again with a Residual Score.

Risks at Harborough District Council will usually be collated in this format:

Risk	Inherent			Mitigation	Residual			Accountable Officer
	I	L	Score		I	L	Score	

(I = Impact, L= Likelihood)

Opportunities will be collated in a similar format:

Opportunity	Inherent			Action	Residual			Accountable Officer
	I	L	Score		I	L	Score	

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The matrix below shows how each risk or opportunity can be given a status of Red, Amber Yellow or Green according to its total score.

	<b>Extreme (5)</b>	Yellow 5	Amber 10	Amber 15	Red 20	Red 25
<b>Impact</b>	<b>Major (4)</b>	Yellow 4	Yellow 8	Amber 12	Amber 16	RED 20
	<b>Moderate (3)</b>	GREEN 3	Yellow 6	Yellow 9	Amber 12	Amber
	<b>Minor (2)</b>	GREEN 2	GREEN 4	Yellow 6	Yellow 8	Amber 10
	<b>Insignificant (1)</b>	GREEN 1	GREEN 2	GREEN 3	Yellow 4	Yellow 5
		<b>Rare (1)</b>	<b>Unlikely (2)</b>	<b>Possible (3)</b>	<b>Likely (4)</b>	<b>Almost Certain</b>
		<b>Likelihood</b>				

This is an effective way to determine which risks and opportunities are prioritised. Energy and resource should be mostly focused on risks and opportunities within the Red area.

<b>Status</b>	<b>Score</b>	<b>Definition</b>
Red	20and above	Immediate action is needed to manage the risk or opportunity!
Amber	10- 16	Seek actions to address the risk or opportunity
Yellow	3- 9	Seek actions to influence the risk or opportunity.
Green	1-3	Limited action is needed.

**Key Points:**

- **Categorise the Risk**
- **Score the Risk**

### 3. Treat

The third stage of the cycle, having been through the identification and evaluation processes, is to identify appropriate measures to manage the risk or opportunity through one of the following means:

<b>Risk</b>	
<b>Treat</b>	Ensure that effective mitigations are in place to prevent or minimise the chance of a risk occurring.
<b>Transfer</b>	Transfer the risk to a third party or agency, through insurance for example.
<b>Tolerate</b>	If it is impossible or unfeasible to Treat or Transfer, consideration should be given to accepting the risk and what action should be taken if it were to occur.
<b>Terminate</b>	If the level of risk is high and it is not possible to Treat, Transfer or Tolerate, it may be appropriate to make a decision to terminate the piece of work or project.

<b>Opportunity</b>	
<b>Take</b>	Seek to make the opportunity happen. Put in place measures to ensure that the benefit of the opportunity is maximised and realised.
<b>Enhance</b>	Put in place actions to increase the impact or likelihood of the opportunity.
<b>Share</b>	Manage the opportunity through partners or key stakeholders to maximise the chance it will happen and increase the benefits.
<b>Ignore</b>	A minor opportunity may not require explicit actions.

In most cases it is appropriate to identify mitigations to put in place to prevent a risk from occurring, or to identify actions to increase the impact and likelihood of an opportunity.



#### **4. Monitor and Review**

The Council has a number of monitoring and review mechanisms in place to ensure that there is clear accountability for managing risks and opportunities that processes are robust and transparent, with appropriate escalation routes.

All risks and opportunities should be monitored and reviewed at a minimum on a quarterly basis, in line with the governance arrangements set out on page 3. When reviewing a risk or opportunity it is important to consider the following:

- Is the risk or opportunity still relevant?
- Have there been any changes or movement to the risk or opportunity and/or its mitigations or actions?
- Has anything occurred which might change the impact and/or likelihood and the risk score?
- Are the mitigations and actions effective and what has the progress been?
- If the risk or opportunity is increasing, are any further mitigations or actions needed to prevent or enhance its occurrence?
- If the risk or opportunity is decreasing, can any of the mitigations or actions be relaxed?
- Are there any new or emerging risks or opportunities?

## Scoring Criteria

Below are the scoring criteria to assess the impact and likelihood of risk and opportunity. Remember that these are not meant to be entirely prescriptive:

### Likelihood

<b>Score</b>	<b>Rating</b>	<b>Criteria</b>
<b>5</b>	<b>Almost certain</b>	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently
<b>4</b>	<b>Likely</b>	Is Likely to occur in most circumstances
<b>3</b>	<b>Possible</b>	Will probably occur in most circumstances
<b>2</b>	<b>Unlikely</b>	Could occur in some circumstances
<b>1</b>	<b>rare</b>	Never likely to occur – only in exceptional circumstances

**Impact**

<b>Score</b>	<b>Rating</b>	<b>Risk Criteria</b>	<b>Opportunity Criteria</b>
<b>5</b>	<b>Extreme</b>	loss of service capability, or long-term service disruption Impact On all service areas of the Business Potential to cause death Publicity Financial loss of more than £100K Loss of Partnership Working Breaches of law punishable by imprisonment Litigation is extreme and undefendable, Chief officers/council leader forced to resign Extreme levels of complaints Litigation definite.	Remodelling to service(s) (e.g. through quality, level of service, speed, cost etc.) Major contribution to delivery of all objectives International or national regional partnership initiative or Arrangement Extensive positive coverage in national press Extreme improvement to local or national environment Income and/or savings in excess of £100k Changes to Resource resulting in savings (e.g. time / labour)
<b>4</b>	<b>Major</b>	Major impact on achievement of several objectives Potential to cause critical injury Adverse national publicity or central government response including potential removal of delegated powers Potential to cause financial loss of £75k to £100k Failure or breakdown of key partnership Breaches of law punishable by large financial penalty Litigation almost certain and difficult to defend, officers and/or Members forced to resign	Major contribution to delivery of several objectives or priorities National or regional partnership initiative or arrangement Extensive positive coverage in national press Major improvement to local or national environment Income and/or savings of £75 - £100k Major resource savings (e.g. time / labour)
<b>3</b>	<b>Moderate</b>	Loss of service, or medium term service disruption Serious impact on achievement of objectives Potential to cause serious injuries Major adverse local publicity or professional press items Financial loss of £50-75k or requires budget adjustment across service areas Significant impact on partnership or failure to achieve expected benefits Breaches of law, punishable by small financial penalty High level of complaints, possibly including Ombudsman complaints. Litigation to be expected	Significant improvement to service(s) (e.g. through quality, level of service, speed, cost etc.) Significant contribution to delivery of several objectives or priorities Regional partnership initiative or arrangement Significant positive coverage in national press Significant improvement to local environment Income and/or savings of between £50k and £100k Significant resource savings (e.g. time / labour)
<b>2</b>	<b>Minor</b>	Short-term service disruption Moderate impact on achievement of objectives Potential to cause minor injuries Adverse local news or opinion Financial loss of £25k to £50k Adverse effect on partnership arrangements Breaches of regulations or standards May cause some formal complaints from individuals, groups or stakeholders, litigation possible	Moderate improvement to service(s) (e.g. through quality, level of service, speed, cost etc.) Moderate delivery of several objectives or priorities Countywide partnership initiative or arrangement Positive coverage in national press Some improvement to local environment Income and/or savings of between £25k and £50k Moderate resource savings (e.g. time / labour)

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<b>1</b>	<b>Insignificant</b>	<p>Brief or no service disruption          Minor impact on achievement of objectives          Not likely to cause any injuries beyond first aid level          Unlikely to cause adverse publicity          Financial loss below £25k          Minimal impact on partnership          Breaches of local procedures or standards          May cause informal complaints from individuals or small groups, litigation unlikely</p>	<p>Minor improvement to service(s) (e.g. through quality, level of service, speed, cost etc.)          Minor delivery of several objectives or priorities          Local partnership initiative or arrangement          Minor positive coverage in national press          Minor improvement to local environment          Income and/or savings of below £25k          Minor resource savings (e.g. time / labour)</p>
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