

OADBY & WIGSTON BOROUGH COUNCIL

OPPORTUNITY RISK MANAGEMENT POLICY



Policy Version Number: 1.0
Policy Author: Deputy Chief Executive
Approval By: Audit Committee Management Team
Date of Policy Review: July 2022



Oadby & Wigston
BOROUGH COUNCIL

Contents

	Page Number
PART 1.0: Introduction	3
PART 2.0: What is Opportunity Risk Management?	4
PART 3.0: Policy Statement	5
PART 4.0: Opportunity Risk Management Policy Aims & Objectives	6
PART 5.0: Risk Appetite Statement	7
PART 6.0: Opportunity Risk Management Process Map	8
PART 7.0: The Opportunity Risk Management Process	9 - 10
7.1 Establishing the Context of Opportunities and Risks	9
7.2 Identifying & Documenting Opportunities & Risks	9
7.3 Assessing Opportunities & Risks	9
7.4 Evaluating the Control Environment	10
7.5 Responding to Opportunities & Risks	10
7.6 Monitoring Management of Opportunities & Risks	10
7.7 Reporting Arrangements	10
PART 8.0: Roles & Responsibilities	11
PART 9.0: Risk Management Training	12
PART 10.0: Validity of this Policy	12
<u>Appendices</u>	
Appendix A: Opportunity & Risk Register Formats	13-15
Appendix B: Impact & Likelihood Definitions	16-17

1.0 Introduction

1.1 In 2019 the Council implemented a new 5 year Corporate Plan aimed at improving the borough for both businesses and residents through implementation of an ambitious action plan focused on three Corporate Objectives: -

- Building, Protecting & Empowering Communities;
- Growing the Borough Economically; &
- Providing Excellent Services.

The Corporate Plan sets out a total of 20 long term, challenging actions that will be implemented in the delivery of these objectives. It follows that, in order to successfully implement all these actions, the Council will be required to manage risks effectively, making the best use of resources available.

1.2 As a variety of projects are implemented to deliver necessary actions, the Council must also identify additional opportunities which will arise to further improve services and communities and be in a position to take advantage of these opportunities when it is appropriate to do so. This is especially important in the current challenging financial environment, which necessitates that the Council makes best use of resources at all times.

1.3 This Opportunity Risk Management Policy sets out the governance structures and processes the Council has put in place to ensure that risks are appropriately managed and opportunities are realised.

2.0 What is Opportunity Risk Management?

- 2.1 Traditionally, risk management has been defined as any action taken by an organisation to minimise a threat to the achievement of its objectives. In order to achieve this, threats – or risks – must be identified & assessed and control measures implemented to reduce the impact and/or likelihood of the risk being realised (occurring). Risk management is what the Council is doing every day as it delivers services to the residents of Oadby & Wigston, as every control in every process has in some way been implemented to ensure required services meet the needs of communities, businesses and individuals to the fullest extent possible within current resources. It is such a fundamental principle of operation that the Society of Local Authority Chief Executives has stated that ‘If a council doesn’t have effective risk management, then it doesn’t have effective management.’
- 2.2 Opportunity Risk Management builds on the principles of traditional risk management by considering, not just what could go wrong (risks or threats), but what could be achieved over and above that which was originally planned by taking proactive action to take advantage of identified opportunities. By its very nature Opportunity Risk Management is designed to promote innovation throughout the whole Council and encourage all employees to identify new and more effective ways of working whilst also ensuring that threats to the achievement of objectives are identified and eradicated or minimised.



3.0 Policy Statement

3.1 Opportunity Risk Management is successfully achieved where there is an appropriate level of control in place providing sufficient protection from risks, without stifling opportunities for development. In the current financial climate, this is a challenging task which requires the Council to create a culture which encourages innovation whilst empowering officers to take risk based decisions on controls to minimise risks to the achievement of objectives within available resources. To support staff in their risk management roles, this Policy includes a number of commitments in respect of the Opportunity Risk Management process. The Council will:

- Ensure that statutory obligations and legislative requirements are met;
- Safeguard its employees, clients or service users, members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Actively work with its stakeholders and partners to manage risks and identify opportunities for improving service delivery;
- Promote a culture of innovation in which its employees are encouraged to identify new and better ways of delivering services;
- Establish a Risk Appetite, supported by Risk Tolerance & Risk Acceptance levels, which supports management to take risks when necessary in the decision making process; &
- Provide Service Managers with the resources required, within the context of meeting financial obligations, to enable its Corporate Objectives to be achieved.

4.0 Opportunity Risk Management Policy Aims & Objectives

4.1 Risk Management Aims

The aims of the Council's Opportunity Risk Management Policy are to:

- Integrate Risk Management into the culture of the Council;
- Encourage innovation and identification of new ways to deliver objectives;
- Support risk-informed decision making at all levels;
- Raise awareness of the need for the management of risks by all those connected with the delivery of services (including partners and stakeholders);
- Enable the Council to anticipate and respond to changing circumstances;
- Minimise injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services;
- Implement an effective Opportunity & Risk Management Framework, as described in Section 7;
- Minimise the total cost of risk; &
- Increase the ability to respond to emergency situations and manage business interruptions.

4.2 Risk Management Objectives

The objectives of the Opportunity Risk Management Policy are to:

- Support delivery of the Council's three Corporate Objectives as set out within the 2019-2024 Corporate Plan;
- Ensure risk management is incorporated into strategic and local partnership working; as well as business planning processes and the implementation of service redesign projects;
- Provide assurance through reporting of risk management arrangements to the Audit Committee;
- Provide an Opportunity Risk Management training and awareness programme;
- Manage risk in accordance with best practice and ensure compliance with statutory requirements; &
- Review and monitor our partnerships and other stakeholders' management of risk.

5.0 Risk Appetite Statement

5.1 Oadby & Wigston Borough Council is a risk embracing organisation which understands the importance of risk taking and accepts that there is an element of risk in most of the activities it undertakes. Whilst not being able to eliminate all risk, the Council will seek to manage risk to a level that it is prepared to tolerate. To support officers in their assessment and management of risk, the Council has formally defined a Risk Tolerance and Risk Acceptance levels as a guide in determining the level of effort and resource which should be applied to identified risks (see 5.2 below). When combined with the target score for the risk (calculated as part of the risk assessment process; see 7.2 below), these provide a framework enabling decisions to be made regarding the application of resources required to manage each identified risk.

Risks which have a residual score of 10 or more (i.e. the risk's score after the current control framework has been applied) are above the Risk Tolerance Level and therefore require additional actions to be implemented to reduce their score further. Where risks remain above the Risk Tolerance level despite the implementation of additional actions, this will be reported to the SLT and Audit Committee. For example, the risk of 'Increasing Financial Pressures' has an inherent score of 20. After the current control framework has been evaluated the residual score has reduced to 12. This is still above the risk tolerance level so further actions to further reduce the score will be need to be identified and implemented.

The Risk Acceptance Level has been set at a risk score of 3 or below. Where the control framework in place has reduced the inherent risk to this level there is no obligation to identify additional actions to further reduce the risk. Officers may nevertheless wish to introduce more measures in managing such risks but it is not expected that this would involve the application of significant additional resources.

5.2 Risk Tolerance and Acceptance Levels have been agreed by the SLT as follows:

Risk Tolerance Level: Where residual risks score above this level, action must be identified & implemented to reduce the overall score. All risks in the red area are recorded in risk registers

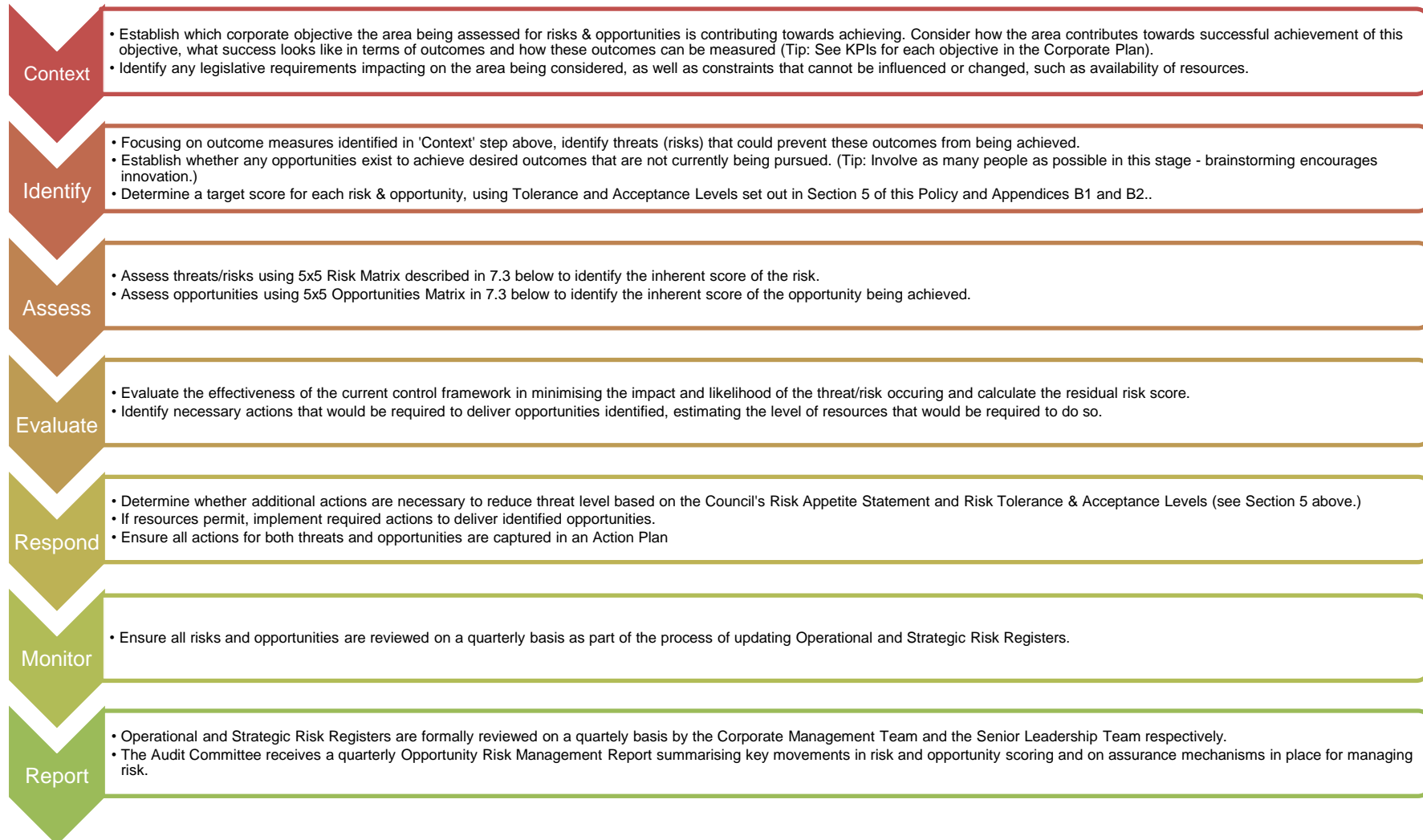
		Impact				
		1	2	3	4	5
Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5

Risks in the amber area should continue to be monitored through inclusion on risk registers, with actions being identified as necessary to reduce their score to their target level, as calculated during the risk identification process

Risk Acceptance Level: Risks scoring lower than this level attract minimal effort and resources. Risks in the green area may be removed from risk registers at the discretion of the SLT (for strategic risks) or CMT (for operational risks).

6.0 Opportunity Risk Management Process Map

The graphic below provides a summary of the tasks involved in the Opportunity Risk Management process. Further detail on each step is provided in Section 7 below.



7.0 The Opportunity Risk Management Process

7.1 Establishing the Context of Opportunities and Risks

The first stage in the Opportunity Risk Management Process is to establish the context within the function being assessed for risks and opportunities. All processes operating in the Council are contributing towards the delivery of one of the three Corporate Objectives and it is important to understand how the area being reviewed is doing this. Identify outcome measures that demonstrate achievement of the objective relative to the area being assessed (NB KPIs detailed within the Corporate Plan may help). Consider any constraints that prevent the application of desired controls, such as limited availability of resources, as well as who the stakeholders in the process are and what concerns/issues they may have.

7.2 Identifying & Documenting Opportunities & Risks

The second stage of the Opportunity Risk Management process is to identify opportunities to deliver objectives and threats/risks which may prevent their delivery. This is best undertaken through a 'brainstorming' session involving as many staff working in the area as possible to encourage innovation when identifying opportunities and ensure that all potential risks are captured for assessment.

All risks need to be recorded in the Council's Strategic & Operational¹ Risk Registers (see Appendix A.1 & A.2 for examples and guidance on completion of these Registers). A Strategic Risk Register is maintained for strategic risks and opportunities and subject to review by the Senior Leadership Team. Each Service within the Council also maintains its own Operational Risk Register, which is subject to review by the Corporate Management Team.

Any opportunities identified during this process are recorded in the Opportunities Register (see Appendix A.3).

Responsibility for managing risks and delivering opportunities are allocated to specific risk managers to provide accountability.

7.3 Assessing Opportunities & Risks

The Council utilises a 5x5 risk matrix to assess the impact and likelihood of both opportunities and risks in accordance with internationally recognised methods of risk assessment. Appendix B provides further detail on how impact and likelihood scores are defined and scored for both opportunities and risks.

All opportunities and risks are assessed twice. The first assessment involves a calculation of an overall inherent score, essentially evaluating the risk or opportunity before controls in place to either minimise the threat or maximise the opportunity are applied. The second assessment takes place after the control environment has been evaluated and is referred to in 7.4 below.

¹ Strategic Risks are defined as those threats and issues that could have a direct impact on the delivery of the Council's Corporate Objectives. They are identified & monitored by the SLT. Operational risks are the threats that arise from day-to-day delivery of the Council's primary business functions.

7.4 Evaluating the Control Environment

After the inherent risk or opportunity score has been calculated the control environment in place in the area being assessed is evaluated to determine the extent to which risk scores are reduced and opportunity scores increased by controls in place. In the case of risks, the calculated residual score is then compared to the Risk Tolerance level to determine whether any further action is required to reduce the score (see 7.5 below). For opportunities, the current control environment is evaluated to determine what additional actions may be necessary to increase the likelihood of realising the opportunity and whether it would be cost effective to do so.

7.5 Responding to Opportunities & Risks

In preparing its Risk Appetite statement the Council has established Risk Tolerance and Risk Acceptance Levels to assist management in making decisions about actions necessary to minimise risk. Where the residual score of risks is above the Risk Tolerance Level, further action will need to be identified and detailed within an Action Plan for subsequent implementation and monitoring. Once the residual risk score is reduced to a level that is below the Tolerance Level no further additional actions are necessary. Where residual risk scores are determined to be below the Risk Acceptance level, those responsible for assessing the risk, may, with the approval of the CMT, remove it from their Operational Risk Register.

Where it is established that implementation of actions to realise opportunities would be cost effective, an Opportunities Action Plan is prepared and monitored in the same way as for Action Plans that have been prepared for minimising risk.

Appendix C provides examples of Opportunity & Risk Management Action Plans.

7.6 Monitoring Management of Opportunities & Risks

All Opportunity and Risk Registers are reviewed by responsible officers on a quarterly basis to determine whether any amendments are required in opportunity and risk scores as a result of changes in circumstances and/or implementation of actions.

7.7 Reporting Arrangements

Operational Opportunity and Risk Registers are reviewed on a quarterly basis by the Corporate Management Team. All risks with a residual score of 10 or above will be escalated to the Senior Leadership Team for review and consideration in respect of whether they should be added to the Strategic Risk Register.

The Strategic Risk Register is reviewed on a quarterly basis by the Senior Leadership Team (SLT), along with all operational risks scoring 10 or above. Following this review, an Opportunity Risk Management Quarterly Report is prepared and submitted to the Audit Committee. The Audit Committee will escalate any risks it considers appropriate to the full Council.

8.0 Roles & Responsibilities

	Role/ Responsibility
Audit Committee	<ul style="list-style-type: none"> • Receives and reviews the Strategic Risk Register on a quarterly basis; • Seeks assurance that the Council is managing its risks in line with this Policy; and • Reviews the Annual Governance Statement to ensure it properly reflects the risks faced by the Council.
Senior Leadership Team	<ul style="list-style-type: none"> • Has overall responsibility for maintaining & reviewing the Strategic Risk Register; • Challenges (and holds accountable) specific officers responsible for taking action to manage risks; • Ensures Partnership and Programme Boards make appropriate provision for risk management in their respective areas of control; and • Makes sure reports to members seeking approval for decisions include appropriate reference to relevant risk management arrangements.
Corporate Management Team	<ul style="list-style-type: none"> • Has overall responsibility for maintaining & reviewing the Operational Risk Register.
Members	<ul style="list-style-type: none"> • Understand the strategic risks faced by the Council. • Oversee the effective management of these risks by officers. • Ensure that risks have been considered in decision-making. • Agree the Risk Management Policy and review its effectiveness.
Programme, and partnership boards²	<ul style="list-style-type: none"> • Identify and manage key risks to programme/project or shared partnership objectives; & • Obtain assurances that these risks are being effectively managed.
Risk Management Lead Role	<ul style="list-style-type: none"> • Co-ordinates updates to the Operational and Strategic Risk Registers; • Reports on risk management arrangements to the Senior Leadership Team; and • Provides training on risk management.
Internal Audit	<ul style="list-style-type: none"> • Provides independent assurance on the adequacy and effectiveness of arrangements for managing risk.
Health & Safety	<ul style="list-style-type: none"> • Ensures the Council has appropriate arrangements in place to manage health and safety risk.
Data Protection Officer	<ul style="list-style-type: none"> • Assists in the identification of areas of information risk; and • Co-ordinates all information management activity
All Employees	<ul style="list-style-type: none"> • Identify and manage risks in their role and report risks to their manager.

² For a full list of the programme boards and partnerships that the Council currently participates in see its website.

9.0 Risk Management Training

- 9.1 For the benefits of Opportunity Risk Management to be realised, it is necessary for the process to be embedded in the culture and operations of the Council. To facilitate this, a training programme has been developed to ensure staff have the necessary knowledge and skills to effectively manage risk. Initial emphasis will be placed on the provision of training to the Senior Leadership and Corporate Management Teams, with further training to be rolled out where this is considered necessary.

10.0 Validity of this Policy

- 10.1 This Policy will be reviewed on an annual basis by the Senior Leadership Team.

Strategic Risk Register

Strategic risks are threats and issues that could have a direct impact on the delivery of the Council's Corporate Objectives. They are identified & monitored by the SLT.

Ref	Risk Definition What is the headline risk/issue?	2019-2024 Corporate Objectives (1. Building Communities; 2. Growing Borough Economically; 3. Excellent Services)	Root Cause: What is the root cause or problem? What could go wrong?	Consequence /effect: What could occur as a result, how much of a problem would it be?	Inherent Risk (no controls)			Existing Controls			Residual Risk (with controls)			Target Score			Further management actions to reduce residual risk & target date for implementation	Risk Owner	Review Date	Review Commentary
					Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating				
Add unique reference number beginning with CR	Identify risk/issue with a few key words, such as 'Transformational Change' or 'Increasing Financial Pressures'	Specify which Corporate Objectives would be impacted if risk is not managed appropriately. Risks can impact on more than one objective.	Include detail on the factors and circumstances that could cause the risk to become an issue that requires management.	Identify impact on desired outcomes if risk is not managed effectively. Identify which Corporate Objective KPIs would be impacted if the risk is not managed.	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Summarise the controls currently in place which are managing the risk.	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Where the residual risk score is higher than the target risk score, identify additional actions that will be implemented to further reduce the residual risk and identify a target date for implementation.	Identify member of SLT who owns risk	Specify quarter ending date of review	Reviews are undertaken each quarter. Summarise outcome of review, highlighting any changes in risk scores.		

APPENDIX A.2: OPERATIONAL RISK REGISTER FORMAT

Operational Risk Register																
Operational risks are threats that arise from the day-to-day delivery of the Council's 4 primary business functions.																
Ref	Risk	Brief Description	Inherent Risk (no controls)			Existing Controls	Residual Risk (with controls)			Target Score	Further management actions/controls & target date for implementation	Risk Owner	Review Date	Review Commentary		
			Likelihood	Impact	Overall risk rating		Likelihood	Impact	Overall risk rating							
Add unique reference number identifiable to function managing the risk	Summarise the risk in a few key words	Reflecting on impact on desired outcomes, briefly describe the issues which require management to prevent risk from affecting service delivery.	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Summarise the controls currently in place which are managing the risk.	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Score between 1 - 5 using risk matrix	Score between 1 - 5 using risk matrix	Calculate score multiplying likelihood x impact	Where the residual risk score is higher than the target risk score, identify additional actions that will be implemented to further reduce the residual risk and identify a target date for implementation.	Identify officer with responsibility for managing risk	Specify quarter ending date of review	Reviews are undertaken each quarter. Summarise outcome of review, highlighting any changes in risk scores.

APPENDIX A.3: OPPORTUNITIES REGISTER FORMAT

Opportunities Register													
Ref	Council Function/Directorate	2019-2024 Corporate Objectives (1. Building Communities; 2. Growing Borough Economically; 3. Excellent Services)	Brief details of potential opportunity	Current Opportunity Score			Target Opportunity Score			Actions required to deliver opportunity	Owner	Review Date	Review Commentary
				Likelihood	Impact	Overall score	Likelihood	Impact	Overall score				
Add unique reference number beginning with OR	Detail service area in which opportunity was identified.	Identify which Corporate Objectives would be more effectively delivered if opportunity is realised.	Provide a brief summary of the potential opportunity that has been identified.	Score between 1 - 5 using opportunity scoring matrix	Score between 1 - 5 using opportunity scoring matrix	Calculate score multiplying likelihood x impact	Score between 1 - 5 using opportunity scoring matrix	Score between 1 - 5 using opportunity scoring matrix	Calculate score multiplying likelihood x impact	Summarise the actions & resources that are required to ensure that the opportunity is delivered.	Identify officer with responsibility for delivering opportunity	Specify quarter ending date of review	Reviews are undertaken each quarter. Assess impact of actions to date on the current score and revise score where appropriate.



APPENDIX B.1: OPPORTUNITY IMPACT & LIKELIHOOD DEFINITIONS

Likelihood	Score	Opportunity Likelihood Definitions
Certain	5	Opportunity has been realised and will continue to be exploited.
Almost Certain	4	Opportunity is likely to be realised within this financial year.
Likely	3	Opportunity may be realised within the next 3 financial years.
Possible	2	Opportunity may be realised within the next 3 to 5 financial years.
Rare	1	Opportunity may be realised in exceptional circumstances.

Impact	Score	Opportunity Impact Definitions
Exceptional	5	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 national press. • Major improvement to local environment. • Income and, or savings of >£100K >£250K. • Major savings of resource (e.g. time, labour).
Significant	3	<ul style="list-style-type: none"> • Significant improvement to service(s) • Significant delivery of strategic objectives or priorities. • Regional partnership initiative or arrangement. • Significant positive coverage in local press. • Significant improvement to local environment. • Income and, or savings of >£50K >£100K. • Significant savings of resource (e.g. time, labour).
Moderate	2	<ul style="list-style-type: none"> • 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 local press. • Moderate improvement to local environment. • Income and, or savings of >£10K >£50K. • Moderate savings of resource (e.g. time, labour).
Minor	1	<ul style="list-style-type: none"> • 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 local environment. • Income and, or savings of <£10K. • Minor savings of resource (e.g. time, labour).

APPENDIX B.2: RISK IMPACT & LIKELIHOOD DEFINITIONS

Likelihood	Score	Risk Likelihood Definition
Rare	1	Risk may occur in exceptional circumstances.
Possible	2	Risk may occur within the next three financial years.
Likely	3	Risk is likely to occur within this financial year.
Almost Certain	4	Indication of imminent occurrence.
Certain	5	Risk has occurred and will continue to do so without immediate action being taken.

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Negligible loss, delay or interruption to services. • Can be easily and quickly remedied. • No financial loss.
Minor	2	<ul style="list-style-type: none"> • Minor loss, delay or interruption to services. • Short term impact on operational efficiency and performance. • Low level financial loss. • Failure to meet internal standards. • Affects only one group of stakeholders. • No external interest. • Isolated complaints.
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services. • Medium term impact on operational efficiency and performance. • Significant financial loss. • Failure to meet recommended best practice. • Affects more than one group of stakeholders. • May attract short-term attention of legislative or regulatory bodies. • Significant complaints
Major	4	<ul style="list-style-type: none"> • Major loss, delay or interruption to services. • One off events which could de-stabilise the Council. • Widespread medium to long term impact on operational efficiency, performance and reputation. • Major financial loss. • Breach of legal or contractual obligation. • Affects more than one group of stakeholders.
Catastrophic	5	<ul style="list-style-type: none"> • Total sustained loss or disruption to critical services. • Long term impact on operational efficiency, performance and reputation. • Critical financial loss. • Serious breach of legal or contractual obligation. • Affects all groups of stakeholders • National impact with rapid intervention of legislative or regulatory bodies. • Extensive adverse media interest. • Loss of credibility