



Risk and Opportunity Management Strategy

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About this document

Risk and Opportunity Management Strategy – November 2021

Responsible officer: Business manager Corporate Responsibility

Approved by Audit Committee on 23 November 2021, due for review in November 2023.

To be retained for six months after policy review or replacement.

I. Strategy statement

Our aim is to recreate a council that's proactive and responsive to the needs of our residents and businesses in a fast-changing environment, and to build for the future while respecting our heritage.

As a local authority operating within a dynamic environment Cotswold District Council faces ongoing challenges and needs to continuously review its strategic approach to ensure viability for the future. As a result, we look at alternative ways of empowering our communities and alternative approaches to working with partners. Whilst these changes create opportunities, they may also create significant risk and uncertainty.

This strategy is focused on setting out the principles, tools, techniques, advice and support required for effective risk and opportunity management, from strategic to operational activities. The key is to ensure that the management of the risk is not a process that is dealt with in isolation, but instead it should be embedded in every piece of work the Council does. Risk is unavoidable and the Council seeks to proactively manage it through the use of risk registers.

Objectives of the strategy

The purpose of this strategy is to outline the overall approach to risk and opportunity management at Cotswold District Council. It is acknowledged that some risks will always exist and will never be eliminated, but through effective mitigation can be managed to an agreed level at which risk can be tolerated.

The objectives of the risk and opportunity management strategy are to:

- Raise awareness of the principles and benefits of effective risk and opportunity management with all those responsible for the delivery of Council services
- Embed risk and opportunity management as a key part of strategic, operational, financial and project planning and management
- Embed risk and opportunity management into the culture of the Council
- Establish a systematic approach to the identification, assessment, management and review of risk and opportunity
- Identify and allocate roles and responsibilities for managing risk and opportunity
- Make it easy to clearly identify the key strategic and operational risks and opportunities
- Assess the likelihood of risks and opportunities occurring and their impact on the Council's objectives
- Ensure risks and opportunities are fully considered when identifying and responding to changing social, environmental and legislative requirements

These objectives will be achieved by;

- Establishing a clear risk and opportunity management process that is effectively communicated to all officers and Members
- Providing risk and opportunity management training to officers and Members
- Clearly defining roles and responsibilities for risk and opportunity management
- Maintaining and reviewing registers of strategic, operational and project risks and opportunities and assigning ownership for each task
- Identifying risk and opportunities in relation to working in partnerships / contracts

The 'Risk and Opportunity Management Strategy' will be reviewed periodically to take account of changing legislation, government initiatives, corporate priorities and experience gained within the Council.

2. Introduction

What is Risk and Opportunity Management?

Risk and Opportunity Management is the process used to identify, evaluate and manage the whole range of business risks and opportunities facing an organisation.

A risk can be defined as the potential of something happening which may have a negative impact on the Council's ability to deliver services, projects and achieve its objectives. Conversely, an opportunity will enhance the Council's ability to achieve and effectively deliver, however there are often risks inherent in pursuing opportunities. By being alert to this and putting in place mechanisms to manage both the risks and opportunities effectively, the Council will be in a better position to continue to deliver services, remain viable, continue to innovate and use resources more efficiently.

ALARM (the Association of Local Authority Risk Managers) defines Risk Management as follows;

"Risk Management is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives".

Risk management is not necessarily about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some element of risk taking is inevitable if the Council is to achieve its priorities and objectives. Effective risk management is about making the most of opportunities and about achieving defined objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.

Risk Appetite

A fundamental part of the Council's risk and opportunity framework is its appetite for risk. Risk appetite can be defined as 'the level of risk the Council is prepared to accept in pursuit of its corporate objectives'.

Risk appetites can be categorised as follows:

Averse	Cautious	Creative and Aware	Eager
<ul style="list-style-type: none"> • Safe Business delivery options with low risks limited reward • Reluctant to take action given uncertainty 	<ul style="list-style-type: none"> • Safe delivery of options that have a medium degree of risk and potential for reward • Tight corporate control over change 	<ul style="list-style-type: none"> • Willing to consider all potential options that are most likely to result in success • Well evaluated risk taking • Learns from experience 	<ul style="list-style-type: none"> • Eager to be creative and innovative • Higher rewards despite inherent risk • Willing to accept significant loss • Actions when results are unknown

Risk appetite can help inform decisions about the nature and extent of risk mitigation activity required, or which initiatives should be pursued. The Council’s risk appetite level is Creative and Aware, although this can change on a risk to risk basis. It is willing to consider all potential options but with well evaluated risks and learning from experiences.

Benefits of Risk and Opportunity Management

Successful Risk and Opportunity Management is about ensuring that the Council has the right controls in place to provide sufficient mitigation from risks, without missing the opportunities for development.

Embedding Risk and Opportunity Management across the organisation can bring a number of benefits:

- Improved strategic, operational and financial management
- Better decision making
- Improved service delivery
- Better outcomes for customers
- Effective use of resources
- Taking advantage of key opportunities
- Effective mitigation of key risks
- Encourages a culture of innovation
- Identifying and controlling risks at an early stage means that major projects and opportunities are more likely to succeed

Definitions

Risk can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives, service delivery and/or reputation”. It is the combination of the probability of an event occurring (likelihood) and its effect, should it occur (impact).

Risk management - As defined by *ALARM (the Association of Local Authority Risk Managers)* is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives

Risk management does not only focus on the negative impacts but also on the positive opportunity impacts. This can lead to improved benefits / outcomes. Risks are divided into five categories:

Strategic Risks	Operational Risks	Contract Risks	Project Risks	Partnership Risks
<ul style="list-style-type: none"> •Risks that could have an impact on the successful achievement of the Council's long term core objectives, priorities, reputation and outcomes. •Unable to be managed at service level 	<ul style="list-style-type: none"> •These risks could have a significant financial, reputational and service delivery impact on the Council 	<ul style="list-style-type: none"> •Risks that could have an effect on the successful achievement of the contract's outcomes/objectives in terms of delivery 	<ul style="list-style-type: none"> •Risks that could have an effect on the successful achievement of the project in terms of service delivery, benefits realisation and engagement with key stakeholders 	<ul style="list-style-type: none"> •Risks that could have an effect on the successful achievement of the partnership's objectives. These can be strategic and/or operational

Opportunities management is the process used to identify, evaluate and manage the whole range of business opportunities for an organisation. An opportunity can be defined as 'something happening which may have an impact on the achievement of the Council's objectives in a positive way.' Often internal and external factors can limit the benefit or impact potential improvements. Opportunities may include the following:

Customers	Competition	Resource	Technology and skills
<ul style="list-style-type: none"> •Identifying customer needs and demands to improve services 	<ul style="list-style-type: none"> •Looking for opportunities in the market 	<ul style="list-style-type: none"> •Assessing the Council's ability to leverage resource and/or streamline working practices 	<ul style="list-style-type: none"> •Harnessing the evolution of technology and developing/ enhancing skills

3. The Risk and Opportunity Management Process

The Council has in place a five-stage process for managing risks and opportunities:



This shows how managing risks and opportunities needs to be a continuous process in order to be successful. The process must be regularly repeated to identify new risks and opportunities, but also those risks and opportunities already identified must be reviewed regularly to ensure they are being effectively managed.

Most of the Council’s operational and project risks are identified and managed by Publica. As such this Strategy should be read in conjunction with Publica’s Risk and Opportunity Management Guide which sets out in detail the processes associated with the five stages of risk and opportunity management. The Guide is attached at Annex A.

4. Roles and Responsibilities

An approach that involves all appropriate Members and officers is required to ensure that risk and opportunity management is fully integrated and embedded into the culture of the Council. All officers and Members may have a role to play in identifying and assessing risk. However, there are certain roles within the Council that directly contribute to ensuring effective risk and opportunity management. These roles and responsibilities are outlined below.

Individual or Group	Role
Full Council	<ul style="list-style-type: none"> ➤ Approves the policy framework and budget ➤ Supports and promotes an effective risk management culture
Cabinet	<ul style="list-style-type: none"> ➤ Risk manages the Council in delivering its core purpose, priorities and outcomes ➤ Considers and challenges the risks involved in making ‘key decisions’
Audit Committee	<ul style="list-style-type: none"> ➤ Approves the Risk and Opportunity Management Strategy ➤ Reviews risk management reports and makes recommendations
Council Local Management Team	<ul style="list-style-type: none"> ➤ Agrees tolerance levels for risk ➤ Agrees the appetite for risk

	<ul style="list-style-type: none"> ➤ Receives updates on any new significant emerging risks and opportunities ➤ Assigns responsibility for the Council's strategic risks ➤ Prioritises opportunities detailed on the opportunity register ➤ Ensures that risk and opportunity management is embedded in the culture of the organisation ➤ Ensures consistency of approach to risk and opportunity management across the Council ➤ Provides a quarterly report to Audit Committee on Strategic Risks
Corporate Governance Group	<ul style="list-style-type: none"> ➤ Carries out quarterly 'spot checks' on operational and project risk registers to ensure that registers are being used within the framework ➤ Offers advice and guidance on reporting of risks
Publica Group Managers and Executive Directors	<ul style="list-style-type: none"> ➤ Act as a central point for coordination and dissemination of information on risk and opportunity ➤ Review risk and opportunity management systems and their implementation on a regular basis ➤ Raise awareness of risk and opportunity issues and the Council's approach to risk and opportunity management ➤ Encourage and support development and effective implementation of the Risk and Opportunity Management strategy ➤ Assist Business Managers to identify, assess and monitor operational risks and opportunities ➤ Ensure a responsible officer is assigned to manage each significant risk ➤ Identify resources to address the highest priority risks ➤ Escalate significant emerging risks and opportunities to the Council's Local Management Team ➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members
Publica Business Managers and equivalent Council Managers	<ul style="list-style-type: none"> ➤ Identify team level risks and opportunities and lead reviews within their teams, as part of the operational planning process and on an ongoing basis throughout the year ➤ Provide a quarterly update to Group Manager, in particular highlighting those risks that are emerging, recurring, high level (above 10) or may become strategic ➤ Monitor progress against mitigation actions and updating risk registers on a quarterly basis ➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members
Business Manager – Corporate Responsibility	<ul style="list-style-type: none"> ➤ Responsible for ensuring that risk management processes are in place

	<ul style="list-style-type: none"> ➤ Recommends changes to the Risk and Opportunity Management Strategy ➤ Ensures that appropriate guidance and training is provided to staff as required.
Risk Owners	<ul style="list-style-type: none"> ➤ Ensure that appropriate resources and importance are allocated to the risk and opportunity management process ➤ Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented ➤ Provide assurance that the risks for which they are the risk owner are being effectively managed.
Project and Programme Managers	<ul style="list-style-type: none"> ➤ Establish and maintain Programme Risk and Issue Registers ➤ Ensure project or programme risks are being identified, assessed, controlled, monitored and reported throughout the project's or programme's lifecycle ➤ Escalate risks which have an impact on the ability to deliver the project or programme within the approved constraints of time, cost, quality and scope to the Project or Programme Board, relevant Publica Executive Director, Publica Group Manager and Publica Business Manager who will be responsible for discussing with the Council's Local Management Team
All Staff	<ul style="list-style-type: none"> ➤ Consider risk and opportunity as part of their everyday work ➤ Where appropriate draw their line manager's attention to risk, for instance where risk is increasing or a new risk or opportunity is identified.
Internal Audit	<ul style="list-style-type: none"> ➤ Provides information and assurance on the reliability and effectiveness of internal controls ➤ Highlights issues resulting from specific internal audits that should be considered by Publica Executive Directors, Publica Group Managers and Publica Business Managers and the Council Local Management Team
Partners/Contract Monitoring Officers	<ul style="list-style-type: none"> ➤ Actively manage risk within the partnership / contract ➤ Report on risk management issues to partnership / contract boards or equivalent.

5. Embedding Risk and Opportunity Management

For risk and opportunity management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day to day working. Monitoring of associated actions should be considered as part of a number of the Council's significant business processes;

- Corporate Decision Making – Addressing significant risks and opportunities
- Business Planning – Updating service plans to reflect operational risks and current priorities

- Project Management – Considering risks and opportunities linked to delivering the project outcomes before and throughout the project. This includes risks that have an effect on service delivery, benefits realisation and key stakeholders
- Partnership working – Establishing procedures to record and monitor risk and opportunities that may impact the Council or its partnership aims
- Commissioning - Identifying and keeping under review risks associated with all stages of the commissioning cycle
- Contract management – Identifying and keeping under review risks associated with all stages of contract management
- Insurance – Managing insurable risks and self-insurance arrangements

Culture

Developing an effective risk and opportunity management culture is a critical part of the risk and opportunity management process and takes time. In building this culture it is important that:

- Lessons from activities that lead to loss or reputational damage or positive outcomes through improvements to services are shared and acted on.
- There is a clear analysis of the risks and a robust justification for decisions, enabling officers and Members to be more creative and innovative in progressing opportunities that benefit the Council and the district
- Discussion on risk and opportunity in any context is conducted in an open and honest manner.

6. Key Success Factors

The following are crucial to the successful embedding of risk management.

- The implementation of this strategy must be endorsed by the Local Management Team and positively supported by all officers
- Risk management needs to be part of the annual business planning process
- Risks and opportunities should be incorporated within items for discussion as part of:
 - Strategy review
 - Budget approval meetings
 - Performance reviews
 - Project planning and review meetings
- There should be a regular update of the risk register by the managers who are accountable and responsible for their mitigation
- Training will be provided to all staff, appropriate to their level of responsibility.

Annex A – Public Risk and Opportunity Management Guide