

Risk Management Handbook

Our vision for risk management

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Section 1

Risk Management Policy Statement



Risk Management Policy Statement

Our Vision For Risk Management

“To be responsive to opportunities and resilient to disruptions.”

Portsmouth City Council will embed a culture of risk management that permeates all levels of the organisation and informs all operational and strategic decisions. Our ability to assess and manage risk will allow us to exploit gainful opportunities and improve the resilience and certainty of service delivery.

Our Mission at This Time

“To communicate, train and execute a common risk management approach that insures our business plans, maps linkages across projects and services and assures best value risk mitigation in a measurable way.”

Execution

- PCC will seek to achieve a Level 4 assessment for use of Resources by 2008 as stated in our Corporate Plan 05 – 08 (Priorities 14, 16 and 20)
- The Risk Manager will facilitate Members and Officers with the compilation of an endorsed Corporate Risk Register by 1 July 2006.
- Directorate and subordinate business plan risk registers will be completed according to the Corporate Risk Strategy and format from 1 April 2006. Directors will determine review periodicity and how their risks will be shared with SDB and Members.
- The Risk Manager will collate and monitor all risk registers across PCC to highlight inter-dependencies and stale data as necessary.
- All significant meetings should include a standing item to review risks to that meeting's business on a regular basis from 1 July 2006. Identified risks should be captured and managed as above with review periodicity 6 months or less.
- To ensure coherency and a systematic approach the Corporate Risk Management Group will foster adoption of unified processes guidance and training.
- Risk Management will be monitored within the quarterly reporting of Corporate Scorecard performance indicators.

Key Principles of PCC Risk Management Approach

Our approach to Risk Management and Corporate Governance will be based on the following key principles:

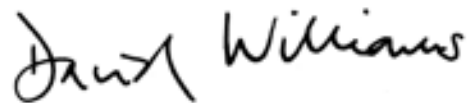
- Risk will be part of our everyday decision-making and will be aligned to objectives.
- Risk should be considered and captured as early as possible when drafting policy, strategy or project documentation.
- There will be a single, consistent process across the Council.
- Risk management should drive improved effectiveness and performance.
- Risk Management will be closely linked to and monitored under Performance Management.
- All risks must be owned by someone with the power to manage them.
- Adequate contingency funding for identified risks should be agreed at the approval of project business cases.
- There will be a simple system with a common language.
- The level of detail required will be equal to the level of benefit obtained.
- There must be demonstrable business benefits to capturing and managing risk data and our risk tolerance must be set at a level that avoids data gathering for its own sake.
- A Member Committee must formally review Corporate Risks on a quarterly basis.
- Affordable, formal and ad hoc training will be provided for Members and Officers to satisfy the best practice requirements of external auditors.

Signed:



Title: Leader of the Council

Signed:



Title: Chief Executive Officer

Section 2

Risk Management Strategy



Risk Management Strategy

1. Purpose, Aims and Objectives

The Purpose of this Risk Management Strategy is to effectively manage potential opportunities and threats to the organisation's ability to achieve its planned objectives.

This Risk Management Strategy has the following aims and objectives:

- Raising awareness of the need for Risk Management, especially for the prevention or minimisation of injury, damage, loss and inconvenience to residents, staff, service users and assets arising from or connected with the delivery of Council services;
- Introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice;
- Ensure cost effective management of risk;
- Integration of Risk Management into the culture of the organisation;
- Enabling the organisation to anticipate and respond to changing social, environmental, and legislative conditions.

To achieve these aims and objectives, the following strategy is proposed:

- Establish clear accountabilities, roles and reporting lines across all business areas and directorates;
- Acquire and develop the necessary Risk Management skills and expertise;
- Provide for risk assessment in all decision-making processes of the Council;
- Ensure appropriate consideration of risk within all reviews of service performance and subsequent improvement plans;
- Develop Risk Management procedures and guidance for use across the organisation;

- Develop arrangements to measure performance of Risk Management activities against the aims and objectives;
- To make all partners, providers and delivery agents aware of the organisation's expectations on risk, both generally as set out in its Risk Management Policy Statement and Strategy documents, and where necessary in particular areas of service delivery.

2. Accountabilities, Roles and Reporting Lines

A framework will be implemented that will address the following issues:

- The different types of risk – corporate / strategic and operational / business level;
- Where they should be managed;
- Corporate, Directorate and Business Unit roles and accountabilities;
- The need for a “driving force” within the organisation;
- Prompt reporting of emerging risks such as accidents, losses etc.

In many cases, risk management will follow existing management arrangements – certainly operational risk is best managed in this way i.e. by the people who manage service delivery.

Corporate / Strategic risk is best managed at Member and Strategic Directors' Board level. However, to enhance the linkages between the two, the Council has established a **Corporate Risk Management Group** that will be accountable to the Strategic Directors Board (SDB) and be the “driving force” behind developing and implementing the Risk Management Strategy. This will include appropriate Legal, Risk Management, Audit, Governance, Health & Safety and Emergency Planning support.

The Risk Manager will chair the Corporate Risk Management Group and each Director will

nominate an appropriate Tier 2 or Tier 3 officer to undertake a **Risk Management Liaison** role, acting as a link between individual Heads of Service,

Directorate Management Teams and the Strategic Directors' Board.

3. Framework for Risk Management Reporting Lines

Please also see the flow diagram on the last page showing responsibilities and reporting lines.

| Group | Role |
|---|---|
| Elected Members / Executive Members (Receive report <i>Bi-annually</i> from Risk Manager) | To oversee the effective management of risk by officers of the Council. To gain an understanding of risk management and its benefits. To require officers to develop and implement an effective framework for risk management. |
| The Chief Executive (Receive report <i>quarterly</i> from Risk Manager) | To ensure that risk is managed effectively through the development of an all- encompassing corporate strategy. Promote and oversee implementation of the strategy. Monitor and review effectiveness of strategy. |
| Strategic Directors Board (SDB) (Receive report <i>quarterly</i> from Risk Manager) | To ensure the Council manages risk effectively through the Risk Management Strategy and considers strategic risks affecting the organisation. SDB to give a declaration on Risk Management Assurance to Members regarding risk management compliance as required by the Statement of Internal Control. |
| Corporate Risk Management Group (Reporting <i>quarterly</i> to SDB) | To promote the Risk Management Strategy and supporting framework. To report to SDB (<i>quarterly</i>) and support the organisation in the effective development, implementation and review of the risk management strategy and share experiences on risk across the organisation. To monitor and review risk registers quarterly. |
| Risk Manager (Reporting quarterly to SDB / CRMG and annually to Members) | To support the organisation in the development, implementation and review of the RM strategy. Identify and communicate risk management issues to directorates. Assist directorates in undertaking risk management activity via training and / or direct support. |
| Corporate Priority Team & Directorate Management Teams (Reporting Quarterly to Tier 2 Officers / Heads of Service) | To ensure risk is managed effectively in each directorate / business unit within the agreed strategy and to report to the Corporate Risk Management Group every quarter through the Risk Manager. |
| Business Unit / Front-Line Managers (Reporting <i>Monthly</i> to Tier 2 / 3 Officers with risk management liaison role) | To manage risk effectively in their particular business units and report on how hazards and risks have been managed to their Corporate Priority Team or Directorate Management Teams. |
| Employees | To manage risk effectively in their job and report hazards / risks to their Business Unit / Front-Line Managers commensurate with their position and experience. To undertake their job within risk management guidelines. |

Table 1. Roles and Responsibilities. Please also see the flow diagram on page 8

4. Skills and Expertise

Having established roles and accountabilities for risk management, the Council must ensure that it has the skills and expertise necessary. It will achieve this by a suitable programme of risk management training and learning opportunities that address the individual needs of staff.

The programme will include relatively high level risk awareness training aimed at the majority of staff and Members and more detailed and intensive courses focusing on best practice in risk management for those more actively involved in the process.

Risk management will be included in the “core competencies for managers” framework and in the corporate induction programme. Risk management responsibilities will also be included in officer’s job descriptions where appropriate.

5. Risks and the Decision Making Processes

Risk management must be practiced at all levels of our business and should be considered at all times, but particularly as part of the decision-making process. Where Members and Officers are required to make decisions they should be advised of the risks associated with recommendations being made.

The Council must be able to **demonstrate** that it took reasonable steps to consider the risks involved in any significant decision. Therefore, a written risk assessment will form part of all reports requesting a decision on strategic policy issues or major projects. The training programme described in the preceding section will support this process.

6. Supporting Improvement

Risk Management will be incorporated into the operational plans of all business units. A risk register linked to each of the aims and objectives will be included in the business plan using the template provided in the Corporate Risk Management Process guidance. Risk treatment measures will be fed into Business Improvement Plans. Risk management should be a standing item on meeting agendas.

7. Programme and Project Management

Risk assessments are required for the initial business case and throughout all projects.

8. Integrating Risk Management with Performance Management

Risk Management will be integrated into the existing performance management system and reported in the Corporate Scorecard. In addition, key performance indicators will be developed to monitor the impact of risk management activities and the success of the Risk Management Strategy itself. The intention is to measure the extent to which risk management processes have been adopted and to demonstrate that they are “embedded” into the culture of the organisation, whilst demonstrating evidence of providing value for money.

9. Involvement of Elected Members

Elected Members will bring a different perspective and have a key contribution to make in the assessment of risks that may affect the achievement of corporate strategy objectives. Reports to the Executive should include a demonstration that **risks** have been addressed (see the notes on the report pro-forma). A bi-annual report to the Executive will be made that will review existing risk management arrangements, provide an update on the process of “embedding” risk management and raise any current issues including budget funding. The report will also identify key strategic risks and outline the way in which they will be managed.

10. Procedures and Guidelines

“Corporate Risk Management Process” (CRMP) Guidance has been issued and is available to all Directorates (it will shortly be on the intranet). It provides guidance on all aspects of the risk management cycle and is a practical “toolkit” that introduces a consistent methodology to be followed throughout the organisation. The CRMP Guidance will be reviewed at least annually by the Corporate Risk Management Group.

11. Risk Management and Partnership Working

The organisation recognises the potential benefits and rewards from partnership working, but also recognises the risks involved. Whilst this risk can be reduced by the organisation through formal contracts and partnership agreements that clearly allocate risks to the appropriate parties e.g. a PFI arrangement, failure by either or any one of those parties to manage their risks can have serious consequences for the other(s).

Before entering into partnership, joint working or business contract arrangements, the prospective

partners and contractors should be asked to state their approach to risk management and to provide certain minimum evidence to support their response, including assurance that they have appropriate business continuity plans.

12. Outputs and Benefits from the Process

The outputs from the risk management process will provide valuable additional information for the organisation that should assist it in avoiding unpleasant surprises and aid it in the consideration of corporate governance:

- a. The Risk Map - This will show the key risks at each assessed level of activity, starting with those at the corporate / strategic level and cascading down into the organisation’s structure. It will enable resources to be more effectively applied to treating and tracking those risks and thus improve the likelihood that continuity of activity can be achieved within all assessed scenarios. The risk map will also provide a valuable aid to the Internal Audit activity of the organisation that will assist them in focusing their plans towards the areas of highest risk.
- b. The Risk Register - This will provide documentation of each risk, its owner, the key mitigation measures that relate to it, and the status of any contingency plan that is associated with it. As well as providing useful data internally, this document will provide evidence, for any external audit or inspection. A bespoke Risk Register software package will be purchased to support the organisation in recording and reviewing its risks.
- c. Risk Reporting - Regular reports on the organisation’s risks will enable managers to be more fully aware of the extent of the risks they face and the changes that are occurring to them. The overall process should also help ensure that any serious issue is addressed then / or quickly highlighted to the relevant level of management.

d. Benefits - Amongst the benefits that the Council will gain from a formalized risk management process are:

A fully documented representation of all its key risks and their mitigation actions;

A better understanding of risks and exposures faced by the organisation;

Greater ownership by managers of risks and their systems of internal control;

Clear accountability of empowered owners;

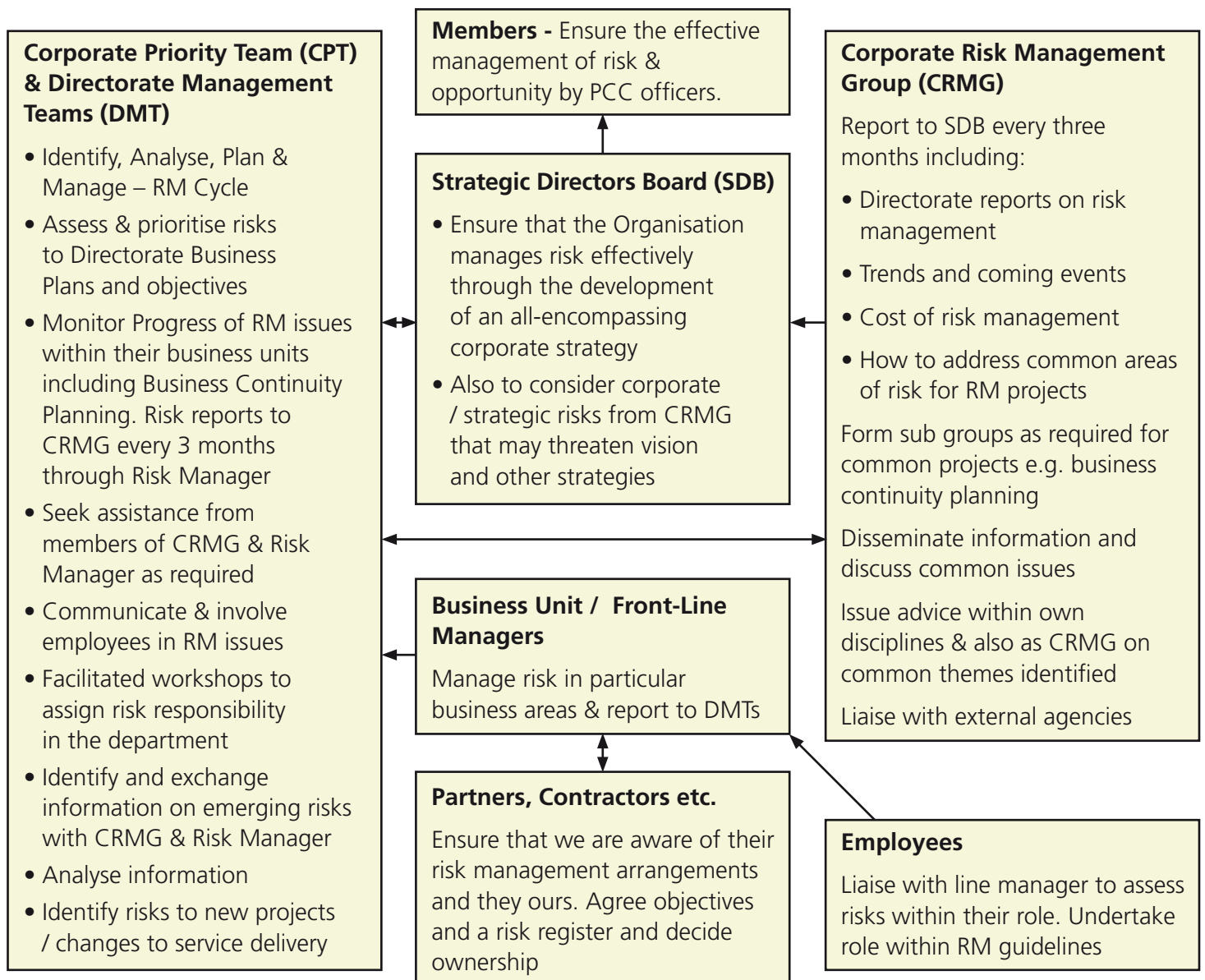
An understanding of how risks are moving and the ability to model how they are accumulating;

Integration of risk into systems, project work, contracting and partnering arrangements;

More focused use of insurance as a method of transferring risk;

The implementation of a more cost-effective control environment;

Better management information when considering governance of the organisation.



Section 3

Corporate Risk Management Process (CRMP)



Corporate Risk Management Process (CRMP) – Part 1

Introduction

1. Most of what we do at Portsmouth City Council is about delivering Services or Projects over a period of time. In any undertaking like this, it is inevitable that unforeseen opportunities and threats will arise that affect our plans. Risk Management is a practical and straightforward process that seeks to anticipate and counter these threats and opportunities so that we can be more confident that we will deliver what we intended to at the planned time, cost and quality or performance.
2. As well as being a method to protect our plans against unforeseen events and consequent failure, Risk Management must be practiced at all levels of our business so that correct financial decisions are made. For example, failure to identify a risk with major impact, such as the possibility of school fires, could lead us to underinsure with potential for both loss of the school, loss of education provision, employment and finance when we have to re-locate pupils and staff then pay for the school to be re-built from Council funds. Similarly, we must try to forecast opportunities such as the impending availability of a brown-field site on which we might build an urgently needed facility or unseasonably warm weather that may generate extra visitor revenue to an event but also cause potential gridlock on our roads.
3. We all practice risk management on a daily basis when we cross the road, decide whether or not to wear a coat when showers are forecast or decide whether it is safe to overtake another car. It is about identifying what might go wrong, assessing how likely that is (probability or chance) and what the consequences¹ (impact) of that risk “impacting” or occurring is, then deciding a course of action that fits with your risk appetite². We then decide whether to tolerate the risk (don’t mind getting

wet to save carrying a coat), treat the risk (carry an umbrella or get a lift rather than walk), *transfer* the risk (insure your life and your car in case of accident) or terminate the risk (decide to stay indoors, never cross roads, never travel by road vehicle).

4. The amount of time and effort spent in managing risk should be proportionate to the potential consequences – it is not about second-guessing every single thing that might go wrong and producing endless lists and databases that then sit unattended on a shelf. It is a regular, disciplined, natural process of getting the job done.

The Risk Management Process set out in this document combines good practice from Project Risk Management with government and departmental guidance contained in HM Treasury’s Orange Book (October 2004).

5. It is worth emphasizing that risks can result in positive outcomes therefore any process must ensure that ‘Opportunity’ management takes place alongside more conventional risk management.

Aim

6. The aim of this paper is to communicate the Corporate³ Risk Management Process for use across the entire Council. No differentiation is made between the management of risks at corporate, business or project level or for any process risks e.g. finance or security.

What is a Risk?

7. A Risk is defined as:

“a future uncertain event that could influence the achievement of objectives and statutory obligations”.

A key point in this definition is that a risk is a future event although it can

1. Being hit by a car, getting wet or having a head on collision at over 60mph.

2. How much of a risk you are prepared to take based on your ability to manage the consequences – for example if you are fit and alert you might cross when others do not and sprint if you get caught out. Or you might drop down a gear and then accelerate out of trouble if you have not correctly assessed the speed of the oncoming vehicle.

3. Where Corporate means: common or shared across all parts of PCC.

become current when it occurs or impacts. However, it is important to distinguish the difference between risks and issues since they are often confused.

8. Issues are often listed as risks when they are in fact consequences of risks that have occurred – such as lack of resources, which

is either caused by poor management (ie trying to do too much rather than what is realistically achievable) or an unforeseen event for which no mitigation was planned.

9. Table 1 below gives an example of what is a risk and what is an issue:

| Objective – to travel by train from A to B for a meeting at a certain time | |
|--|---|
| Failure to get from A to B on time for the meeting. | ✗ This is simply the converse of the objective. |
| Being late and missing the meeting. | ✗ This is a statement of the impact of the risk, not the risk itself. |
| There is no buffet on the train so I get hungry. | ✗ This does not impact on achievement of the objective. |
| There is a risk that <i>I miss the train</i> (consequence) that leads to my late arrival at B and causes me to miss the meeting. | ✓ This is a risk which can be controlled by making sure I allow plenty of time to get to the station. |
| <i>There is a risk that</i> Severe weather prevents the train from running and me from getting to the meeting. | ✓ This is a risk that I cannot control but, against which I can make a contingency plan – eg check weather forecast, arrange videoconference instead? |

Table 1: Examples of Risks, Consequences and Issues

What is Risk Management?

10. Risk Management is defined as:

“The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the achievement of organisational objectives.”

11. Risk Management is not “another bureaucratic form filling exercise”, it is about making risk a consideration in everything we do, all the time – not just during the occasional or periodic brainstorming session or the annual business planning cycle. It is a way of thinking and acting that increases the chances of us achieving what we set out to do and avoiding crisis management.

12. In recent years all sectors of the economy have focused on management of risk as the key to making organisations successful in delivering their objectives whilst protecting the interests of their stakeholders⁴.

13. Risk can be thought of as *uncertainty of outcome* and good risk management allows an organisation to: have increased confidence in achieving its desired outcomes; effectively constrain threats to acceptable levels; and take informed decisions about exploiting opportunities.

14. Effective risk management also allows stakeholders to have increased confidence in the organisation’s corporate governance and ability to deliver.

4. Stakeholders are the group of people who have a stake or interest in what we do, for example: Members, Customers, Government, Suppliers, Officers and colleagues.

The Risk Management Process

15. The Risk Process is based on a continuous cycle of Identifying, Analyzing, Planning and Managing as illustrated in Figure 1, below.

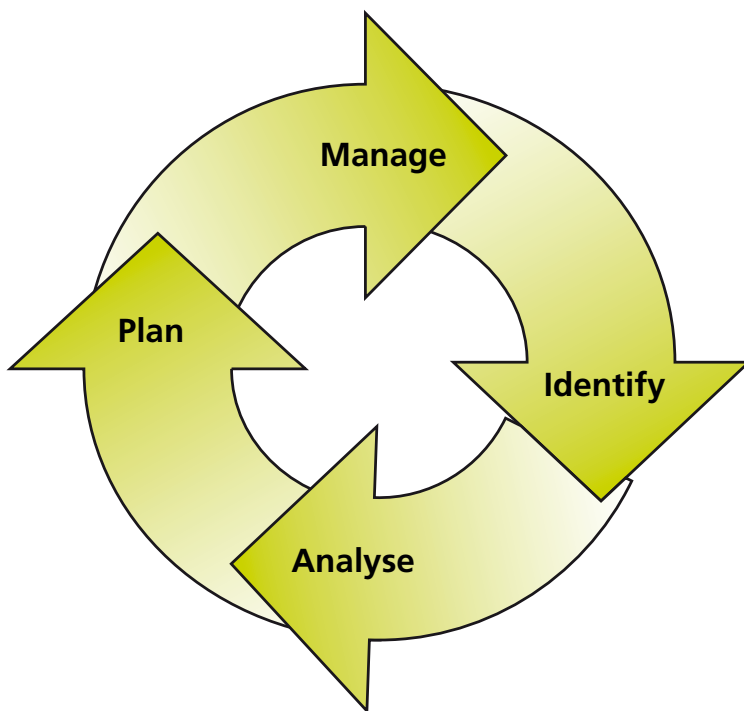


Figure 1: The 4 Steps of the Risk Management Process

Risk Process Map

An alternative process map view of this cycle may be found at Annex A.

16. The key elements of the Risk Management Process are:
- Using a 'business' risk language for accuracy, brevity and clarity
 - Linking of risk to objectives in the appropriate plan⁵
 - Ensuring each risk is "owned" by someone who has the power to control it
 - Scoring risks against a logical, shared scoring system
 - Measuring, monitoring and reporting the cost versus benefit of risk treatment
 - Understanding and managing the overall risk created by interdependencies⁶ and partners' risks

Some of these key elements are expanded on below:

17. **Risk Language.** It is intended that a common language is used within risk management between all stakeholders and a glossary and list of definitions is included at Appendix 1 to help promote this.
18. **Linking Risks to Objectives and Owners.** The fundamental requirements of a risk management system dictate that any risk identified must be linked to an organisation's objectives or outputs. This will ensure that the impact of the risk can be clearly allocated to the utilisation of a resource, and the risk ownership can be clearly identified through ownership of the associated output or objective.

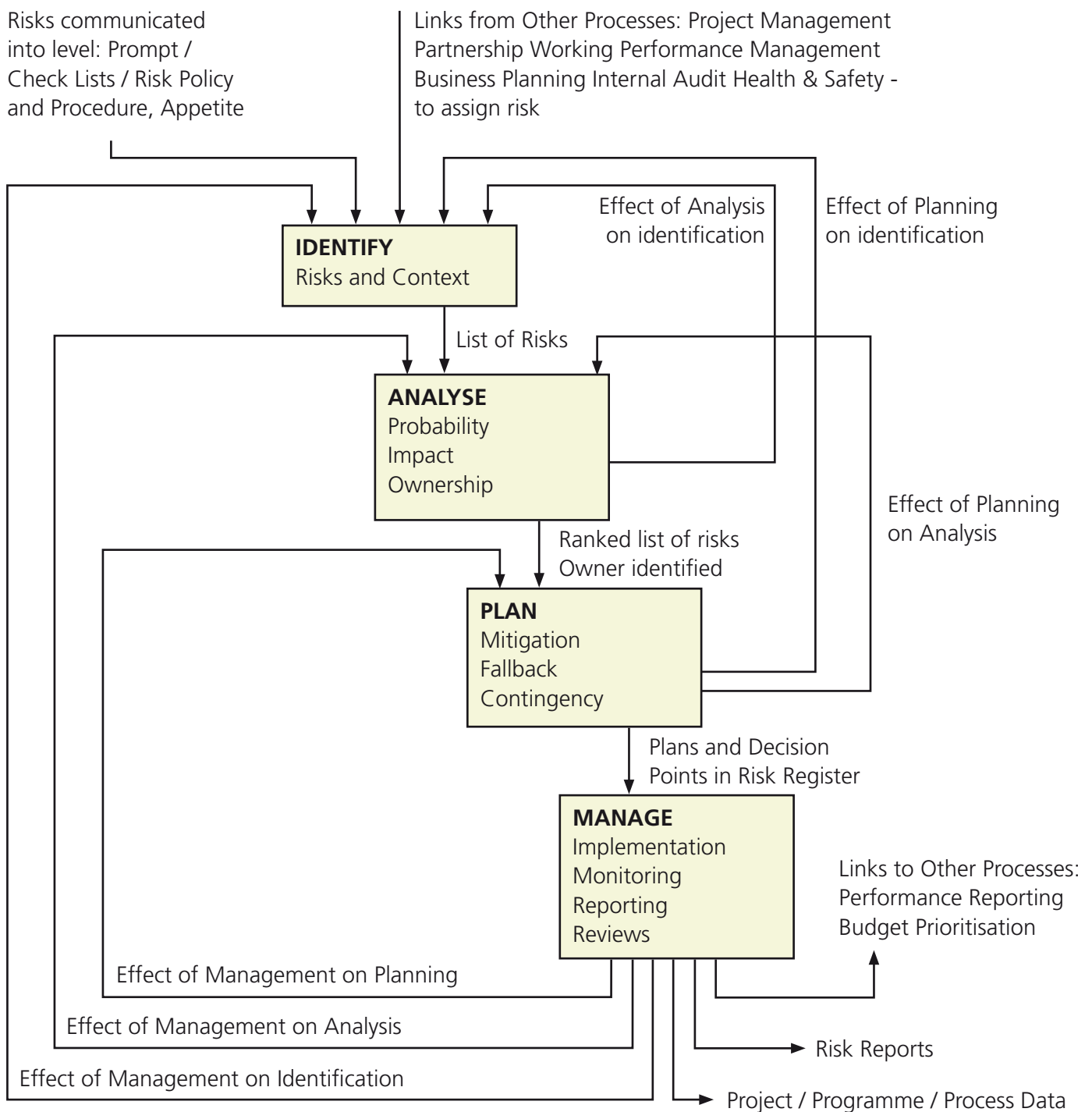
5. This could be the Corporate Plan (Corporate/Strategic Risks), your Business Plan (Operational Risks) or a Project Plan (Project Risks).
6. Some risks will impact on several workstreams or services, eg late delivery of a new building will affect service provision and financial plans that may reduce budgetary provision for other work and so on.

19. Such ownership brings with it certain responsibilities for the management of the risk in order to reduce the probability (likelihood) and/or impact of the risk on the output. Whilst the owner may delegate the management of the mitigation for the risk to another party, they must also ensure that appropriate authority and resources exist for such mitigation. Hence ownership provides clear identification of where a risk sits within the structure of the organisation.
20. During the risk identification process, it may be found that risk ownership sits outside the immediate officer level undertaking the identification; this is why stakeholder engagement is so important in the risk identification phase. Consequently, there must be a clear and auditable path for allocating ownership elsewhere to ensure that the risk does not go unmanaged.
21. In some cases there may appear to be joint ownership of risks, but this should be avoided unless there is clear agreement between owners. What is more likely is that there will be more than one mitigation manager, especially where a risk has a potentially long lifespan. This is even more reason for a single owner to be allocated, to ensure proper risk management.
22. Ownership of the risk will identify where in the organisation overall management of the risk will take place, and thus, how it will be recorded and monitored in the overall risk management process implementation.
23. **Measurement of (Net) Risk and the Value of Controls applied.** It is logical that risks should be routinely monitored and reported after they have been identified and treated with appropriate controls that reduce the risk to a tolerable level. But we need to understand the cost and benefit of those controls to ensure value for money and that we are not excessively treating risks beyond an affordable or realistic level. For example, the risk of a fire in a building should be assessed as the risk with any current fire prevention systems in place and the measures to prevent and insure against fire should be affordable and appropriate. We cannot and should not afford the same level of safety assurance for an office fire as a nuclear power station because the impact is not comparable.
24. Identification of the untreated (gross) risk is a useful starting point but it is often difficult to measure gross risk and there is usually some form of mitigation or control in place. Furthermore it is not possible to identify what, if any, additional controls are required without identifying all the controls already in place to mitigate the risk and assessing their collective cost effectiveness. Good control is about achieving cost effective levels of assurance.
25. **Documentation of Risk; Maintaining a Risk Profile.** Risk assessments should be documented in a way that records the stages of the risk process and creates a risk profile for the organisation that:
 - a. Allows identification of risk priorities;
 - b. Documents why controls were chosen and how the remaining level of exposure tolerated was agreed;
 - c. Allows all those concerned with risk management to see the overall risk profile and how their areas of responsibility fit into it;
 - d. Facilitates regular, systematic review and monitoring of risks.

The Risk Management Process Map

The Risk Management Process is to be applied at all levels including projects, partnerships, business unit and Corporate levels.

Risks are to be communicated between levels in alignment with predefined criteria and the Risk Management Policy / Process Description.



Corporate Risk Management Process (CRMP) – Part 2

Risk Identification: Process [Identify] ... Output [List Of Risks]

Aim

1. The aim of this stage in the risk management cycle is to **list all possible risks and opportunities associated with each of the team's objectives** by group brainstorming.

Background

2. The first stage in the risk process is to identify what events might prevent or impact in a positive or negative way on the achievement of the organisation or business area's objectives as set out in the Corporate Plan and cascading Business Area Plans.
3. When identifying risks it is essential to link the risk to an objective or output in order to understand the impact and allow assignment of the risk to an owner. This linkage ensures that the risk management activity is focused on delivery of business objectives; a risk can only be assessed and prioritized in relation to objectives.
4. One way of doing this is to get a team together to brainstorm the possible threats and opportunities that might arise whilst considering each objective that you are trying to achieve in turn. The threats and opportunities are then numbered so that they can be linked to that objective (and any other objectives upon which they might impact regardless of who owns that objective).
5. Risk identification should be considered in two phases:
 - a. Initial identification of risks associated with a new, original activity, project or organisation when producing the business case;
 - b. Continuous re-assessment for new risks associated with an ongoing activity due to changing circumstances (eg new legislation, impact of other risks such as delays, financial or political change).

6. **Care should be taken during the identification stage to avoid recording impacts that may arise from risks as being risks themselves and to avoid (or ignore) risks that do not impact on objectives.**

How to Identify, Describe and Record Risks

7. A risk is a future uncertain event that has a likelihood or probability of occurring in a particular place, during a particular interval of time⁷ and that will have a particular *impact*. They may be operational, financial, or relate to performance of contractors or suppliers. They might affect the reputation of the organisation or include new legislation coming into affect. Indeed there are many possible sources from which potential risks to achieving objectives might arise. Table 2 below is provided as an *aide-mémoire* to Officers and Members and covers a wide range of sources of potential threats and opportunities. The value of using a table such as this is that it can be added to in light of experience to form an increasingly robust process.

Remember – it is important to use a common three part description for each identified risk and it must affect a particular objective⁸ or objectives in the following form

7. Some risks can only occur at particular times and are only considered during the period where they could occur. This is known as the risk proximity. For example, a risk that bricks to build a wall might arrive late should be managed prior to their arrival only. Once they have arrived the risk can be archived. The proximity or closeness of that risk might temporarily inflate its status compared to other risks as part of the mitigation strategy to reduce the probability of it impacting (occurring).

8. Taken from Corporate or Business Level Plan with clear line of sight to an objective and an owner.

Objective 1.1: Event → Consequence → Impact

A typical phrasing could be:

**Better...
Failure of...
Lack of... leads to... resulting in...
Partnership with...
Development of...**

Example 1: Improved Website layout leads to more customer demand resulting in increased cost of service provided.

Example 2: 5% budget reduction (without cuts to service) leads to overstretched staff resulting in increased sickness/staff turnover. This is an issue to manage rather than a risk.

Example 3: Increased staff turnover leads to additional recruitment costs resulting in budget shortfall.

Operational Versus Strategic Risks

8. To avoid getting buried in low-level (albeit important) operational risks at the outset, it is useful to consider risks in two separate categories to structure the discussion and ensure that we consider the full range of risks at all levels of the organisation. Portsmouth City Council will categorize risks as either Corporate⁹ (Strategic) or Operational (Service Level).
9. To ensure that an adequate continuity of reporting can be achieved on the sources of risks, the sub-groups or types at Annex B will be used.

Optional Opportunity Analysis Tool

10. Innovation and opportunity identification is encouraged, as well as the identification of negative risks, and is an integral part of manager's roles and responsibilities. However, all members of staff can and should contribute to opportunity analysis. Service reviews and the business planning process enable opportunities to be identified, analysed, and if appropriate, realised.
11. Opportunities can be described as having three stages:
 - **Future opportunities** – these can be identified on a regular basis as part of business planning, team meetings, staff suggestion schemes and service reviews. All staff should have the opportunity to be creative and innovative in suggesting areas for possible improvement or growth.
 - **Potential opportunities** - the suggestions would then be considered in more detail to ascertain the potential benefits and resource implications and allow them to be prioritised using the matrix below.

Consideration must also be given to the extent to which the opportunity will contribute towards the achievement of targets and objectives at the Corporate and / or business level.

Use of the matrix will allow a decision to be taken on whether further investigation (e.g. a full cost / benefit analysis) is required before a final commitment is made to realizing the opportunity.

- **Realised opportunities** – these are existing opportunities, which may be built into contracts, partnership agreements, Corporate and business plans. Such opportunities have clear benefits realisation statements and measured outcomes so that the benefits can be monitored.

9. Corporate risks will affect the achievement of most major objectives articulated in the Corporate Management Plan.

Opportunity Matrix

The diagram shows a 4x4 grid representing an Opportunity Matrix. The vertical axis is labeled 'Resources / Cost / Effort' and has four levels: Very Low, Low, High, and Very High. The horizontal axis is labeled 'Achievable Benefits' and has four levels: Negligible, Marginal, Significant, and Extensive. The grid is empty, with no data points or text inside the cells.

| | | | | |
|-----------|------------|----------|-------------|-----------|
| Very Low | | | | |
| Low | | | | |
| High | | | | |
| Very High | | | | |
| | Negligible | Marginal | Significant | Extensive |

- Opportunity analysis can be undertaken for contracts, projects or partnership arrangements or as part of the business planning process. It can be described as well-managed risk taking to support innovation and improvement.

Risk Identification Aide-mémoire

Do not waste time trying to fully quantify risks at this stage to avoid stifling the creative process. Those of little consequence will be filtered out when the risks are analyzed later.

Corporate (Strategic) Risks – Opportunities and Threats that need to be taken into account in judgments about the medium to long-term goals and objectives of the organisation and linked to the objectives in the Corporate Plan. These may be: -

| | |
|------------------------------|---|
| Political | Associated with failure to deliver either central government policy, or meet the administration's manifesto commitments. |
| Economic | Affecting the ability of the organisation to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes, or the consequences of proposed investment decisions. Sustainability of future programmes and commitments. |
| Social | Relating to the effects of changes in demographic, residential or socio-economic trends on the organisation's ability to deliver its objectives. Increasingly elderly population, influx of new business. |
| Technological | Associated with the capacity of the organisation to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures or obsolescence affecting the organisation's ability to deliver its objectives. Opportunities related to using technology – eg e-commerce |
| Legislative | Associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE3 Regulations, Human Rights Act, Data Protection Act, Disability Discrimination Act etc). |
| Environmental | Relating to the environmental consequences of progressing the organisation's strategic objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.), extremes of weather eg floods, gales. |
| Competitive | Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Best Value. Competition affecting partners and suppliers. Windfalls and Costs. |
| Customer/ Citizen | Associated with failure to meet or success in meeting the current and changing needs and expectations of customers and citizens. |

Operational Risks - Hazards and risks that managers and staff will encounter in the daily course of their work and which are linked to the objectives in the directorate business plans. These may be:

| | |
|----------------------|--|
| Professional | Associated with the particular nature of each profession (e.g. clinical risk management in the health sector, particular aspects of the Human Rights Act in the “blue light” services, social work service concerns over children at risk, housing service concerns as to the welfare of tenants). |
| Legal | Related to possible breaches of legislation. |
| Financial | Associated with financial planning and control and the adequacy of insurance cover and internal funds. Corporate governance, fraud prevention. |
| Physical | Related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc.). Physical risk to personnel and customers. |
| Contractual | Associated with the failure of contractors to deliver services or products to the agreed cost and specification. Contractual obligation placed on PCC or individuals and partners/suppliers. |
| Reputational | Relating to the organisation’s reputation and the public perception of the organisation’s efficiency and effectiveness. Also Government, Members, Political Parties, Partners and individuals’ reputations. |
| Technological | Relating to reliance on operational equipment (e.g. IT systems or equipment and machinery). Obsolescence of technology or exploitation of technology in service delivery eg internet, telephone and radio versus paper communication |
| Environmental | Relating to pollution, noise or energy efficiency of ongoing service operation. Traffic volumes, weather, night/day, land/sea/air. |

Corporate Risk Management Process (CRMP) – Part 3

Risk Analysis: Process [Analyse] ... Output [Ranking And Owners]

Aim

1. To analyze the list of risks produced by the brainstorming sessions and assign ownership and scores to each risk. Check alignment of risks with objectives and possible linkages to other objectives and owners.

Ownership

2. Each risk identified must be allocated to an owner who has the power to mitigate the risk even though the practice of mitigation might be delegated to someone else who is empowered accordingly. There must also be clear alignment with written and measurable objectives that have appropriate performance indicators against which the value of mitigation can be measured quantitatively or qualitatively.

Quick Look Qualitative Analysis¹⁰

3. Before getting too involved in scrutinizing and scoring risks, the team should perform a quick subjective assessment of the risks listed as output from the brainstorming session and cut the list down to no more than a top 20 or so with a view to refining this list into a top ten through further scrutiny.

Scoring of Probability and Impact

4. The purpose of scoring risks is quite simply to highlight the most important threats and opportunities so that they can be actively managed with the scarce resources available. We do not have the time or resources to manage more than about 10 or 12 at any level of the organisation although we can delegate contributory or secondary risks to several people as mitigation for a large corporate risk.

5. Where possible, risks should be *quantitatively* scored for impact and probability, for example an impact might be: loss of 5 working days; £50,000; complete re-work of a building stage or process because of quality or performance failure. Other risks will need to be *qualitatively* scored although it is normally possible to assign some kind of measure even for things like public perception of a service by conducting consumer surveys etc. The combined impact of several risks may subsequently be possible using appropriate software and statistical methods where the consequences deem this level of scrutiny and management appropriate. The risk team can advise on this approach if necessary.
6. The quality of analysis will depend on the quality of information on which it is based and having a good spread of people from all levels of the undertaking involved in the process. It is essential that supporting documentation is kept to explain and record the analysis that led to the mitigation plan.
7. To ensure a consistent approach, for risks to be communicated across the organisation, analysis should be against an agreed set of criteria. The criteria to be used by Portsmouth CC can be found at Annex C.

Likelihood¹¹

8. Having identified a risk event, the likelihood of it occurring should be agreed and quantified using the options in Annex C. Where possible, the period during which the risk is most likely to arise and terminate should also be noted. There is no requirement to monitor risks at the beginning of an undertaking that are only possible at the end of it but they should be identified before the activity commences.

10. Assign High/Medium/Low for both probability and impact of each risk by consensus.

11. Tables for scoring probability should be agreed and used to ensure a common approach. The scores should state both the likelihood and the time window in which the likelihood is being considered – eg a 70% likelihood of occurring in this financial year.

Impact¹²

9. The risk **impact** must also be considered since there is little point in wasting time and effort recording and managing risks that have little consequence and do not affect the achievement of objectives.
10. In deciding the risk impact all possible outcomes should be considered, these could occur in terms of time and/or cost and/or performance. Note that performance can be subjective, such as damage to reputation, or measurable such as failure to deliver acceptable quality or sufficient capacity. *The impact should describe how achievement of the objective is affected in terms of time, cost, quality, performance or other quantifiable way where possible.*

Records

11. Each risk should be recorded in a common format usually some form of database or spreadsheet. It is likely that PCC will purchase a standard risk management software package for use by local authorities in which to capture and manage all risks. Additionally, sufficient records should be kept of the thought processes and decisions that led to the scoring of each risk for future reference.

Risk Severity Rating

12. When each risk is scored in terms of probability and impact it can be plotted on a scoring matrix to give its severity rating. The top 12 or so risks will then be actively managed until their severity rating becomes tolerable. An example risk priority matrix is shown in Figure 2 on the next page.
13. Analysis of current management controls already in place should be taken into account when determining the potential severity of a risk. This will aid the later planning activity in terms of which mitigation measures should be applied and when. In other words, risks should be considered on the basis of their various treatments and mitigations being applied once such treatments are in place.

Risk Balanced Score Card¹³

14. Where organisations use the balanced scorecard performance management system, risks can be plotted in the appropriate quadrants to aid communication of the linkages between corporate objectives and their associated risks. This is sensibly limited to plotting around a dozen risks and the scorecard can also be used to show the movement of risk due to the application of mitigation measures over a period of time by inclusion of a before and after arrow each quarter.

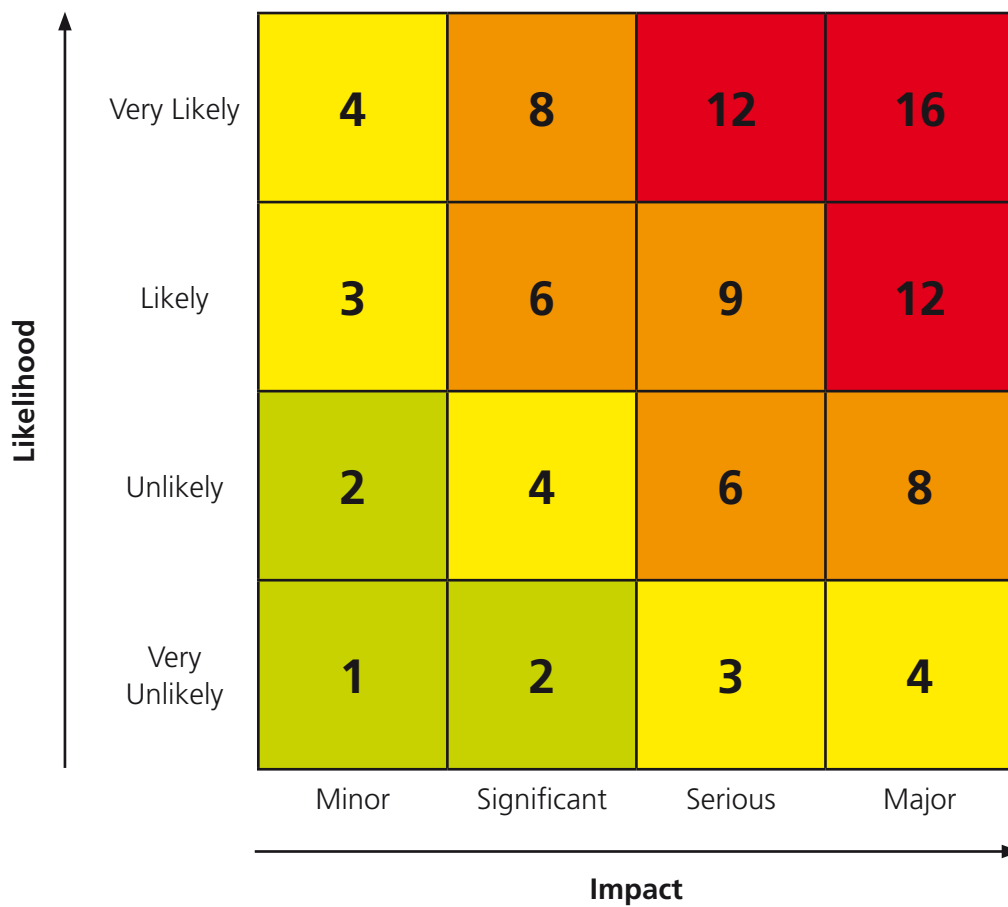
12. Scoring tables should be agreed and used to ensure a common approach. Corporate Risk Scoring will be agreed by SDB and Members.

13. An example of a Risk Balanced Score Card can be seen at Appendix 2.

Risk Priority Matrix

Figure 2: Risk Priority Matrix

Note: Where there is more than one impact for each risk then the highest rated impact is used to define the 'Risk Priority Rating'



Risk Likelihood x Risk Impact = Risk Severity Rating

Annex C – Risk Criteria for Impact/severity

Not all categories apply to each risk – you need to come to a management consensus

| | Factor | Score | Effect on Service and/or Achievement of Key Targets / Objectives | Embarrassment / Reputation | Personal Safety | |
|---------------|-------------|-------|--|---|---|--|
| OPPORTUNITIES | Exceptional | 4 | Major improvement to services, generally or across a broad range Opportunity to fast-track achievement of several key targets / objectives | Positive national press National award or recognition/elevated status by national government | Major improvement to the health, welfare & safety of stakeholders | |
| | Significant | 3 | Major improvement to service or significant improvement to critical service area Opportunity to fast-track achievement of a key target or several less significant ones | Recognition of successful initiative Sustained positive recognition and support from local press | Significant improvement to the health, welfare & safety of stakeholders | |
| THREATS | Major | 4 | Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days Major impact on achievement of several key targets / objectives | Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign | Death of an individual or several people | |
| | Serious | 3 | Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days Major impact on achievement of a key target / objective or some impact on several | Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature | Major injury to an individual or several people | |
| | Significant | 2 | Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days Significant impact on achievement of one or more targets / objectives | Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature | Severe injury to an individual or several people | |
| | Minor | 1 | Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1 Day Minor impact on achievement of targets and objectives | Contained within section/Unit or Directorate Complaint from individual/ small group, of arguable merit | Minor injury or discomfort to an individual or several people | |

| | Personal privacy infringement (Data Protection Act) | Failure to provide statutory duties/ meet legal obligations | Financial | Effect on Project or Partnership (Objectives / Schedule / Deadlines etc.) | Effect on the Community or the Environment | Security |
|--|--|--|---|---|--|--|
| | | | Producing more than £50,000 | Major financial or other benefit opportunity | Major enhancement to local community facilities and / or the environment | |
| | | | Producing up to £50,000 | Significant financial or other benefit opportunity | Significant enhancement to local community facilities and / or the environment | |
| | All personal details compromised/ revealed | Litigation/claims/ fines from Departmental £250k + Corporate £500k+ | Costing over £500,000 Up to 75% of Budget | Complete failure of project / breakdown of partnership Extreme disruption or delay of 3 months or more | Extensive, long-term impact Major public health/ environmental incident or loss of significant community facility | Extreme incident that seriously affects our ability to continue with normal business |
| | Many individual personal details compromised/ revealed | Litigation/claims/ fines from Departmental £50k to £125k Corporate £100k to £250k | Costing between £50,000 and £500,000 Up to 50% of Budget | Significant impact on project or partnership or most of expected benefits fail/ Major disruption or delay of 2-3 months | Long-term environmental or social impact such as a chronic and / or significant discharge of pollutant | Significant incident involving multiple locations |
| | Some individual personal details compromised/ revealed | Litigation/claims/ fines from Departmental £25k to £50k Corporate £50k to £100k | Costing between £5,000 and £50,000 Up to 25% of Budget | Adverse effect on project / partnering arrangements Significant disruption or slippage – 3 weeks – 2 months | Short-term, local environmental or social impact such as a major fire | Localised incident that has a significant effect on normal business |
| | Isolated individual personal detail compromised/ revealed | Litigation/claims/ fines from Departmental £12k to £25k Corporate £25k to £50k | Costing less than £5,000 Up to 10% of Budget | Minimal impact on project / partnership Slight disruption or delay of less than 2 weeks | No lasting detrimental affect on the environment or the community e.g. noise, fumes, dust etc. | No notifiable incident or reportable / localised incident but no effect on normal business |

Annex C – Risk Criteria For Probability/likelihood

| Factor | Score | Risks / Threats - Description | Indicators | Opportunities - Description | Indicators |
|---------------|-------|------------------------------------|---|--|--|
| Very Likely | 4 | More than 75% chance of occurrence | Regular occurrence Circumstances frequently encountered -daily/weekly/monthly | Favourable outcome is likely to be achieved in one year or better than 75% chance of occurrence. | Clear opportunity which can be relied on with reasonable certainty, to be achieved in the short term based on current management processes. |
| Likely | 3 | 40% - 75% chance of occurrence | Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year) | Reasonable prospects of favourable results in one year 40% to 75% chance of occurrence. | Opportunities that may be achievable but which require careful management. Opportunities that arise over and above the plan. |
| Unlikely | 2 | 10% - 40% chance of occurrence | Only likely to happen in 3 or more years | Some chance of favourable outcome in the medium term or less than 40% chance of occurrence. | Possible opportunity which has yet to be fully investigated by management. Opportunity for which the likelihood is low on the basis of management resources currently being applied. |
| Very Unlikely | 1 | Less than 10% chance of occurrence | Has happened rarely/never before | Less than 10% chance of occurrence | Has happened rarely/never before |

| Probability | | | | |
|-----------------|----------|---------------|-----------|---------|
| Very Likely 4 | LOW | MEDIUM | HIGH | HIGH |
| Likely 3 | LOW | MEDIUM | MEDIUM | HIGH |
| Unlikely 2 | VERY LOW | LOW | MEDIUM | MEDIUM |
| Very Unlikely 1 | VERY LOW | VERY LOW | LOW | LOW |
| Impact | Minor 1 | Significant 2 | Serious 3 | Major 4 |

| The Risk Matrix (With Scores) | | | |
|-------------------------------|---|----|----|
| 4 | 8 | 12 | 16 |
| 3 | 6 | 9 | 12 |
| 2 | 4 | 6 | 8 |
| 1 | 2 | 3 | 4 |

Corporate Risk Management Process (CRMP) – Part 4

Risk Plans: Process [Plan] ... Output [Plans And Decision Points]

Aim

1. This is the activity within the risk management process of developing a plan to manage each of the risks identified. This encompasses the compiling and recording of mitigation actions and placing review and decision point triggers into the risk register.

Risk Appetite

2. The fact that the resources available to control risks are likely to be limited means that value for money decisions have to be made when considering risk mitigation. In consequence, the organisation will need to have identified its risk appetite prior to any plan being drafted to address risks. Risk appetite embraces the level of exposure which is considered justifiable and tolerable should the risks be realised.
3. The tolerable extent of risk will vary according to the nature of the risk and its perceived importance. For example financial loss may vary in tolerance to a risk associated with possible adverse publicity.
4. Risk Appetite is best expressed as a series of boundaries¹⁴, which give each level of the organisation clear guidance on the limits of risk they can take. This means that risk appetite will need to be expressed in the same terms as those used to describe and assess risk at each level.
5. Escalation processes are required for the effective management and application of the delegated risk appetite. Trigger points should be set so that risks can be escalated to the next management layer as they approach or exceed their delegated appetite level.
6. Once the risk appetite level is set it is possible to consider whether resources have been applied appropriately (ie neither too little or too much treatment applied).

Corporate Risk Appetite

7. The Strategic Directors Board and Executive should judge the tolerable range of exposure for the organisation and identify general boundaries for unacceptable risk (including those risks that should always be referred to/escalated up to the SDB for discussion and decision). Corporate risk appetite is the overall amount of risk judged appropriate for an organisation to tolerate and may be expressed as a single statement or a line on the risk priority matrix (Figure 2) with supporting comments as necessary.

Delegated Risk Appetite

8. The agreed corporate risk appetite can then be used as a starting point for setting levels of tolerance down through the organisation. This facilitates both a risk escalation process for the taking of risk decisions and empowers people to innovate within delegations.

Project Risk Appetite

9. Projects may require their own statement on risk appetite, which may differ for different types of project (e.g. speculative, standard or process critical projects).

Available Risk Responses

10. To decide the most appropriate response a systematic process should be followed starting with the “do nothing” option of tolerating the risk. We will use five response options to manage a risk in PCC as shown in the following table:

14. Directorates will wish to consider the appropriate boundaries for various levels of their business as part of normal delegations.

| Response | Description |
|-----------------------------|--|
| TOLERATE | The ability to do anything about some risks may be limited, or the cost of taking any action may be unaffordable or disproportionate to the potential benefit gained. Tolerating risk will therefore be dictated by the current levels of risk appetite that exist in PCC and by the evidence resulting from a cost/benefits analysis of the potential mitigation measures. |
| TREAT | By far the greater number of risk responses will be addressed in this way. The purpose of treatment is not necessarily to remove the risk altogether but more likely to contain the risk to an acceptable level. That is to reduce its probability and/or impact. |
| TERMINATE | Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. This option can be particularly important if it becomes clear that the projected cost/benefit relationship is in jeopardy. It should be noted that the option to terminate activities may be severely limited due to existing restraints such as statutory duties or political commitments. |
| TRANSFER | For some risks the best response may be to transfer them. This will normally be achieved by escalating the risk to the next management level or relevant functional process owner. Whilst it may be possible to transfer or escalate such risks, it is important to recognise that there is no guarantee that the impact will not fall on those who originate the risks and their outputs impacted, making the transfer that of the risk management and not of this risk in itself. Another way to transfer risk is through insurance. |
| TAKE THE OPPORTUNITY | This option is not an alternative to those above; rather it is an option which should be considered whenever terminating, tolerating, transferring or treating a risk. There are two aspects to this: <ul style="list-style-type: none"> 1. The first is whether or not at the same time as mitigating threats an opportunity arises to exploit a positive impact. 2. The second is whether or not circumstances arise, which whilst not generating threats, offer opportunities. For example, a drop in the cost of goods/services frees up resources which can be re-deployed. |

Table 1: Risk Treatment Options

Choosing a Risk Response

11. Depending on the nature of the risk identified, there may be several mitigation measures available and a brief investment appraisal¹⁵ may be required to identify the most cost effective. This will also help to decide the nature and sequence of mitigation measures with some being defined as purely fall back or contingency measures. Both

the risk owner and mitigation manager(s) must have a full understanding of the original source of the risk in order to best select the mitigation to be applied.

12. Everyone with a vested interest¹⁶ in the output(s) affected by the risk should be involved in selecting and agreeing appropriate mitigation. Consideration must also be given to the possibility that carrying out some

15. The degree of consideration and staff-work should be proportional to the size of the risk and response.

16. "Stakeholders".

mitigating actions might create further risks, eg use of additional resource may expose another area to a shortage. These are called **secondary risks** and should be treated like any other risk as part of this process.

Compiling a Risk Mitigation Plan

- The table below suggests the range of information that should be documented in a risk mitigation plan. The aim of these plans is to clearly state the periodicity of management actions to be taken and assign responsibility for them. Mitigating actions should all contribute to the selected treatment: for instance if the aim is to 'Terminate' the risk completely then each mitigating action should contribute to that aim.

| Item | Detailed Description |
|----------------------------------|---|
| Mitigation Statement | Each mitigation action should contain a clear and precise statement explaining the action and how it contributes to addressing the risk. The statement should be jargon free so that a non-technical person can understand it. |
| Mitigation Approach | Each mitigation action should have a subsequent set of tasks that demonstrate how the mitigation action will be implemented. They should be used as performance indicators for measuring the progress of the mitigation action. |
| Resources | Details of the resources required to implement each task should be recorded, confirming those people and finance to be deployed. |
| Timetable | Details of how long the mitigation action will take place to complete should be established along with start and finish times for each individual task. |
| Mitigation Manager | Identify a 'Mitigation Manager' for each Mitigation Action who will be responsible for ensuring that the tasks are carried out. |
| Fall back/ Contingency Statement | Each contingency action should contain a clear and precise statement explaining what its purpose is and under what circumstances the contingency will come into play. |
| Fallback/ Contingency Approach | Each contingency action should have a subsequent set of tasks that demonstrate how the contingency action will be implemented. |
| Fallback/ Contingency Timetable | Details of how long the contingency action will take to implement, along with start and finish times for each individual task. |
| Review Dates | Future dates should be agreed when the Mitigation Manager will report back to the Risk Owner on progress of the tasks. |

Table 2: Risk Mitigation Plan Elements

Corporate Risk Management Process (CRMP) – Part 5

Risk Plans: Process [Manage] ... Output [Data And Reports]

Aim

1. The aim of this activity is to execute the risk mitigation plans and demonstrate their value.

Manage

2. The fourth and final stage of the risk management process (MANAGE) is the activity of assessing and revising the risk as the mitigation measures are applied (or as the risk changes). The risk should be managed down to a tolerable level consistent with demonstrating best value relative to the resources applied.
3. **Self-Assessment.** The Risk Mitigation Plan details the dates that the Risk Owner and Mitigation Manager meet to review progress of the mitigation actions relating to the risk. During this review the Mitigation Manager should provide the Risk Owner with an update on each action undertaken to date and any problems encountered. From this review the Risk Owner should satisfy a number of questions so that appropriate changes can be made to the plan if necessary:
 - a. Are all the tasks, associated with each mitigation action, being carried out and if not what are the constraints?
 - b. Can the constraints (where appropriate) be removed?
 - c. Are the tasks completed so far having the desired effect in reducing the probability or impact?
 - d. If the mitigation actions are not having the desired effect, what other risk responses can be used?
 - e. Do fallback/contingency actions need to be applied?
 - f. Have any secondary risks been identified as a result of the mitigation actions carried out so far?
4. **Risk Mitigation Plan – Control Ratings.** Whilst pre and post mitigation assessments of the risk can be made using the risk significance criteria defined in the ANALYZE process step, a subjective assessment can also be used to highlight how effective and efficient the existing controls are in addressing the risk on a continuing basis, thereby providing a risk mitigation plan *control rating*.
5. The following table uses a coloured traffic light system and gives examples of the type of actions to be executed according to the assessment. Updated control ratings and actions required or taken should be recorded after each review for audit purposes.

| Rating | Description | Action required |
|---|---|--|
| Very Serious Weakness (RED) | All mitigation actions or associated tasks are not having the desired effect. | Review the appropriateness of the risk response; Terminate, Treat, Transfer or Tolerate. |
| | All mitigation actions or the associated tasks are not being carried out on time. | Identify constraints and attempt to remove. |
| | The Risk Impact is imminent. | Apply contingency actions. |
| Serious Weakness (AMBER) | A significant number of mitigation actions or associated tasks (e.g. >50%) are not having the desired effect. | Review the appropriateness of the risk response; Terminate, Treat, Transfer or Tolerate. |
| | A significant number of mitigation actions or the associated tasks are not being carried out on time. | Identify any constraints and attempt to remove. |
| | The Risk Probability/Impact rating has increased. | Review the appropriateness of the risk response; Terminate, Treat, Transfer or Tolerate |
| Minor Weakness (YELLOW) | Some mitigation actions (e.g. <50%) or associated tasks are not having the desired effect. | Review the appropriateness of the risk response; Terminate, Treat, Transfer or Tolerate. |
| | Some mitigation actions or associated tasks are not being carried out on time. | Identify any constraints and attempt to remove. |
| | The Risk Probability/Impact rating has stayed the same. | Continue to monitor. |
| Satisfactory / Effective (GREEN) | All Mitigation Actions are having the desired effect. | Continue to monitor. |
| | All Mitigation Actions are being carried out. | Continue to monitor. |

Table 3: Risk Control Ratings

6. **Risk Data Collection.** A single, up to date, coherent source of data is necessary for effective risk management. To this end, appropriate proforma¹⁷ or software will be provided to capture data in a consistent form, manage interdependencies such as secondary risks and allow access at an appropriate level for each user.
7. Managers need to understand where risks are in their lifecycle, i.e. whether they have been identified and analyzed, whether they are short term or longer term strategic risks, whether mitigation has been carried out or is in the process of being implemented, or even if the risk has impacted and fallback measures are now being applied. Risks that fail to impact should still be retained in the risk database for future review.
8. **Review Periodicity.** All risks will be formally reviewed every quarter or more frequently at the discretion of the risk owner. For major capital or sensitive projects it is strongly recommended that Review Boards meet monthly to consider progress towards the next project milestone and review then update the Risk Register.

Corporate Risk Management Process (CRMP)

- Appendices

Appendix 1 to Version 2.0 CRMP – Glossary of Terms Used in Risk Management

(Risk) Analysis

The activity within the Risk Management Process of prioritizing identified Risks against agreed criteria. It includes the systematic:

- determination of the likelihood of an event (Probability)
- assessment of severity of consequences (Impact)
- assignment of responsibility (Risk Owner)

(Risk) Appetite

Risk appetite is the amount of risk an organisation is prepared to be exposed to before it judges action to be necessary.

Bias

Optimism - The demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters.

Pessimism - The demonstrated systematic tendency for appraisers to be pessimistic about key project parameters.

(Risk) Identification

The activity within the Risk Management Process to find, list and characterize elements of Risk. NOTE: Elements can include risk source, event, consequence and context. Opportunities may also be revealed.

Impact

The effect or result of a particular event happening.

Likelihood

A qualitative description of the probability or frequency of an event occurring.

Manage Risk

The activity within the Risk Management Process of implementing, monitoring, reporting and reviewing Risk Management actions against objectives.

Mitigation Plan

A Risk Handling Option that sets in place actions to reduce the Probability and/or the Impact of a Risk prior to its occurrence.

Incorporates the Fallback Plan - A Risk Handling Option that defines alternatives only to be taken up if a Risk occurs or a mitigation plan has failed to have the intended effect or a risk decision point is reached. Can be referred to as either a Contingency Plan or a Fallback Plan.

Net Risk

The impact and likelihood of a risk after the application of any form of control; e.g. the risk of a building catching fire recognising the existence of fire suppression systems.

Plan Risk

The activity within the Risk Management Process of selection and implementation of Risk Handling Options.

Risk

A future uncertain event that could influence the achievement of objectives and statutory obligations.

- Differentiated from an Issue by virtue of its lack of certainty.
- A Risk is defined by the combination of the Probability of an Event occurring and its Consequences on objectives, measured in terms of impact and likelihood.
- All Risks should be described in a consistent and unambiguous manner. It is recommended that a structured method to capture data on identified risks is adopted.

Risk Handling Response - Terminate

Some risks will only be treatable by terminating the activity. The option of termination may be severely limited in government when compared to private sector.

Risk Handling Response – Tolerate

The ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be toleration.

Risk Handling Response – Transfer

For some risks the best response may be to transfer them. Namely, shift the responsibility or burden of loss to another party through legislation, contract, insurance or other means. This may also occur through Public Private Partnership (PPP) or Customer Supplier Agreement (CSA) re-negotiation activity. Partial transfers are known as risk sharing or risk assignment.

Risk Handling Response – Treat

By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to obviate the risk, but more likely to contain the risk to an acceptable level. The actions taken to handle risk are instigated by the Risk Owner although their effects may be felt outside of the Risk Owner's organisation.

Risk Mitigation Manager

The person with delegated responsibility for the management of an individual risk or group of risks. The risk owner may delegate responsibility for the management of risk to individual line managers. In certain areas there may be a need to delegate the management of certain types of risk (e.g. scientific) to a particular technical expert.

Risk Owner

The person with the overall responsibility, accountability and authority for the management and control of an individual risk or group of risks.

NOTE: The Owner of a Risk should be that person (or organisation) best able to manage the Risk.

Three Point Estimate

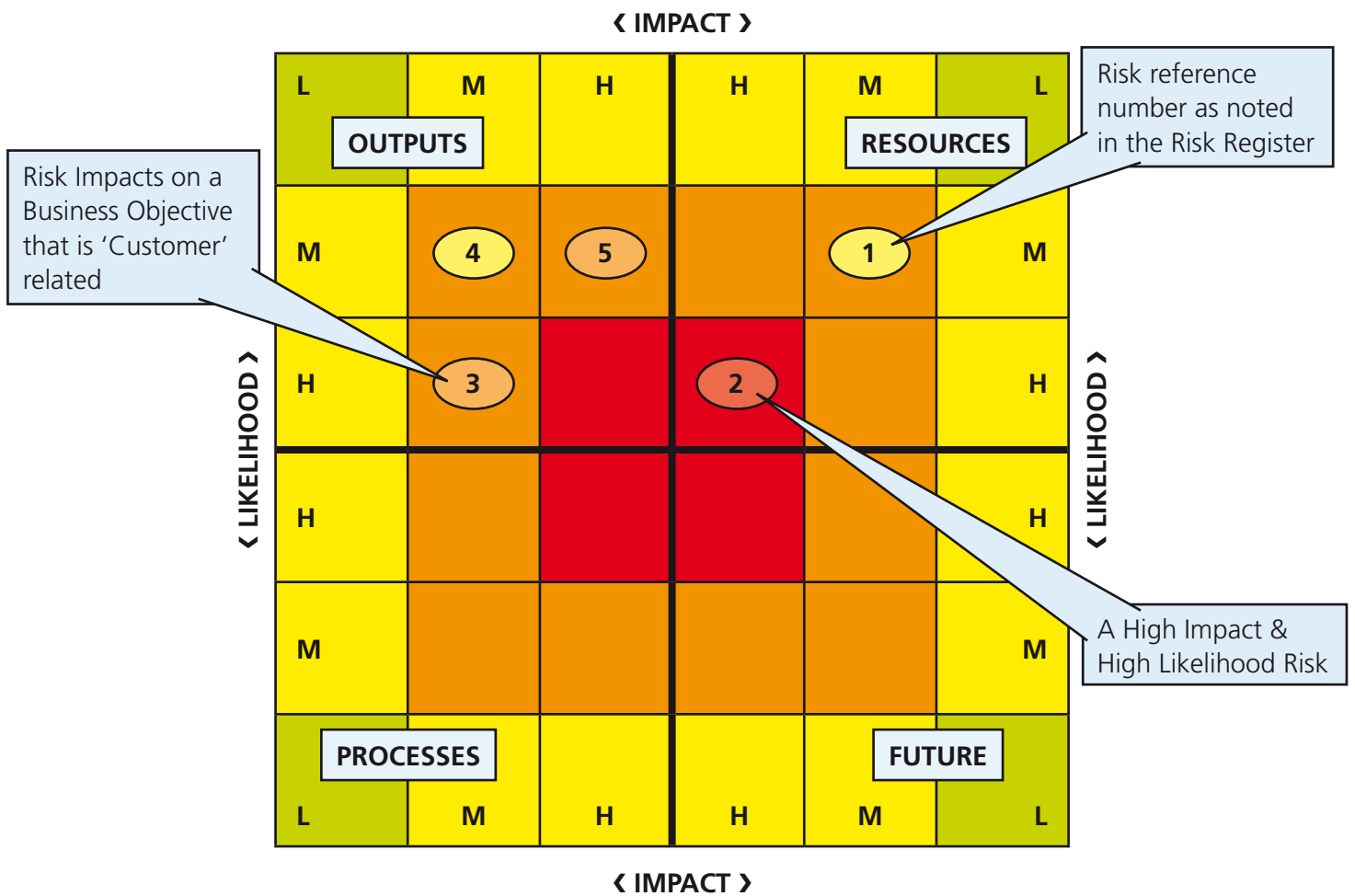
A technique that uses three values to characterise an estimate; Minimum through Most Likely to Maximum. The three values needed are defined as follows:

Minimum - An optimistic estimate of what might happen, assuming that the risks do not materialise and that everything goes about as well as possible.

Most Likely - The estimator's best bet, the sort of estimate that is right more often than any other (i.e. the mode, in statistical language).

Maximum - A pessimistic extreme, assuming that the worst tends to happen, but excluding the remote - e.g. "Acts of God".

Appendix 2 to Version 2.0 CRMP – Example of a Risk Balanced Scorecard



Note: Risks that have multiple impacts may appear in more than one quadrant of the Risk Balanced Score Card.

Appendix 4 to Version 2.0 CRMP – Optional Risk Action Plan Template

| | | | |
|---|--------------|---|--------------------------|
| Risk Description – (Insert name of risk) | | | |
| | | | |
| Action Plan | | | |
| Ranking | Score | Risk Categories | |
| Impact | | Corporate / Strategic | |
| Likelihood | | Operational | |
| Current Score | | | |
| Controlled Score | | | |
| Action Timescale | | | |
| Background to Risk – (Insert information about the risk that explains it further including any history and potential impact and likelihood evaluation information) | | | |
| | | | |
| Current controls to manage risk | | | |
| | | | |
| Actions to take to improve the management of this risk | | Responsibility | Timescale for completion |
| | | | |
| Who are the Stakeholders? | | Details of any contingency arrangements | |
| | | | |
| Status Report for Improvement Actions | | | |
| | | | |
| KPI's, auditing and warning mechanisms | | Reporting methods | |
| | | | |

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