APPENDIX B

WYRE FOREST DISTRICT COUNCIL

Guidance for Managing Risks and Opportunities in Partnerships

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GUIDANCE FOR MANAGING RISKS AND OPPORTUNITIES IN PARTNERSHIPS

Section 1 – Selecting Approach

1.1 Deciding to go into Partnership

Although partnership working is increasingly common, it does not necessarily follow that a partnership is the answer to any problem. Careful consideration should be given to what is hoped to be achieved before setting up a new partnership and whether there are other, simpler ways of realising these objectives.

1.2 Why work in Partnerships?

In recent years there has been a growing awareness of the importance of focusing on the users experience of public services. This frequently means that agencies must work together both to deliver packages of services that are tailored to individual users needs and to plan co-ordinated service strategies that enable such packages to be delivered in practice.

Councils are increasingly concerned with complex problems such as community safety or economic regeneration, which cross traditional boundaries, presenting challenges which agencies cannot tackle unless they work together.

Many partnerships are set up to enable agencies to bid for resources which are not available to single organisations.

The Government is increasingly giving local agencies statutory duties to work together, community safety; early years education and health improvement are three areas where partnership approaches are obligatory. The scale of statutory partnership working is set to expand.

Because partnership working can be both difficult and expensive, it is essential that organisations consider other options as well as a partnership. Depending on the circumstances a different approach could be either more efficient, more effective or both.

Other options include:

- consultative arrangements, where a single agency retains responsibility for decisions and actions;
- networks of personal or professional relationships which do not have to involve organisational commitment;
- contractual relationships, such as those established under the Private Finance Initiative, which produce different benefits for the different partners

Appendix 1 provides a checklist of questions to ask before setting up a partnership, along with factors which indicate that a partnership is not the best approach.

1.3 Areas to consider when deciding on Partnership Arrangements

- **Alignment of objectives:**

  - Is there sufficient buy-in to the Council's objectives?

  - Have strategic objectives been communicated sufficiently well in order to identify common interests?

- **Aligning authority with responsibility:**

  - Are those responsible for managing the risks empowered to do so?

- **Incentives:**

  - Are there incentives for partners to manage risks effectively (or e.g. are the consequences of failure felt primarily by the Council)?

  - Is the risk / reward balance right for each partner?

- **Resilience of the Partnership:**

  - How resilient to unexpected events is the supply chain?

- **Approach:**

  - Has the right approach been chosen (e.g. the risks of taking a partnering approach rather than an 'arms length' approach potentially include lack of clarity; getting too close to one partner at the expense of others; risks of improper relationships developing; higher cost with less value for money)?

  - Is the partnering approach understood by those operating it?

  - Have any tensions been resolved between the need to agree clear contractual arrangements and retaining flexibility for partnership working?

- **Monitoring:**

  - Is there prompt, relevant, high-quality performance information?

  - Is this clearly embedded into robust performance management arrangement?

1.4 The Council's Perspective – 'Outside Looking In'

At this stage it is necessary to clarify the risks that the Council faces by being involved with the partnership in terms of:

- Financial
- Reputational
- Resource conflicts
- Reliance on partnership to deliver your objectives

This should be undertaken as part of a strategic risk exercise.

Section 2 – Background

2.1 The Partnership Perspective – 'On the inside of the Partnership'

It is now time to clarify the risks the partnership faces in delivering the objectives and outcomes i.e.

- Lack of buy in from all partners
- Confused governance arrangements
- Seen as Council led
- Unable to blend cultures

2.2 Identifying and Managing the Partnership Risks and Opportunities

Wyre Forest District Council (WFDC) is committed to working with partners in many different areas, and has developed a framework for working in partnership.

This guide therefore aims to support that framework and be used in conjunction with the established WFDC risk and opportunity management policies and procedures.

Local government partnerships often attract extensive external funding which needs to be effectively managed to deliver the outcomes expected. Local Area Agreements are an example of this. It is therefore vital that partnership risks and opportunities are identified and managed by the relevant partners.

All partners will be able to share their views and opinions on the risks facing the partnership, prioritise their risks and set a tolerance level. They can then decide who is best placed to manage the risks.

Identifying and managing the partnership risks will:

- Identify barriers to the partnership's success
- Create a common understanding among the partners of the issues the partnership faces and agreement on the priority of these

- Act as a team and knowledge building exercise
- Check whether the partnerships objectives are realistic
- Allow issues to be reported back to the partner organisations in a useful and structured way

2.3 Partnership Risk & Opportunity Management Protocol

When working together, all organisations need to establish a common framework and language that they will use when assessing the risks facing the partnership. A protocol states what these will be and will form part of the overall governance arrangements and result in:

- Agreement on risk approach so that all risks and opportunities can be identified, prioritised and managed
- Effective reporting and monitoring of risks and opportunities to all partners
- Increased understanding and awareness of risk and opportunity management and its uses

2.4 Partnership Risk & Opportunity Management Training

Providing training and improving skills in partnership risk and opportunity management will:

- Increase awareness of risks and opportunities within partnership working and how they can be identified and managed
- Provide evidence for CPA (or other inspection regimes) that the staff and members have adequate awareness training and understanding on partnership risk issues
- Help develop understanding, so that scrutiny and assurance roles can be taken on effectively
- Provide staff with a way to raise concerns about some partnerships that they are involved in
- Improve the management of partnerships and encourage the continual review of partnership risk in future

Section 3 – A Risk & Opportunity Management Approach for Partnerships

3.1 Risk and Opportunity Identification and Assessment

- Identifying and understanding the risks and opportunities facing the partnership is crucial if informed decisions are to be made.

- Is there a common understanding of the objectives of the partnership?

- Is there a common understanding of the risks and opportunities and how they can be managed?

- Are there standards for assessing risks – giving a common view of severity, so mitigating action can be prioritised?

- Ensure partners share their assessment of risks, identify risks to the partnership achieving its objectives and record in a **joint risk register** providing the opportunity to come to agreed judgements, allocate responsibility for action and trigger monitoring information. This will help to ensure complete understanding for both parties about risks to implementation and ongoing service delivery, enabling a joint approach to managing risks.

- Clarity of who is responsible for, and manages which risks is also essential.

3.2 Allocation of Risk Ownership

- Risk allocation and risk transfer is about deciding who is best placed to manage a specific risk. A risk is described as 'transferred' when the partnership decides not to manage that particular risk itself. The main advantage of transferring risk is that it can provide incentives for suppliers to deliver cost-effective services.

- Is there clarity about who is carrying which risks, and what the requirements are for providing information?
 (These should be incorporated in partnership agreements / contracts)

- **Appendix 2** provides a risk allocation checklist taken from the *'OGCs Risk Allocation in Long Term Contracts'*, which contains a structured set of questions to ask in determining who is best placed to manage risks.

3.3 Monitoring Risks and Opportunities

- Good quality monitoring of information should include the scale of risks and opportunities and how they are managed. A clear view of the key issues and risks to be monitored will help to avoid the situation where large volumes of information are provided by partners.

- Establish and agree procedures for monitoring risks. It is important to have clear agreement on what information will be provided and by whom. Issues to consider include whether you have rights to access partners information, which can be invoked if there are signs of failure in contracts.

3.4 Reviewing Risks and Opportunities

- Circumstances and priorities can and do change, and therefore risks and their circumstances need to be regularly reviewed. Aim to have joint risk and opportunity review meetings, as an integral part of performance management arrangements.

3.5 Managing Risks and Opportunities

- The management of risks and opportunities needs to be fully integrated into day-to-day management. The scale of monitoring and intervention should be increased when there are signs that significant risks materialise. Arrangements are needed to trigger this action promptly.

- Trigger points for action should be set out in whatever agreements are made with partners.

- The management of the risks and opportunities the Council faces by being involved with the partnership must be included in performance management arrangements.

3.6 Reviewing Your Approach

- Review agreements with partners to ensure that the inherent risks have been assessed and addressed. If it is clear that the partners objectives are not fully aligned, despite best efforts, then more intensive risk management might be necessary to manage potential difficulties, and contingency arrangements or other safeguards should be developed.

- Seek assurance that partners risk and opportunity management / corporate governance arrangements are adequate. The existence of a Statement of Internal Control can help, but gaining this assurance will generally require a dialogue about what is required. This may then become part of a partnership agreement.

- **Appendix 3** provides a checklist of questions for consideration when reviewing agreements with partners.

3.7 Risk and Opportunity Communication

- Communication is of fundamental importance in the regulation of risks. It allows people to participate in, or be effectively represented in, decisions about managing risks, and it plays a vital part in putting decisions into practice.

- Engagement and dialogue with those interested in and affected by risk and opportunity issues is vital. It should be an integral part of every process for the management of risks and opportunities. The aims of risk and opportunity communication should be:

- To enable the effective participation and / or representation of all interested parties in making decisions about how to manage risks and opportunities.

- To support the most effective possible implementation of risk and opportunity management decisions.

- Sharing risk assessments will help to avoid different perspectives.

- Ensure that an open dialogue is maintained, this will help create a shared understanding.

- Has risk terminology / language been agreed?

3.8 Contingency Plans

- It must be recognised that any risk could suddenly be realised, and become a critical issue, even those assessed as having low likelihoods. Assessments could be wrong, circumstances might change before there is time to respond to external events. Consideration must be given in advance of what action will be taken if a risk develops.

- Contingency plans should be created for all risks that have been assessed as having a potentially high impact, irrespective of the potential likelihood.

- Business continuity plans to help keep the partnership running during times of change or disruption should be prepared.

- Create clear plans about what action should be taken if risks are realised e.g. if the service fails.

- Agree with stakeholders and test to verify that they would work.

Appendix 1

Questions to ask before setting up a Partnership

- Is the problem that the prospective partners want to solve one that needs a partnership approach?

- Do the partners have a clear and shared vision of the benefits that the partnership is intended to achieve?

- Is this vision realistic in light of:

  - The resources and opportunities likely to be open to the proposed partnership?
  - The issues that partnership working is particularly suited to address?

- Will the anticipated benefits outweigh the likely costs (direct and indirect) of a partnership?

- How will the costs and benefits be measured?

- Could the benefits be achieved in a simpler or more cost effective way?

- Are the partners all willing to devote the necessary time and effort to make the partnership succeed?

- Do the partners all know what role they will play, what recourses they will contribute and how they will account for the success of the project?

- Are the partners willing to consider changing their other activities to fit in with the partnership's objectives where this is appropriate?

Factors indicating that a partnership approach is not the best approach

- The answer to one or more of the questions above is 'no';

- The topic proposed is primarily the responsibility of one agency, with others having only a marginal interest or role;

- Agencies have no shared objective in relation to this topic;

- Agencies main aim is to achieve cost savings;

- Agencies have a history of poor relationships and have not made a commitment to change this;

- Agencies want to shunt costs or blame for problems on to one another – that is, there is a hidden negative agenda.

Appendix 2

2.3 Risk Allocation Checklist

(Source: OGCs Risk Allocation in Long Term Contracts)

Key questions to ask at each stage

Do we understand the risks?	• Have we identified all the key risks relating to this project or operational service? • Have we made a thorough assessment of each one – the likelihood of it happening, the likely impact and cost? • Do we understand the interdependencies between risks? • How do these risks affect our key objectives? • Have we taken a long-term view, to identify possible future risks? • What is our overall exposure to risk?
What can we do about risks before we decide where to allocate each one?	• Have we considered the best way to deal with each risk – minimise them, mitigate them or build in contingencies? • Are there other steps we should take now – such as improving quality assurance regimes?
What are the options for allocating risks?	• Which are the risks that we should manage ourselves? For each one: why? - because we can control it better ourselves? - because it is not cost-effective to allocate it to others? - because its likely impact will not affect critical objectives? • Which are the risks that others should manage for us? For each one: why? - because they are better placed to influence the outcome? - because we can identify cost-effective payment incentives that will deliver value for money? - because the cost to us is affordable and reflects their ability and willingness to control the risk?

Negotiating risk transfer with suppliers

- Can we obtain the optimum risk transfer, or balance between the benefits of transferring a risk and the cost of compensating the supplier for taking it on?
- Do we need to obtain variant bids to decide the optimum offer?
- Have we negotiated with each supplier to achieve the optimum balance of risk, costs and benefits?
- Are our decisions on risk allocation based on realistic assessment of the way in which risks will be managed?
- Does the entire supply chain have a shared understanding of the risks and the consequences if they materialise?
- Have we validated our risk plans by obtaining proposals and indicative prices from suppliers, assessing each risk and its price, taking into account:
    - The nature of the requirement – high or low risk?
    - The expected length of the contract – long or short term in which to recover the development costs?
    - The likelihood of predicted service volumes being exceeded, with the opportunities for increased revenue?

Have we allocated risks to the right parties in the supply chain?

- Can we be sure that we have not transferred the wrong risks, leading to poor value for money and unacceptable exposure to risk?
- Have we made sure that we only transferred risks that are commercial in nature, where the supplier can influence the outcome?
- Where risks have been transferred, is the supplier genuinely able to manage them?

Can we avoid taking transferred risk back?

- Is there a danger that we could 'take back' transferred risks – that is, to get too involved in the supplier's business and the solutions they provide, preventing them from managing the risks they have agreed to take on?
- Are we certain that we have not taken risk back, by:
    - attempting to define a technical solution?
    - attempting to define how a service should be provided?
- Have we preserved our supplier's freedom to propose alternatives?
- Will our supplier have the freedom to choose how to handle and minimise it?

Appendix 3

Managing Risk and Opportunity Checklist

Are the risks and opportunities associated with working with other organisations assessed and managed?

1. Are all those organisations, which are likely to have some influence over the success of a programme or service to the public identified?

2. Is consideration being given to the need for a consistent and common approach to managing risks and opportunities which cut across organisational boundaries, for example, cross-divisional projects?

3. Do organisations understand and have confidence in the risk and opportunity management arrangements of all those involved in the joint working or partnership or who could influence the success of the programme?

4. Is there reliable and regular information to monitor the risk and opportunity management performance of all those organisations involved in a joined up programme and partnerships?

5. Are there adequate contingency arrangements to minimise the adverse effects on public service delivery of one or more party failing to deliver? *(Source: MOD checklist for Customer- Supplier agreements)*