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OXFORD CITY COUNCIL

**To: Audit & Governance Committee 23rd March**
**City Executive Board 31st March 2010**

**Item No: 20**

**Report of: Head of Finance**

**Title of Report: Risk Management Strategy and Operating framework**


## Summary and Recommendations

**Purpose of report**: To obtain approval of the new Risk Management Strategy & to note the adoption of the new Risk Management operating framework

**Key decision:** No

**Executive lead member:** Councillor Bob Price

**Report approved by:**

**Finance:** Sarah Fogden

**Legal:** Jeremy Thomas

**Policy Framework:**

**Recommendation(s):**

The **Audit & Governance Committee** is asked to:
a) **comment** to City Executive Board on the Risk Management Strategy

b) **note** the adoption of the new Risk Management Operating Framework.

The **City Executive Board** is asked to:
a) **agree and approve** the new Risk Management Strategy

b) **note** the adoption of the new Risk Management Framework.

**Summary**

1. This report outlines the changes made to the Risk Management Strategy and the background to these changes.

2. The Risk Management Strategy is submitted to the Audit & Governance Committee (A&GC) for **comment** to the City Executive Board. The City Executive Board (CEB) is asked to **agree** and **approve** the new Risk Management Strategy.

3. The A&GC and the CEB are asked to **note** the adoption of the Risk Management Operating Framework.

## 4. Background

Oxford City Council has had in place a robust Risk Management Strategy. It is a requirement of the current strategy that the Council reviews the Strategy on an at least annual basis.

The Risk Management Strategy has been reviewed and updated to reflect changes in regulatory requirements, industry best practice, and importantly from lessons learnt and best practice from within Oxford City Council.

The result is the creation of two documents:

**a) The Risk Management Strategy**
This defines the approach that Oxford City Council takes towards the Management of Risk across the organisation, including across organisational boundaries.

The City Executive Board is accountable for approving this document on an annual basis after the Audit & Governance committee have been consulted.

**b) The Risk Management Operating Framework**
The purpose of the Risk Management Operating Framework is to outline how Oxford City Council will deliver the Risk Management Strategy.

The Corporate Management Team is accountable for approving this document on an annual basis. The City Executive Board and Audit & Governance committee are asked to note the adoption of the Operating Framework by the Corporate Management Team on an annual basis.

## 5. Changes to the Risk Management Strategy

Key changes to the Strategy:

5.1 Update to regulatory requirements (section 6)

5.2 Clarification of approach to managing risks including the Risk Management Cycle (section 9.1)

5.3 Update to Risk Matrix. The Risk Matrix has been fully reviewed and has been amended to three categories, Red, Amber and Green removing the fourth Yellow Category. The boundaries of each category has also been reviewed and amended (section 9.4)

5.4 Improved management and clarity to the flow of risks between risk registers (section 10)

5.5 Enhanced process for ensuring consistency and challenge across all risk registers. Including establishment of a Risk Group to support this. Formalisation of the role of risk within the Directorate meetings and within Directors 1:1 meetings with Service Heads. (section 11)

5.6 Formalisation of the approach to benchmark Oxford City Council against best practice (section 11.1)

5.7 Formalisation and update to the reporting of risk registers to Boards

5.8 Changes to the approval of the Strategy. Accountability for approval rests with the CEB, where previously it rested with the A&GC. A&GC role is to comment on the Strategy for the CEB.

5.9 Update to the approach of managing risks with Partnerships. With the creation of a new Partnership Risk Log. The log will contain all risks relevant to Oxford City Council from Risk Logs of Significant Partnerships. The Partnership Risk Log feeds information into the Service Risk Registers or Corporate Risk Register. (section 12)

5.10 Consistency of approach is given to the management of risks in significant contracts and procurements as well as within programmes and projects. (section 13 and 14).

## 6. Key elements in the Risk Management Operating Framework:

The Operating Framework aligns with the new Risk Management Strategy and with all the key changes noted above. The additional key elements of the Operating Framework include:

6.1 Change to the format of Risk Registers. Bringing consistency to all Risk Registers used across the Council (including Corporate Risk Register, Service Risk Registers, Programme Risk registers). (Section 4.6)

6.2 Adoption of a unique referencing system to be able to track and monitor the flow and escalation of risks in the Council. (section 4.6.1)

6.3 Improvement to the management of action plans with a more robust format for capturing and monitoring actions (section 4.7)

6.4 Clarity is given to how risks may flow through the organisation from one risk register to another and the points at which escalation must be considered (section 4.9)

6.5 Improved and clarified reporting requirements for Risk Management (section 5 and 5.1)

6.6 Enhanced process for ensuring consistency and challenge across all risk registers (section 5.2)

## 7. Level of risk

The changes reflect the increasingly robust approach that Oxford City Council takes towards the management of risk within the organisation. It builds on the body of work that Oxford City Council has been undertaking to improve and embed risk management across the organisation and across organisational boundaries.

## 8. Climate change / environmental impact

No impact.

## 9. Equalities impact

No impact.

## 10. Financial Implications

No impact.

## 11. Legal Implications.

No impact.

## 12. Recommendation:

The **Audit & Governance committee** is asked to:
a) **comment** to City Executive Board on the Risk Management Strategy

b) **note** the adoption of the new Risk Management Operating Framework.

The **City Executive Board** is asked to:
a) **agree and approve** the new Risk Management Strategy

b) **note** the adoption of the new Risk Management Framework.

**Name and contact details of author:**
Jo Hargreaves, Risk Manager, e: Jhargreaves@oxford.gov.uk, t: 01865 252265, m: 07971 197643

**List of background papers:**
Draft Risk Management Operating Framework March 10 V8
Draft Risk Strategy V07

**Version number: 0.5**

OXFORD CITY COUNCIL

# Oxford City Council

# Risk Management Strategy

**DRAFT**
**March 2010**

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# Risk Management Strategy

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# Risk Management Strategy

This strategy defines the approach that Oxford City Council (OCC) takes towards the Management of Risk across the organisation, including across organisational boundaries.

## 1. Strategy Statement

To fully embedded Risk Management into the culture, processes and structure of the Council, so that threats and opportunities can be proactively managed to strengthen the Councils ability to deliver its objectives and strategic priorities.

## 2. Purpose of this Strategy

The purpose of this strategy is to outline the direction of Oxford City Council's Risk Management Strategy. It aims to provide a clear and consistent approach to the management of risk across the organisation and through organisational boundaries.

The strategy defines the approach that Oxford City Council takes towards Risk Management.

## 3 Strategy Review & Approval

The Risk Management Strategy must be reviewed annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any amendments will be recommended to the **Audit and Governance Committee (A&GC)** to take forward for approval by the **City Executive Board (CEB) and** ultimately **full Council.**

## 4. Definition of Risk

A risk is the chance that something will happen (positive or negative) which will impact on the organisations objectives.

## 5. Definition of Risk Management – ***Building the confidence to innovate***

Risk Management is a strategic tool that allows organisations to effectively manage potential opportunities and threats to achieving its objectives. It is an essential part of effective and efficient management and planning and strengthens the organisation's ability to achieve its objectives.

"*Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standard of conduct and service delivery arrangements.* " (Audit Commission Worth The Risk 2001:7)

## 6. The regulatory requirements for risk management

The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. The Accounts and Audit Regulations established requirements related to systems of internal control, and the review and reporting of those systems.

In June 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) published Delivering Good Governance in Local Government: Framework. Through this corporate governance framework an integrated annual governance statement, the Statement of Internal Control (SIC) was introduced from 2007/08. The governance statement covers all significant corporate systems, processes and controls.

The SIC is produced each year in June as part of the annual Statement of Accounts. This is produced by the Head of Legal & Democratic services and must be approved by the Leader of the Council and the Chief Executive.

While Risk Management at Oxford City Council is not a compliance exercise, there is an expectation that we put sound risk management arrangements in place.

## 7. The benefits of Risk Management

Highlighted are those benefits of particular importance and focus for the Council.

- More **satisfied citizens**
- **Increased focus** on what needs to be done (and not done) to meet objectives
- **Supports innovation**
- Fewer complaints
- Controlled insurance costs
- Competitive advantage
- Better quality service
- Enhanced ability to justify actions taken
- **Delivering best value**
- Protection of reputation
- Better management of change programmes
- Getting things **right first time**

(Audit Commission Worth The Risk 2001:12)

Good risk management can therefore lead to:

**Better operational performance**

- increased number of targets achieved
- stronger internal controls
- improved service delivery
- increased positive feedback from stakeholders
- improved planning through anticipation of risks

**Improved financial performance**

- increased percentage of objectives achieved
- reduced level of fraud
- improved income generation
- better budget management

**Improved human resources management**

- reduced staff turnover
- reduced days lost to sickness

**Improved corporate governance and compliance systems**

- reduction in legal challenges
- improved score on Use of Resources and other inspections

**Improved insurance management**

- reduced cost of insurance premiums
- lower number and levels of claims
- reduced uninsured losses

## 8. Risk Management Objectives

Oxford City Council's objectives are to:

- Develop risk management and raise its profile across the Council
- Integrate risk management into the culture of the Council and make it part of all decision making processes
- Actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
- Provide a framework and support so that risks do not become an inhibiting factor in decision making
- Build the confidence to innovate through the use of good risk management practices
- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Operating Framework on an annual basis

- Establishing clear accountabilities, roles and reporting lines across all directorates
- Providing staff across the Council with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council
- Developing arrangements for the reporting and recording of risks
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and delivery agents are aware of the Council's expectations on risk

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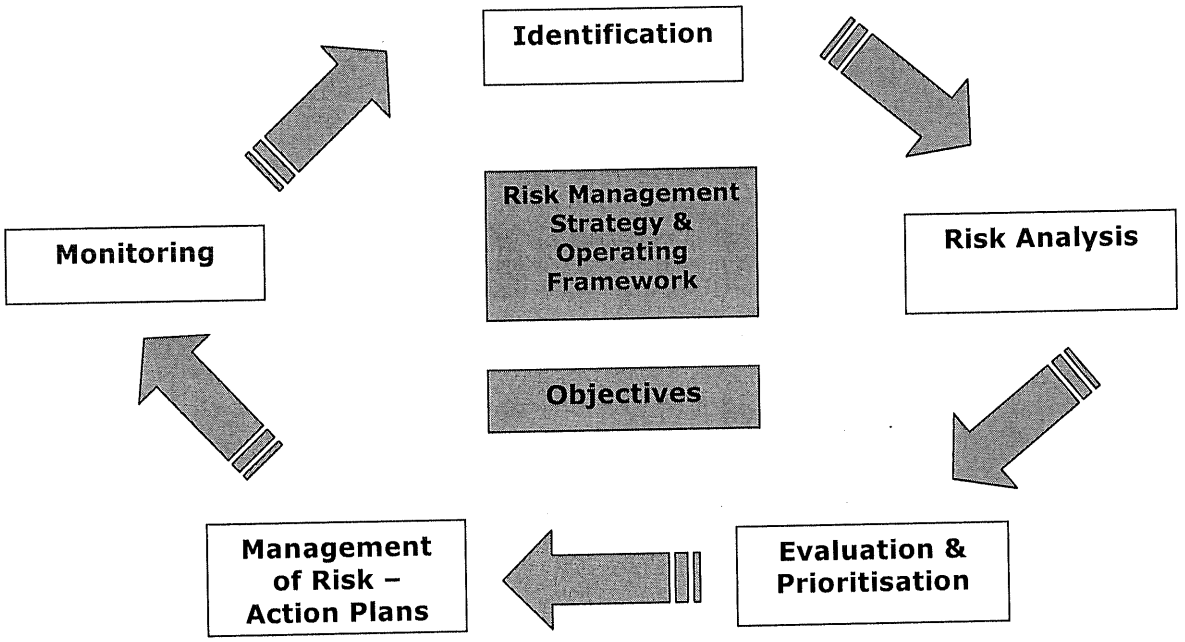
## 9. Risk Management Approach

### 9.1 Risk Management Cycle




### 9.2 Risk Identification

Identification of new Corporate Risks takes place with the Executive Directors and the Chief Executive. The Corporate Risk Register (CRR) is reviewed and any new risks are incorporated into a revised version of the CRR.

Service Areas identify new risks as part of the Service Planning Process once a year. This is the Planning SRR (PSRR). These risks are then reviewed against existing SRR and the two are incorporated into one new SRR.

Oxford City Council adopts the Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/Project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on to the Project/Programme Risk Register (PRR).

In every case opportunities should be considered as well as threats.

### 9.3 Risk Analysis

Once the risk has been identified it must be analysed to understand what creates this vulnerability for the organisation. In doing this consideration is given to the

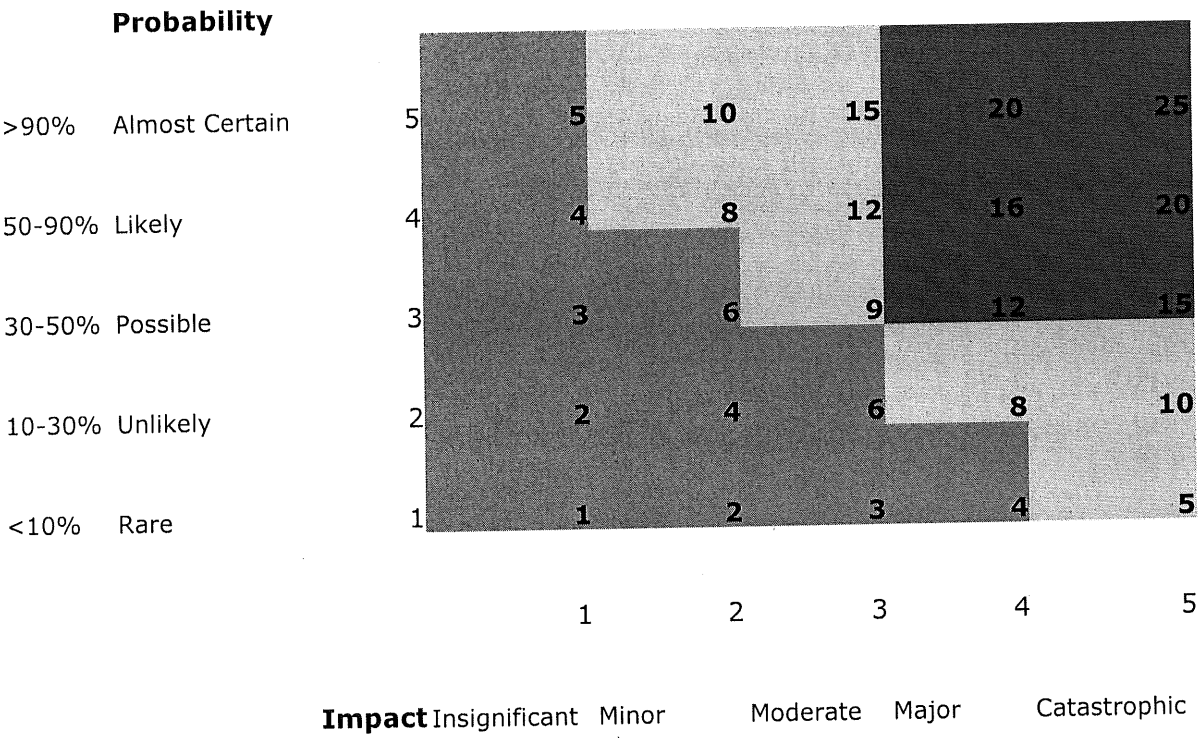
causes or triggers, that is what event or series of events must occur for the risk to transpire. Risk analysis considers events both internally and externally to the organisation.

### 9.4 Evaluation & Prioritisation

Here the risk is evaluated to consider what is the **probability** of the risk transpiring and what the **impact** is if the risk were to transpire.

Impact – What will happen if the risk occurs
Probability – How likely is it that this risk will occur

OCC uses a 5 by 5 matrix:



Where the risk is prioritised on the matrix gives it a risk rating and this risk rating creates a priority for that risk. The rating is the Red Amber Green (RAG) status given in the risk matrix.

Risk Appetite
OCC has focused on the Red, Amber, Green status of risks in determining the risk appetite of the organisation.

Red risks are considered unacceptable and every effort must be made to reduce the risk to the organisation.

In order to ensure that there is a consistent application of risk scores, the Risk Group, Director 1:1 meetings and Directorate Meetings challenges service area's risk registers. This ensures that the risk appetite agreed at a corporate level is reflected in the analysis of risks at the service area level.

The risk appetite is reviewed annually or when there are significant changes to the organisation. Changes to the risk appetite level would require a change to strategy and would therefore require approval of the relevant board(s).

## 9.5 Management of the Risk – Action Plans

Risks can be managed in several ways. These can be grouped into the following categories:

- Accept
- Transfer
- Reduce
- Avoid
- Contingency

A risk can usually be managed through reducing the impact and/or probability. In developing a plan for managing the risk, consideration should be given to the benefit of the strategy adopted for managing the risks against the cost of managing the risk.

Plans are then put in place to manage the risk with key milestones identified and clear owners.

## 9.6 Monitoring

Risk management is not a one off exercise. Risks change over time. Monitoring is to consider if there is anything that has happened which alters or changes the risks, causes, risk scores or actions identified. It also ensures that action plans remain relevant, up-to-date and effective.

| | Board | Frequency |
|---|---|---|
| **Corporate Risk Register (CRR) Report** | CMT, CEB | Quarterly |
| **Service Risk Register (SRR) Report** | Performance Board (summary to CMT) | Quarterly |
| **Confirmation of completed reporting and summary risk profile** | A&GC | Quarterly |

The Risk Management Operating Framework details how risks are discussed and challenged within the organisation and is depicted in the Risk Management Discussion & Challenge Chart.

## 10. Escalation and flow of Risks

In line with the risk appetite all red risks are seen as unacceptable and must be reduced. Any red risk must be referred to the Risk Manager. In the cases of projects (including procurement projects) the Programme Manager must be made aware of all amber and red risks.

Risks can flow between risk registers for instance a Corporate Risk may be transferred to a Service Risk once the risk can be managed by one area. The Risk Operating Framework sets out how risks flow between registers.

## 11. Consistency & Challenge

The Risk Group will review with service heads their SRR on an annual basis. They will challenge the scoring of the SRR and help ensure that there is consistency of approach and to risk appetite across the organisation.

Each Directorate will consider the risks across the directorate as part of the Directorate meetings. Red risks will be reviewed and there will be challenge of the scoring and action plans.

Directors 1:1 meetings with service heads will review and challenge the SRR.

The Operating Framework sets out the discussion and challenge flow.

## 11.1 Benchmarking of Risk Practices

The risk practices of the Council are benchmarked against industry practice (established by considering other local authorities, Audit Commission and MoR against the organisational context of the Council). Progress is benchmarked and is reported to the Performance Board.

## 12. Partnerships

Partnerships are defined as significant non contractual relationships which impact on delivery of key organisational objectives and targets. Partnerships enter risks on to the Partnership Risk Log. These then inform the SRR, CRR and Planning Corporate Risk Register (PCRR).

## 13. Projects and Programme Management

Project and Programmes include those projects run as part of a procurement process. Projects and programmes will use the same risk management templates and standards.

### 13.1 Project Tolerances

Projects can operate within certain guidelines set by the Transformation Board. If these tolerances are exceeded then they must be documented in the Project Risk Register

**Time**: -1 month to + 1 week
**Cost**: - 20% to 0% of agreed project budget
**Benefits**: -10% to +10% of agreed benefits
**Requirements**: -10% to +10% of agreed scope/requirements

The same risk scoring matrix is used for project and programmes. Additional interpretation is provided in the risk Operating Framework.

## 14. Contract Management

Significant contracts are managed according to the Procurement Strategy and use the same risk management templates and standards and will form a key element of ongoing governance in this area.

## 15. Planning & Performance Management

All Service Area Transformation Plans must be submitted with a Planning SRR (PSRR)

The Corporate Plan informs the Service Area Plans and objectives are broken down and assessed as part of the Service Area Planning process.

## 16. City Executive Board Reports

Every City Executive Board (CEB) Report must contain a Risk Register in the prescribed format. This must be reviewed and approved by the Risk Manager prior to the papers being submitted. The risk register must contain risks related to the decision(s) the Board are being asked to make (as opposed to the wider matter, such as project risks, procurement risks and so on). The CEB members must review the Risk Register fully.

After CEB risks from the CEB report must either be closed or transferred on to another risk register (project, contract, SRR or CRR). In line with the Operating Framework for escalation and flow of risks and/or closure of risks.

## 17. Training

Oxford City Council regards a tiered approach to training as being critical to the success of its risk management strategy. This approach means that the appropriate staff and members are identified for training and that those individuals receive training that is appropriate to the type of responsibilities that they hold.

This is reported to the A&GC annually.

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## 18. Roles & Responsibilities

| ROLE | RESPONSIBILITIES |
|---|---|
| **The City Executive Board** | • Accountable for the approval of the Oxford City Council's Risk Management Strategy on an annual basis<br>• Responsible for noting the adoption of the Risk Management Operating Framework by the CMT.<br>• Responsible for understanding the risk profile of Oxford City Council.<br>• Accountable for ensuring that a corporate risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored<br>• Oversee effective risk management across the Council |
| **Audit and Governance Committee** | • Consulted on the annual review of the Risk Management Strategy<br>• Responsible for noting the adoption of the Risk Management Operating Framework by the CMT.<br>• Accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors |
| **Members** | • Scrutinise the Executive's decisions to ensure that they meet the requirements of effective risk management<br>• Understand the corporate risks that the Council faces<br>• Facilitate a risk management culture across the Council<br>• Take decisions that have regard to risk management implications and the corporate risks which the council faces |
| **Corporate Management Team Meeting (CMT)** | • Accountable for the approval of the Risk Management Operating Framework<br>• Consulted on the Risk Management Strategy<br>• Ensure that emerging internal and external risks are raised and discussed<br>• Accountable for having an oversight of the red corporate and service area risks |

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## 19. Definitions

**Service Area Self Assessment** – Assessment carried out by service areas on a bi annual basis. Purpose is to monitor and track OCC progress in embedding risk management in to the culture of the organisation and across organisational boundaries. It provides invaluable feedback from you on ways to improve approaches and identify areas of best practice within the organisation

**CRR** – Corporate Risk Register

**SRR** – Service Risk Register

**PRR** – Programme/Project Risk Register

**CEB** – City Executive Board Reports/Registers

**PCRR** – Planning Corporate Risk Registers

**PSRR** – Planning Service Risk Register

**Risk Management Dashboard** – Summary highlighting key indicators for Senior Management Team/Corporate Management Team.

**Benchmarking** – Exercise carried out on a quarterly basis to benchmark OCC against best practice and key external audit requirements.

**Risk group** – group reports into the performance board.

**Partnerships** - significant non contractual relationships. Significant meaning those which impact on delivery of key organisational objectives and targets.

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# Oxford City Council

# Risk Management Operating Framework

**DRAFT**
**February 2010**

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# Risk Management Operating Framework

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- 5.3 Service Area Self Assessment
- 5.4 Benchmarking

6. Training

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# Risk Operating Framework

## 1. Operating Framework Statement

The purpose of this Operating Framework is to outline how Oxford City Council (OCC) will deliver the Risk Management Strategy.

There is further guidance provided for users in the Risk Management Guidance Notes which can be found on the intranet.

## 2. Delivery of the Risk Management Objectives

### Objectives

- Develop risk management and raise its profile across the Council
- Integrate risk management into the culture of the Council and make it part of all decision making processes
- Actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
- Provide a framework and support so that risks do not become an inhibiting factor in decision making
- Build the confidence to innovate through the use of good risk management practices
- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Operating Framework on an annual basis
- Establishing clear accountabilities, roles and reporting lines across all directorates
- Providing staff across the Council with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council

- Developing arrangements for the reporting and recording of risks
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and significant delivery agents are aware of the Council's expectations on risk

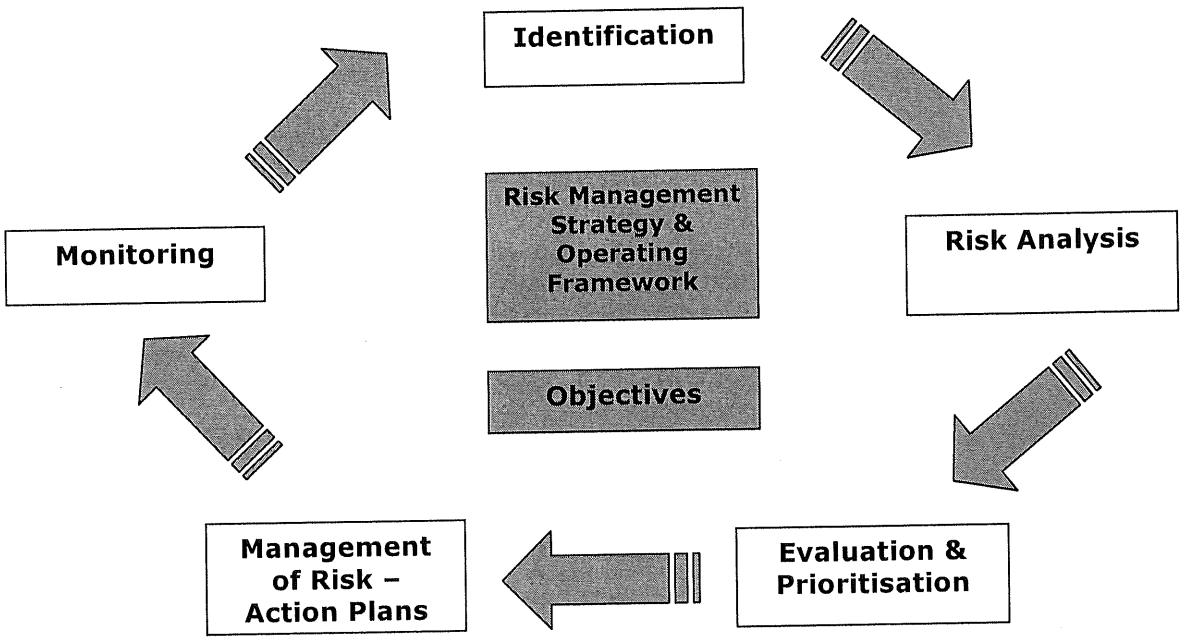
## 3 Review & Approval

The Risk Management Strategy must be reviewed annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. The **Audit and Governance Committee (A&GC)** will be consulted and asked to comment on any amendments before approval by the **City Executive Board (CEB).**

The Risk Management Operating Framework must be reviewed annually take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any changes will be recommended to the **Performance Board** with approval from the **Corporate Management Team (CMT).** The **A&GC** and **CEB** will be asked to note the adoption of the Strategy and Operating Framework by the **CMT.**

## 4. Risk Management Approach

### 4.1 Risk Management Cycle



## 4.2 Risk Identification

Identification of new Corporate Risks takes place annually with the Executive Directors and the Chief Executive. This session involves a blank sheet exercise and considers new internal and external risks, opportunities as well as threats, to the organisation's ability to achieve its corporate objectives. The CRR is reviewed on a quarterly basis and any new risks are incorporated into a revised version of the CRR.

Service Areas identify new risks as part of the Service Planning Process once a year. This is the Planning SRR (PSRR). These risks are then reviewed against existing SRR and the two are incorporated into one new SRR.

Oxford City Council adopts the Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/Project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on to the PRR.

In every case opportunities should be considered as well as threats.

## 4.3 Risk Analysis

Once the risk has been identified it must be analysed to understand what creates this vulnerability for the organisation. In doing this consideration is given to the causes or triggers, that is what event or series of events must occur for the risk to transpire. Risk analysis considers events both internally and externally to the organisation.

In doing this a table can be created for each risk or vulnerability:

| Risk Description | Risk Cause/Trigger | Consequence | Opportunity | Owner |
|---|---|---|---|---|
| | | | | |

## 4.4 Evaluation & Prioritisation

### 4.4.1 Risk Scoring

Risks are scored in a five by five matrix, meaning that there are a possible 25 risk categories. These are grouped in to green, amber and red risks – the Risk Rating. The risk rating is derived from the Red, Amber, Green (RAG) status as depicted on the matrix. The risk scoring matrix follows in section 4.5.

### 4.4.2 Risk Appetite

Red risks are considered unacceptable to the organisation and every effort must be made to reduce the risk scoring to a more acceptable level.

The risk appetite of the organisation is reviewed annually. Changes must be have the approval of the Senior Management Team and must be reported to the CEB and A&GC.

### 4.4 Risk Escalation

Red risks must be reported to the Risk Manager in every instance. Amber and Red project risks (including procurement projects) must be reported to the Programme Manager.

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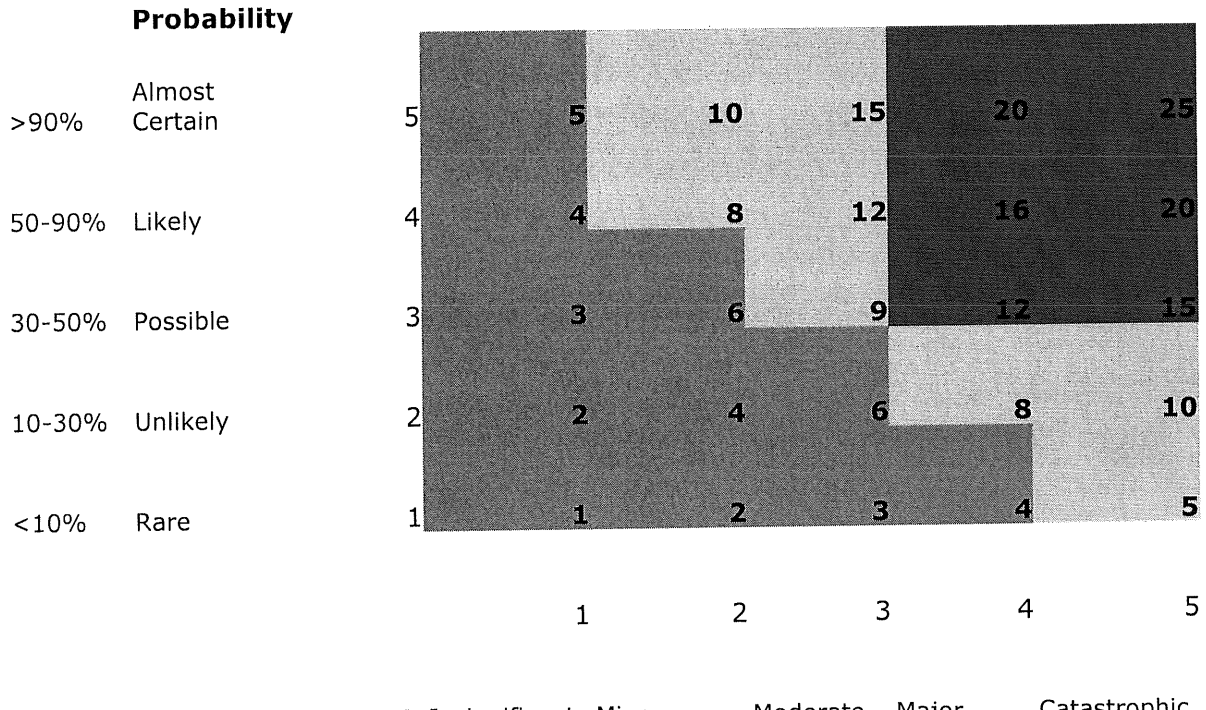
## 4.5 Risk Matrix




**Probability**

| | | | |
|---|---|---|---|
| **5** | Almost Certain | >90% | Event is expected to occur in most circumstances |
| **4** | Likely | 50 - 90% | Event will probably occur in most circumstances |
| **3** | Possible | 30 - 50% | Event should occur at some time |
| **2** | Unlikely | 10 - 30% | Event could occur at some time |
| **1** | Rare | <10% | Event may occur only in exceptional circumstances |

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## Impact

| Impact | | Time | Finance | Environment | Reputation | Regulatory | Management Effort |
|---|---|---|---|---|---|---|---|
| 5 | Catastrophic | Resolution would require input from the Executive Directors/CEO | >25% impact on service budget | Environmental exposure offsite with detrimental effects | Extensive negative national media coverage | Significant disruption to services over an extended period of time | A disaster with potential to lead to collapse of the organisation |
| 4 | Major | Resolution would require the mobilisation of a dedicated project team | 10%-25% impact on service budget | Off-site environment exposure contained without assistance | Short term negative national media coverage | Fine and disruption to scheduled services | A critical event which with proper management can be endured |
| 3 | Moderate | Resolution would require input from Heads of Service | 3%-10% impact on service budget | On-site environmental exposure contained with outside assistance | Extended negative local/industry media coverage | Fine but no disruption to scheduled services | A significant event which can be managed under normal circumstances |
| 2 | Minor | Resolution would require input from Management | 1%-3% impact on service budget | On-site environmental exposure contained after prolonged effort | Series of articles in local/industry press | No fine and no disruption to scheduled services | An event the consequences of which can be absorbed but management effort is required to minimise the impact |
| 1 | Insignificant | Resolution would be achieved during normal day to day activity | <1% or no impact on service budget | On-site environment exposure immediately contained | Letters to local/industry press | Minor breaches by individual staff members | An event the impact of which can be absorbed through normal activity |

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### 4.5.1 Risk Scoring for Programmes/Projects

In the applying the Risk Scoring and Matrix to Programme/Project (including Procurements run as projects) further interpretation is provided for **IMPACT ONLY**. Risk appetite and probability remain unchanged.

| Impact | | Time | Finance | Quality Requirements | Scope | Benefits | People & Resources |
|---|---|---|---|---|---|---|---|
| 5 | **Catastrophic** | Resolution would require input from the Executive Directors/CEO | >25% impact on project budget | Project would not deliver all of the key deliverables set out in the Business Case | Project scope cannot be delivered | The project would not be able to deliver any of the direct benefits identified in the benefits profile | A disaster with potential to lead to collapse of the business |
| 4 | **Major** | Resolution would require the mobilisation of a dedicated project team | 10%-25% impact on project budget | Project would not deliver some of the key deliverables set out in the Business Case | Project plans and project resources to be re-worked and/or impact on project delivery timescales of change in scope | The project would not be able to deliver one or more of the cashable benefits as specified in the benefits profile | A critical event which with proper management can be endured |
| 3 | **Moderate** | Resolution would require input from Heads of Service | 3%-10% impact on project budget | More than one of the key deliverables (or the main deliverable) specified in the Business Case needs to be amended | Project plans or project resources to be re-worked to incorporate additional requirements included as part of project scope | The project would not be able to deliver one or more of the planned benefits | A significant event which can be managed under normal circumstances |
| 2 | **Minor** | Resolution would require input from Management | 1%-3% impact on project budget | A key deliverable specified in the Business Case needs to be amended | The project will need to include additional deliverables as part of its scope but not amend project plans | One or more of the planned direct benefits would need to be re-planned | An event, the consequences of which can be absorbed but management effort is required to minimise the impact |
| 1 | **Insignificant** | Resolution would be achieved during normal day to day activity | <1% or no impact on project budget | One or more of the minor deliverables set out in the Business Case will need to be amended | The project will need to include a minor additional requirement or deliverable as part of its scope | Some re-planning of indirect benefits would be required | An event, the impact of which can be absorbed through normal activity |

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## 4.6 Risk Registers

The format of risk registers used across the organisation is as follows:

| Risk ID | Risk | | | | | Corporate Objective | Gross Risk | | | Current Risk | | | Residual Risk | | | Owner | Date Risk Reviewed | Proximity of Risk (Projects / Contracts Only) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category-000-Service Area Code | Risk Title | Risk Descrip | Risk Cause | Consequence | Date raised | 1 to 6 | I | P | Risk Rating | I | P | Risk Rating | I | P | Risk Rating | | | |
| | | | | | | | | | | | | | | | | | | |

### 4.6.1 Unique Referencing:

Unique referencing is created by use of a Category, a number and a service area code. Once allocated a unique reference code will remain with that risk until it is closed (with the exception of planning risks), it may however, change which register it appears on. So for instance a risk which appears originally on a CEB report may later be transferred to a SRR once the CEB report and work has been approved. Planning risks will be allocated a SRR or CRR code once approved by the appropriate board or SMT group.

**Categories:**

**CRR** - Corporate Risk Register
**PCRR** - Planning Corporate Risk Register
**SRR** - Service Risk Register
**PSRR** - Planning Service Risk Register
**CEB** - CEB reports
**PRR** - Project/Programme (including Procurement Projects) Risk Register
**CONR** – Contract Risk Registers
**PART** – Partnership Risk Log

**Service Area Codes:**

**PCC** Policy, Culture & Communication
**CD** City Development
**CHCD** Community Housing & Community Development
**CA** Corporate Assets
**OCH** Oxford City Homes
**CW** City Works
**ED** Environmental Development
**CL** City Leisure
**CS** Customer Services
**FI** Finance
**BT** Business Transformation
**PS** Procurement & Shared Services
**CP** Corporate Performance
**LG** Law and Governance
**CRP** Corporate Secretariat
**PE** People & Equalities

Service areas are responsible for keeping track of the unique reference numbers for SRR and CEB reports. So for instance:

***SRR-001-PCC***
Would be service risk register, risk 1, Policy, Culture & Communications.

***CEB-002-CD***
Would be City Executive Board, Risk 2, City Development

The Risk Manager is responsible for allocating and tracking unique reference numbers for the Corporate Risk Register:

***CRR-001***
Would be Corporate Risk Register, Risk 1

The business transformation team are responsible for allocation of unique reference numbers for projects and programmes, including those for procurement projects. This must be prefaced with the code ***PRR***. Once the project is transferred to business as usual management these risks must appear on the SRR (but maintaining their unique reference).

The procurement team are responsible for allocation of unique reference numbers for CONR (Contract Risk Registers) however these are passed over to the service area for ongoing management once established. These registers must also include any risks transferred from the relevant procurement project.

This is further described in the Risk Management Flow diagram in section 4.8.

## 4.7 Management of the Risk - Action Plans

Risks can be managed or treated in several ways. These can be grouped into the following categories:

**Accept**
A decision is made to accept an retain. This may be an option chosen where the management is too expensive compared to the threat of the risk transpiring

**Transfer**
Where responsibility for management is passed to another party. This may be to an outsource provider, via insurance or through contracts for instance.

**Reduce**
This is the most commonly used methodology. Here proactive steps are taken to manage and reduce the probability and the impact of the risk.

**Avoid**
Where the organisation or service area changes its direction (say via change of objectives, strategy, supplier change for instance) in order to avoid the risk.

**Contingency**
Where plans must be developed in order to manage the consequences of the risk transpiring. Developing contingencies will reduce the impact.

A balance must be achieved between risk and reward and so consideration needs to given to what if anything needs to be done to manage the risk. A risk can usually be managed through reducing the impact and/or probability. In developing a plan for managing the risk consideration should be given to the benefit of the strategy adopted for managing the risks against the cost of managing the risk.

Plans are then put in place to manage the risk with key milestones identified and clear owners – ensuring that they are '**SMART'** – Specific, measurable, achievable, realistic, time bound.

The following template must be used to document how Risks will be managed through development of SMART (Specific, Measurable, Achievable, Realistic and Time Bound) actions.

| Risk ID | Risk Title | Action Owner | Accept, Contingency, Transfer, Reduce or Avoid | Details of Action | Key Milestones | %Action Complete | Date Reviewed |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |

## 4.8 Closing of Risks

Risks may be closed by the Risk Owner when 100% of actions have been completed and/or the target risk score has been achieved. This must be highlighted as blue on the risk register and must be reported as part of the quarterly updated cycle.

Closed red risks must be reported to the risk manager by the Service Head with supporting evidence.

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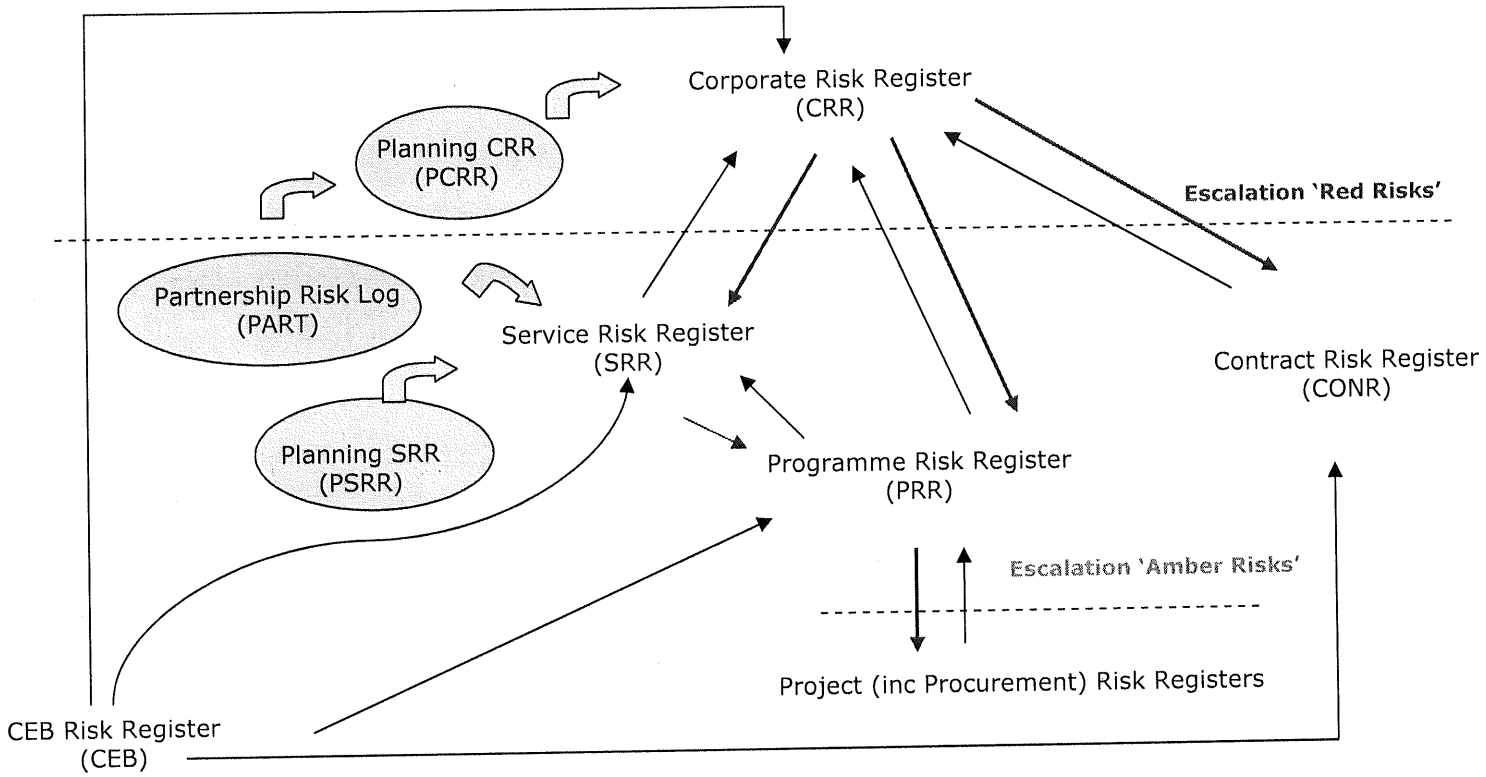
## 4.9 Risk Flow

Risks must either be formally closed or they may be transferred to another risk register. In this event they should retain their existing unique reference. The following diagram depicts how risks may flow between registers.




**Key**:
Informing arrows. These register/logs are not long term documents but documents which inform and update the formal risk registers

**Escalation:**
'**Red Risk**'. Risk must be reported to Risk Manager. Risk Manager with owner will consider escalation to CRR (will in addition be reported to Senior Managers via other reporting mechanisms on 1/4ly basis).

'Amber Risk'. Project/programme risk is a risk which should be referred to the Programme Manager

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## 5. Reporting & Review

| | Board | Frequency |
|---|---|---|
| **CRR Review** | CMT<br>CEB<br>A&GC (summary/confirmation) | Quarterly |
| **New CRR identification and review** | SMT | Quarterly |
| **SRR Review** | Performance Board<br>CMT (summary)<br>A&GC (summary/confirmation) | Quarterly |
| **New SRR identification** | Service Heads (Transformation Planning process) | Annually |
| **CEB Risk Registers** | Reported to CEB, approval from Risk Manager | Monthly |
| **Risk Management Strategy** | A&GC (review)<br>CEB (approval) | Annually |
| **Risk Management Operating Framework** | Performance Board (review)<br>CMT (approval) | Annually |
| **Service Area Self Assessment** | Performance Board | Annually |
| **Benchmarking** | Performance Board | Bi Annually (plus regular updates on progress) |
| **Risk Management Dashboard** | Corporate Management Team Meeting | Quarterly |
| **Report on training** | A&GC | Annually |
| **Risk Appetite Review** | CEB approval and reported to A&GC | Annually |

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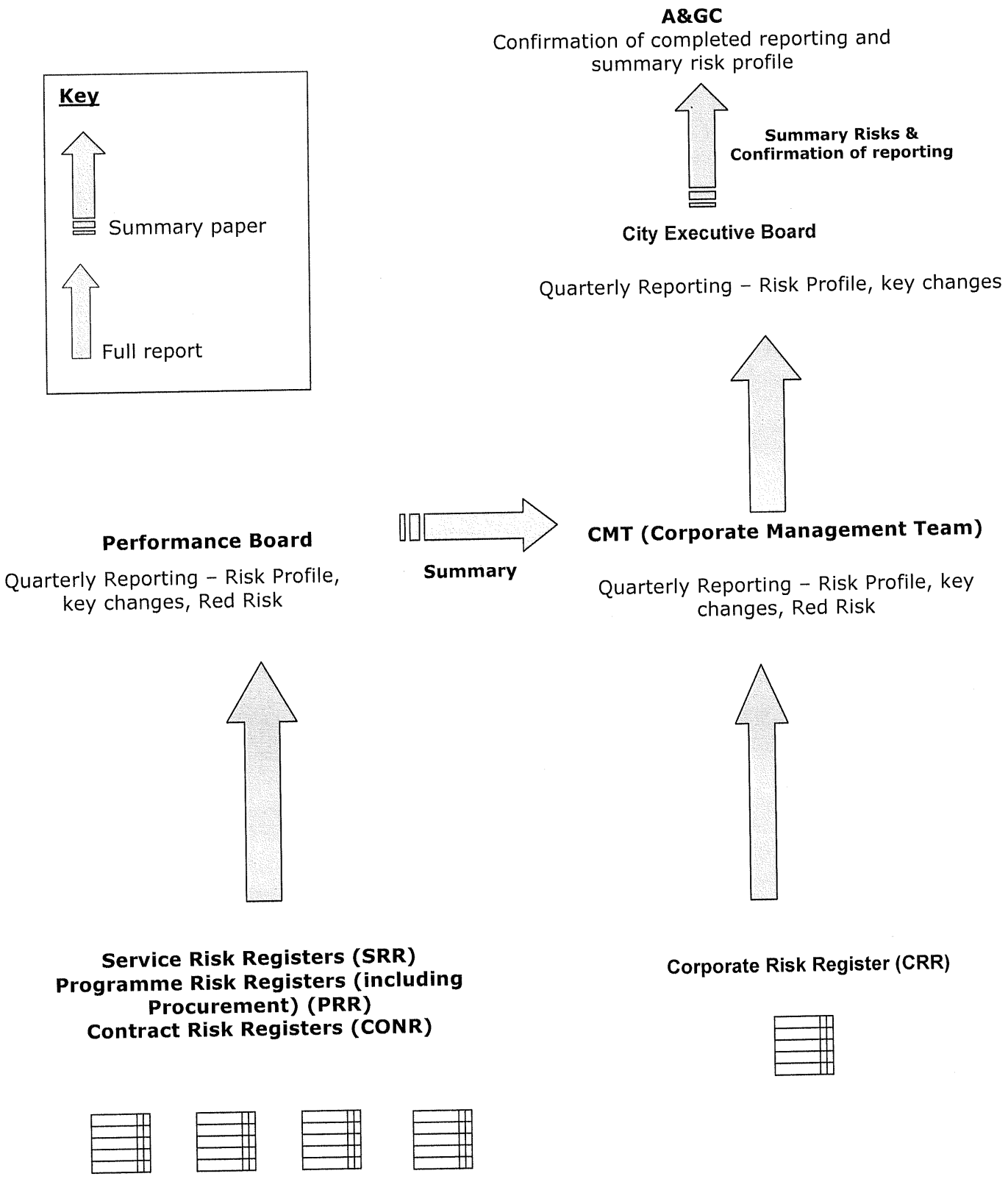
## 5.1 Risk Register Reporting Flow



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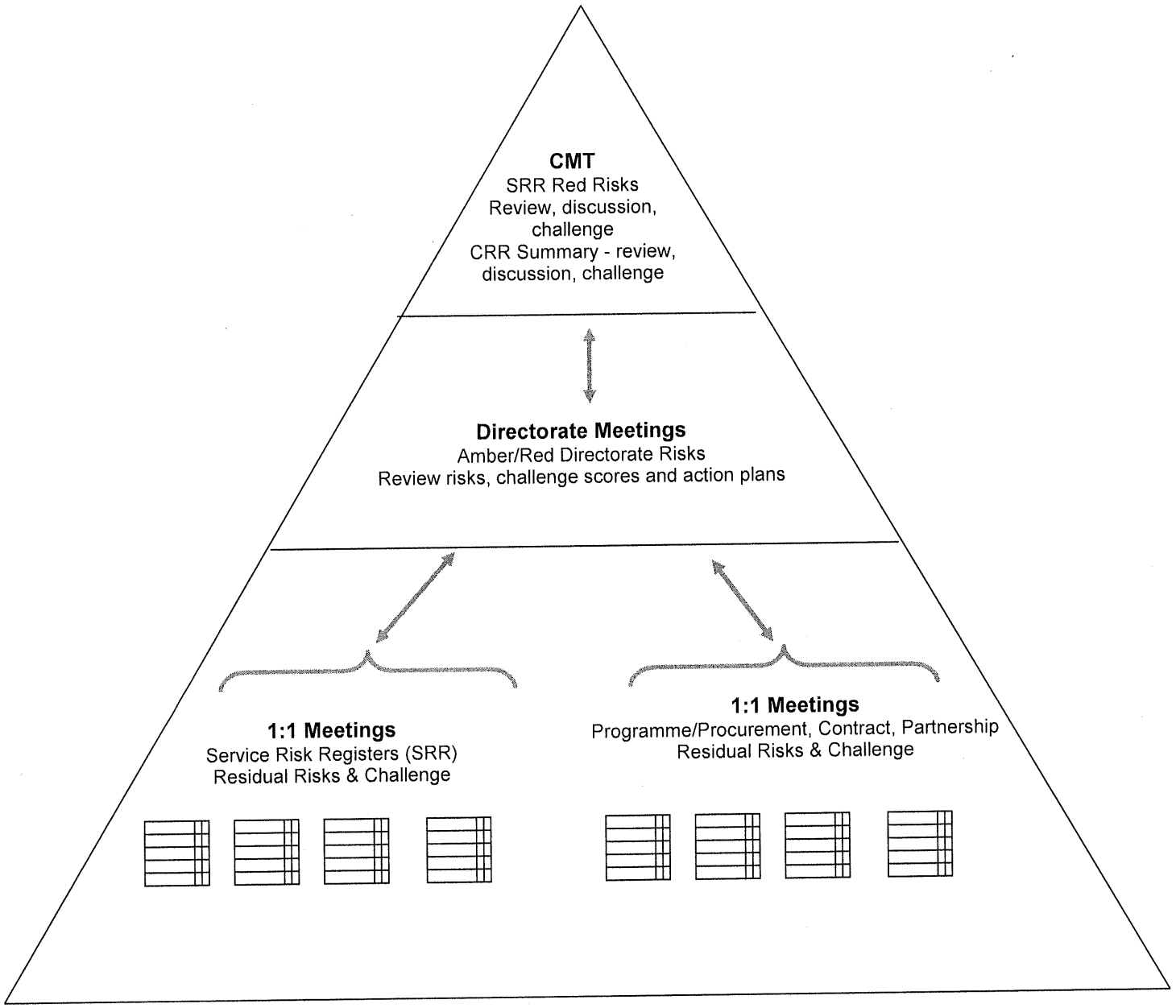
## 5.2 Challenge and Consistency

**Risk Management Discussion & Challenge Chart**



## 5.3 Service Area Self Assessment

A Service Area Self Assessment is carried out bi-annually. This assessment looks at the following 5 categories:

Corporate Focus (SMT commitment & in corporate processes)
Decision making (risk management supports decision making)
Embedded in Service Area
Risk Management Strategy and Operating Framework (clear, understood & applied)
Training (self & team)

The aim of this self assessment is to monitor and track progress and developments of risk management within service areas. The output informs the strategy and Operating Framework approaches adopted.

## 5.4 Benchmarking

An internal benchmarking assessment is carried out on a quarterly basis. The Risk Manager will review the risk management practices in the Council against industry best practices (as seen in similar organisations, the Audit Commission, Management of Risk (MOR)). This benchmarking assessment will be reviewed by the Risk Group with summary information being provided to the Performance Board.

The benchmarking assessment looks at 7 key headings:

- Senior Management Team drive excellence, give strong support and reward for well managed risks
- Focused, effective with clear strategies
- Trained, empowered staff with good record of innovation and risk taking
- Effective practices in place for managing risks with partners
- Integrated with key business processes
- Clear evidence that risks are being effectively managed throughout the organisation
- Driver for change, contributes to outcomes and linked to plans and planning cycles.

The council is then scored High (highly effective/embedded), Medium (sporadic practices or working towards), Low (insufficient or little evidence).

The output from this benchmarking assessment drives the direction of the councils strategy and programme for enhancing risk management practices across the council, including across organisational boundaries.

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## 6. Training

**Risk Group** – Super user training provided to all new members. In depth training workshops to be held as required.

**Members** – All new members to receive induction programme including risk management section. Members to carry out e-learning at least annually or when there are significant Risk Management Strategy changes.

**Heads of Service** – All new Heads of Service to receive induction programme training including risk management section. Heads of service to carry out e-learning at least annually or when there are significant Risk Management Strategy changes. Face:Face training is provided where there are significant changes to Operating Framework/strategy.

**Senior Management Team and Corporate Management Team**– All new SMT/CMT members to receive induction programme training including risk management section. SMT to receive annual face:face training programme.

**Authors of CEB reports, Programme/Project Managers, Contract/Partnership Managers** – carry out e-learning at least annually. Face:face training to be provided on the specific aspects of their roles (this may be included as part of other training programmes).

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## 7. Roles & Responsibilities

| ROLE | RESPONSIBILITIES |
|---|---|
| **The City Executive Board** | • Accountable for the approval of the Oxford City Council's Risk Management Strategy on an annual basis<br>• Responsible for noting the adoption of the Risk Management Operating Framework by the CMT.<br>• Responsible for understanding the risk profile of Oxford City Council.<br>• Accountable for ensuring that a corporate risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored<br>• Oversee effective risk management across the Council |
| **Audit and Governance Committee** | • Consulted on the annual review of the Risk Management Strategy<br>• Responsible for noting the adoption of the Risk Management Operating Framework by the CMT.<br>• Accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors |
| **Members** | • Scrutinise the Executive's decisions to ensure that they meet the requirements of effective risk management<br>• Understand the corporate risks that the Council faces<br>• Facilitate a risk management culture across the Council<br>• Take decisions that have regard to risk management implications and the corporate risks which the council faces |
| **Corporate Management Team Meeting (CMT)** | • Accountable for the approval of the Risk Management Operating Framework<br>• Consulted on the Risk Management Strategy<br>• Ensure that emerging internal and external risks are raised and discussed<br>• Accountable for having an oversight of the red corporate and service area risks |
| **Performance Board** | • Accountable for the review and challenge of Service Risks and related scores<br>• Review of the Bi-annual report on internal risk management benchmarking (Oxford City Council benchmarked against industry best practice)<br>• Accountable for the review of Service Area Self-Assessments<br>• Accountable for onward reporting of Risk Group matters to the CMT |

| ROLE | RESPONSIBILITIES |
|---|---|
| **Directorate Meetings** | • Accountable for the review of Service Risk Registers across the directorate at amber and red status.<br>• Review service risks, challenge scores and action plans |
| **Senior Management Team – Chief Executive and Executive Directors** | • Commitment to a **top down** (not just bottom up) **approach** towards risk management<br>• **Active involvement** in the identification and assessment of risk on an ongoing basis<br>• **Own and review the CRR as per agreed timetable**<br>• **Support embedding** of risk management throughout the organisation – in planning, policy and decision making, performance management, project management, contract management and partnership management<br>• Accountable for ensuring that there is a **corporate focus** on risk management<br>• Accountable for ensuring the risk registers **link with strategic objectives**<br>• Support the encouragement of **member engagement**<br>• Accountable for approval of the Councils **risk strategy and operating framework** including **risk appetite**<br>• To be aware, have understanding and have **full confidence in the risk management** processes throughout the organisation<br>• Lead risk management across the Council<br>• Be responsible for ensuring that the Council fully complies with all Corporate Governance requirements, including the Annual Statement of Internal Governance |
| **Executive Directors** | • Ensure that risk management, within their Directorate, is implemented in line with the Council's Risk Management Strategy<br>• Identify and manage risks within their Directorate and ensure that mitigating actions are regularly reported |
| **Risk Manager** | • Support all staff including the Senior Management Team and Corporate Management Team in delivering risk management activity<br>• Accountable for the timely quarterly reporting of risk registers to the appropriate board, including preparation of Corporate reports on risk management<br>• Responsible for ensuring that the appropriate staff and members are informed of changes in strategy and operating framework<br>• Responsible for the provision of Risk Management Training<br>• Supports the SMT in ensuring that risk management strategy and operating framework is adopted in the work of all Boards, groups and projects as well as in the management of |

| ROLE | RESPONSIBILITIES |
|---|---|
| | partnerships and contracts<br>• Accountable for the annual review of the Risk Management Strategy and Operating Framework<br>• Accountable for approving CEB risk registers prior to submission to the CEB.<br>• Accountable for the management of the Corporate Risk Register<br>• Support the development of links between service registers, partnership risk logs, project and programme registers and corporate risk register<br>• Chair of the Risk Group |
| **Heads of Service** | • Accountable for ensuring that risk management within their area of responsibility, including across organisational boundaries, is implemented in line with the Council's Risk Management Strategy and Operating Framework.<br>• Accountable for identifying, analysing, evaluating and profiling risks arising from their areas of responsibility, manage those risks and ensure that they are monitored<br>• Accountable for incorporating risk management processes into service planning processes<br>• Accountable for systematically and promptly reporting, to the Risk Manager, any perceived new risk or failures to existing control measures<br>• Accountable for ensuring that the requirements of the risk management operating framework and strategy forms part of new projects, partnership and contract management.<br>• Own and manage the Service Risk Registers and the risks and action plans laid out in them for their area.<br>• Accountable for maintaining unique referencing for SRR and CEB reports<br>• Accountable for reporting of new red risks and closed red risks (and provision of supporting evidence) to the risk manager.<br>• Accountable for ensuring that where risks cross departmental boundaries that the appropriate Service Head is informed. |
| **Head of Legal & Democratic Service** | • Accountable for the annual production of the SIC – Statement of Internal Control as part of the Statement of Accounts. |
| **Contract Managers/CEB Authors/Project & Programme Managers** | • Accountable for ensuring that risk registers are documented and reported in accordance with the requirements of the Risk Strategy and Operating Framework<br>• Accountable for ensuring that unique reference numbers are obtained from Service Heads/Project/Programme Managers/Procurement Team.<br>• CEB report authors are accountable for ensuring that CEB risk registers are reviewed by the Risk Manager before submission of |

| ROLE | RESPONSIBILITIES |
|---|---|
| | the papers. |
| **Internal Audit** | • Audit the key elements of the Council's Risk management process<br>• Use the results of the Council's risk management process to focus and inform the overall internal audit plan<br>• Assist the Council by offering risk management support and advice |
| **Risk Group** | This group reports to the Performance Board and is chaired by the Risk Manager. The group:<br>• Supports the CMT in ensuring that risk management strategy and Operating Framework approach is adopted in the work of all Boards, groups and projects as well as in the management of partnerships and contracts;<br>• Is consulted for the review and qualification of benchmarking results before submission to Performance Board;<br>• Supports the further embedding of risk management across the organisation and beyond organisational boundaries including partnerships and contractual relationships;<br>• Support the organisation in creating awareness, improved understanding, creating stronger organisational approach to risk identification and management. Developing the Risk Management Culture - by embedding the theme - 'Actively Thinking about Risk Management'<br>• Support the quarterly review of service risk registers by challenging the risks and the action plans. Support Service Heads in ensuring that risks are identified, analysed, evaluated and prioritised and that appropriate plans are in place.<br>• Is accountable for consistency of risk management approach and use of risk scoring across the organisation;<br>• Support the Service Heads in ensuring that the service area's risks are regularly reviewed, for instance through monthly team meetings and directorate meetings, and that risks and action plans are regularly monitored and reviewed for effectiveness and progression.<br>• Accountable for reporting the work of the Group to the Performance Board on a Quarterly basis. |
| **Transformation Board (update name of board against ToR)** | • Accountable for ensuring projects are appropriately risk assessed in line with the Risk Strategy and Operating Framework<br>• Accountable for ensuring that risks are reviewed throughout the project lifecycle |
| **Staff** | • Understand their accountability for individual risks<br>• Understand how they can enable continuous improvement of risk management and risk awareness. |

| ROLE | RESPONSIBILITIES |
|---|---|
| | • Report systematically and promptly to their manager any perceived new risks or failures of existing control measures<br>• Ensure that internal controls are robust and operating correctly |