

**To:** Audit & Governance Committee  
**Date:** 22 September 2014  
**Report of:** Head of Finance  
**Title of Report:** Annual Review of Risk Management Strategy

## Summary and Recommendations

**Purpose of report:** To present a review of the Council's Risk Management Strategy for comment prior to its consideration by the City Executive Board.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan - Efficient, Effective Council

**Recommendation:**

Consider the revised Risk Management Strategy and Operating Framework attached at Appendices 1 and 2 and, if the Committee wishes, convey recommendations to the City Executive Board.

**Appendix A** Risk Management Strategy  
**Appendix B** Risk Management Operating Framework

## **Risk Management Strategy**

1. A copy of the updated Risk Management Strategy is attached at Appendix A. The previous Strategy was approved by the Audit and Governance Committee and City Executive Board in February 2012. The headline changes to the Strategy include:
  - Inclusion of the role of Head of Business Improvement and Technology to cover Public Service Network (PSN) requirements. It is a requirement that the Risk Management Strategy is aligned with the Council's ICT security and governance standards to enable it to successfully achieve the annual PSN accreditation from the Cabinet Office, and the inclusion of this information provides this alignment;
  - Revised probability and impact measure definitions to clarify the scoring process. These are set out in detail at paragraph 10 below and in the Risk Management Operating Framework attached at Appendix B.

2. The Strategy retains the core the aims of:
  - fully embedding risk management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed, thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
  - providing a clear and consistent approach to the management of risk throughout the Council.
  
3. A copy of the Risk Management Operating Framework is attached at Appendix 2. The purpose of the Framework is to outline how the Council will deliver the Risk Management Strategy and no substantive changes are proposed.
  
4. External reviews of the Council's Risk Management Strategy have recently been carried out by Zurich Municipal, the Council's insurer's and the Council's internal auditors Price Waterhouse Coopers (PWC).
  
5. Broadly speaking the Zurich report concluded that the Council had an effectively managed risk management strategy and process in place, but made a number of advisory comments, e.g. consistency of approach was not uniform across all services, and engagement could be improved. These have been taken into account as part of the Strategy refresh.
  
6. The Council's Internal Auditors PWC review of the risk management function reported that performance in this area had improved since the last review. However, the report raised two issues,
  - The Risk Management Strategy and Operating Framework have not been recently reviewed by Audit and Governance Committee  
**Officer Response** The updated version of the Strategy is attached for comment and approval.
  - Not all Corporate risks were being reported to CEB.  
**Officer Response** The reporting system restricts the reporting of the Council's highest 6-8 risks on the quarterly integrated report, however this may not always show all corporate risks. The narration that accompanies the report includes details of all red Corporate Risks. All members have access to CorVu and can view the corporate risks at any time. However, amendments are being made to the CorVu reports to ensure all the risks are shown on the CEB report from Q2.
  
7. To assist in embedding the Strategy across the Council an online training tool is being developed on i-Learn. This will provide a consistent message across all service areas and aid engagement in Risk Management within the Council. This facility allows the owner of the program to track and see

who has used the training tool and to target specific staff for training. It is intended to be rolled out to key risk owners by December 2014, and then to the wider audience throughout 2015.

8. Once approved the updated Strategy and Operating Framework will be shared with all staff and placed onto the intranet.
9. At the last officer Risk Management Group meeting it was agreed the members of the Group would each become “risk owners” and would report back with updates and case studies on their respective risks throughout the year. The risk owner in this context is the person who is responsible for a specific corporate risk, usually attached to their service area, on the risk register. Learning points and good practice would then be disseminated back through the Council.
10. The Strategy and Operating Framework retains the five by five scoring matrix or ‘heat map’. However, some changes have been made to the definitions of ‘probability’ and ‘impact’ to make it clearer as to what score should be given to the risk being considered.

### **Risk Probability Measurement Criteria**

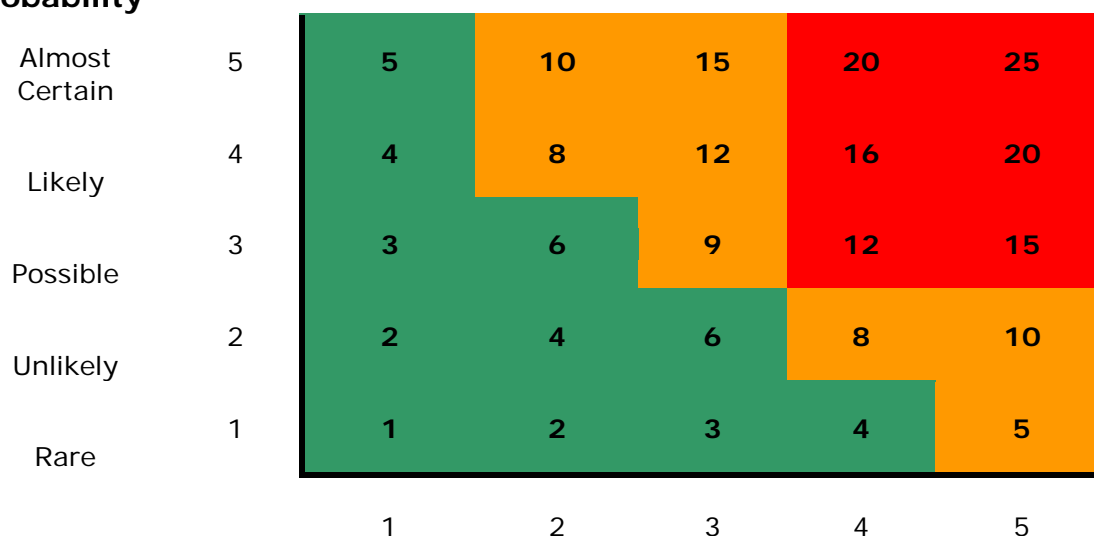
<b>Scale</b>	<b>Description</b>	<b>Likelihood of Occurrence</b>	<b>Probability of Occurrence</b>
<b>1</b>	Rare	1 in 10 years	The event may occur in certain circumstances
<b>2</b>	Unlikely	1 in 3 years	The event could occur
<b>3</b>	Possible	1 in 2 years	The event should occur
<b>4</b>	Likely	Annually	The event will probably occur
<b>5</b>	Almost certain	Monthly	The event is expected to occur or occurs regularly

## Risk Impact Measurement Criteria

Scale	Description	Financial	Reputation	Service / Operations
1	Negligible	<£50k per annum	Public concern restricted to local complaints, which do not attract local media attention.	No impact to service quality, limited disruption to operations
2	Low	£50k - £250k per annum	Minor adverse local / public / media attention and complaints	Minor impact to service quality, minor service standards are not met, short term disruption to operations, minor impact on a partnerships
3	Medium	£250k - £500k per annum	Adverse national media public attention	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards
4	High	£500k - £750k per annum	Serious negative national or regional criticism	Major impact to service quality, multiple service standards are not met, long term disruption to operations, multiple partnerships affected
5	Very High	>£750K per annum	Prolonged, regional & national condemnation	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations, several major partnerships are affected

## Risk Matrix – Heat Map

### Probability



### Impact

Negligible    Low    Medium    High    Very High

## **Financial Implications**

11. The Robust management of risk should assist in mitigating the financial impact to the Council should an event occur.

## **Legal Implications**

12. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

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**List of background papers:** None

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