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Oxford City Council

Risk Management Strategy

February 2012
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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 both within the organisation and across organisational boundaries.

1. Strategy Aim

To fully embed Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed in the most efficient manner, thereby strengthening the Council's ability to deliver its strategic priorities.

2. Purpose of the Strategy

The strategy aims to provide a clear and consistent approach to the management of risk across the organisation ,between services and between corporate and service levels.

3. Strategy Review & Approval

The Risk Management Strategy will be reviewed periodically 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).**

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

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

A risk management strategy is considered as an essential part of good governance within any organisation and therefore should be an integral part of its processes and plan.

The current Accounts and Audit Regulations (England) establish 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. This framework introduced the concept of an integrated Annual Governance Statement covering all significant corporate systems, processes and controls.

The AGS describes the systems and processes that make up the governance framework and how effective these are together with any areas of improvement. The statement draws on opinions and conclusions including internal audit, performance, management, risk management, external auditors and the Councils monitoring officer. Production of the AGS is a statutory requirement and must be approved by the Leader of the Council and the Chief Executive.

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

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 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:

- Further embed effective risk management across the Council making it part of all decision making processes

- Continue to 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

- Continue to 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 a periodic basis

- Establishing clear accountabilities, roles and reporting lines across all directorates

- Train staff across the Council providing them with the necessary awareness, skills and expertise

- Providing for risk assessment in all decision making processes of the Council

- Developing arrangements for the integrated reporting of risk

- 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 management

9. Risk Management Approach

9.1 Risk Management Cycle
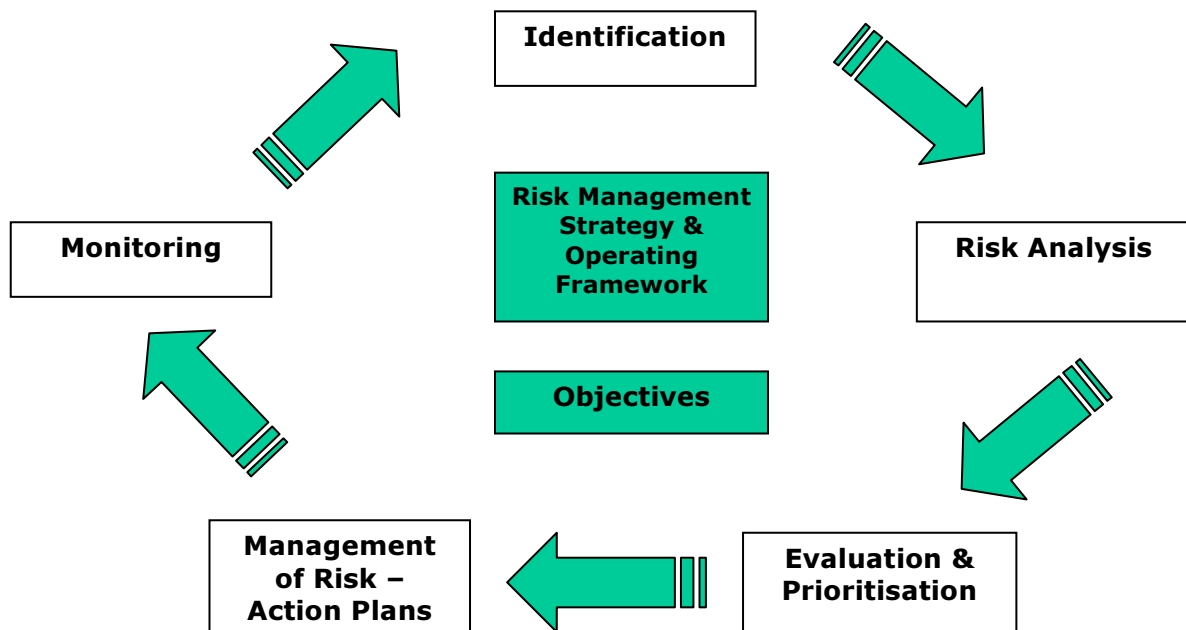
9.2 Risk Identification

Corporate Risks
The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis any new risks are incorporated into a revised version of the CRR. Risk owners for Corporate are generally held at Director level

Service Risks
Service Area risks are reviewed periodically by Heads of Service and Service Managers. High (red) risks should be raised on a quarterly basis and reviewed by Corporate Management Team for potential inclusion in the councils Corporate Risk Register..

Project and Programme Risk
Oxford City Council adopts the principles of 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).

9.3 Evaluation & Prioritisation

Risks are evaluated to consider the **probability** of the risk transpiring and the **impact** if the risk were to transpire.

Impact – <u>What will happen</u> if the risk occurs?
Probability – <u>How likely</u> is it that this risk will occur

Probability

			Impact				
			1	**2**	**3**	**4**	**5**
>90%	Almost Certain	5	5	10	15	20	25
50-90%	Likely	4	4	8	12	16	20
30-50%	Possible	3	3	6	9	12	15
10-30%	Unlikely	2	2	4	6	8	10
<10%	Rare	1	1	2	3	4	5

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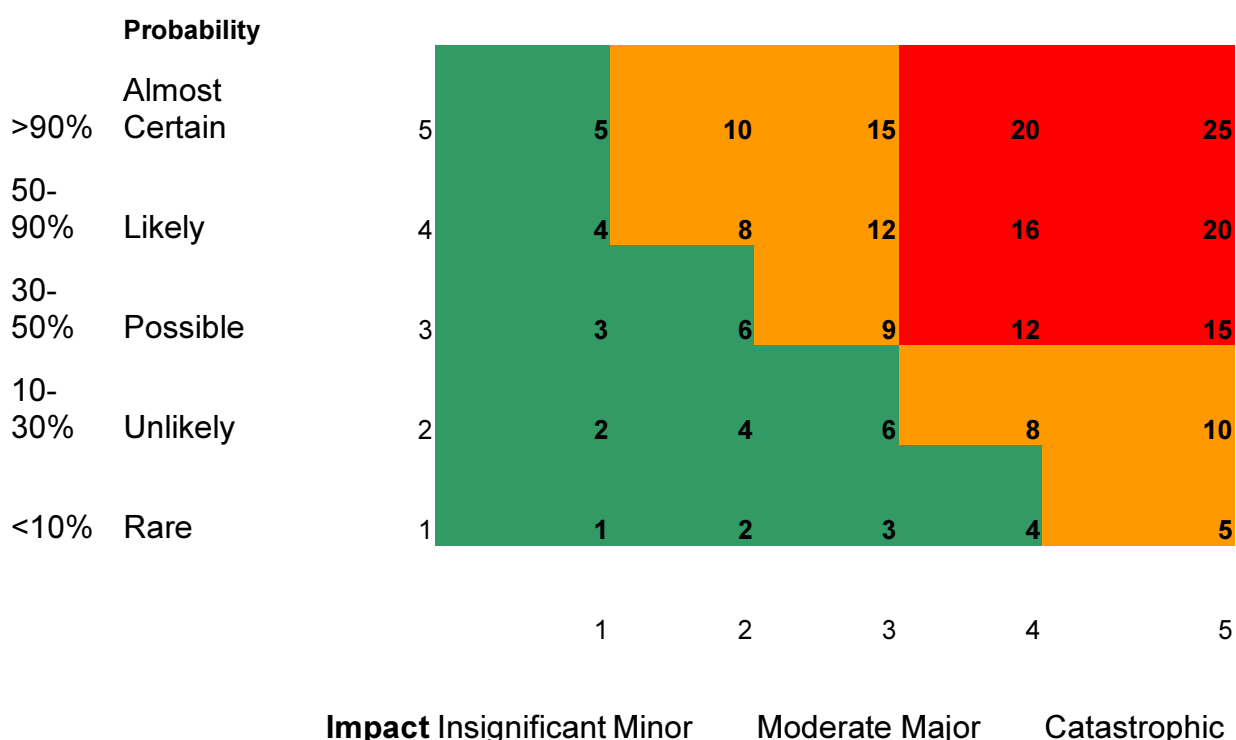
Where the risk is prioritised on the matrix gives it a risk rating and this risk rating creates a priority for that risk. The rating is the Red, Amber, Green (RAG) status given in the risk matrix.

For each risk area a score will be calculated for the gross, current and residual risk in accordance with the following

- **Gross risk** – the risk without any controls in place
- **Current risk** – the risk with existing controls in place
- **Residual Risks** – the risk with existing controls and mitigating actions in place

9.4 Risk Appetite
Oxford City Council 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 challenge 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 periodically 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 City Executive Board

9.5   Management of the Risk – Mitigating Action Plans

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

- Accept
- Transfer
- Reduce
- Avoid
- Contingency

However, risks are generally managed by 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.

9.6   Monitoring

The Council makes use of CORVU, its performance management system to record information on all risks including the scoring and progress on mitigating actions against key milestones to be undertaken by clear risk owners.

The monitoring process tracks the progress of the action plans.

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.

9.7   Risk Reporting

Risk reports are prepared on a regular basis to City Executive Board, Audit and Governance Committee and Corporate Management Team in accordance with the following :

	Board/Committee	Frequency
Corporate Risk Register (CRR) Report	Corporate Management Team and City Exec Board	Quarterly
Service Risk Register (SRR) Report	Corporate Management Team,	Quarterly
Confirmation of completed reporting and summary risk profile	Audit & Governance Committee	Quarterly
Program/Project Risks	Project or programme Board	Periodically

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 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

Corporate Management Team will focus their attention on corporate risks on a quarterly basis although this review will also incorporate service risks especially 'red' service risks which will be highlighted for potential inclusion in the Corporate Risk Register. CMT will challenge the scoring of the risks in terms of probability of occurrence and impact and ensure that there is consistency of approach and to risk appetite across the organisation.

Additionally 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.

Director's 1:1 meetings with service heads will review and challenge the Service Risk Register

The Risk Management Group will provide advice on risk management and periodically sample check service risk registers to ensure the degree of embeddedness within the service.

12   Benchmarking of Risk Practices

The risk practices of the Council are benchmarked against industry practice (established by considering other local authorities, industry reviews and guidance against the organisational context of the Council).

Recommendations are incorporated into the periodic review of the Strategy.

13.   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 Service Risk Registers and Corporate Risk Register.

14.   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.

15.   Contract Management

Significant contracts are managed in accordance with the Procurement Strategy and Contract Management Framework use the same risk management templates and standards and will form a key element of ongoing governance in this area.

16.   City Executive Board Reports

Every City Executive Board (CEB) Report must contain a Risk Register in the prescribed format. The Risk Manager will periodically review papers being submitted to ensure consistency of approach and provide further guidance where required. 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).

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 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.

The extent of the training provided is reported to the Audit & Governance Committee periodically.

18.   Roles & Responsibilities

ROLE	RESPONSIBILITIES
The City Executive Board	- Accountable for the adoption of the Council's Risk Management Strategy - Responsible for understanding the risk profile of Oxford City Council - 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 - Oversee effective risk management across the Council and receive quarterly reports in relation to Corporate Risks
Audit and Governance Committee	- Consulted on the periodic review of the Risk Management Strategy - 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 - Receive quarterly reports in relation to Corporate Risks and make appropriate recommendations to City Executive Board
CMT	Accountable for the review and adoption of the Risk

ROLE	RESPONSIBILITIES
	Management Operating Framework • Ensure that emerging internal and external risks are raised and discussed • Review of the quarterly risk reports prior to their submission to Audit and Governance and City Executive Board
Head of Finance	• Support all staff including the Directors Group in delivering risk management activity • Accountable for timely reporting to CEB and CMT • Chairs Risk Group • Responsible for delivery of training
Risk Group	• Provides guidance and supports the organisation in ensuring risk management is embedded in the organisation • Promotes good risk management practices within the organisation • Supports reviews of service and corporate risk registers

19. Definitions

CRR – Corporate Risk Register

SRR – Service Risk Register

CEB – City Executive Board Reports/Registers

Benchmarking – Exercise carried out on an annual basis to benchmark OCC against best practice and key external audit requirements.

Risk group – Responsible for supporting risk management practice in the Council

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

Corporate Management Team (CMT) – Directors & Service Heads meeting

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