Oxford City Council

Risk Management Operating Framework

DRAFT
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Contents Page

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
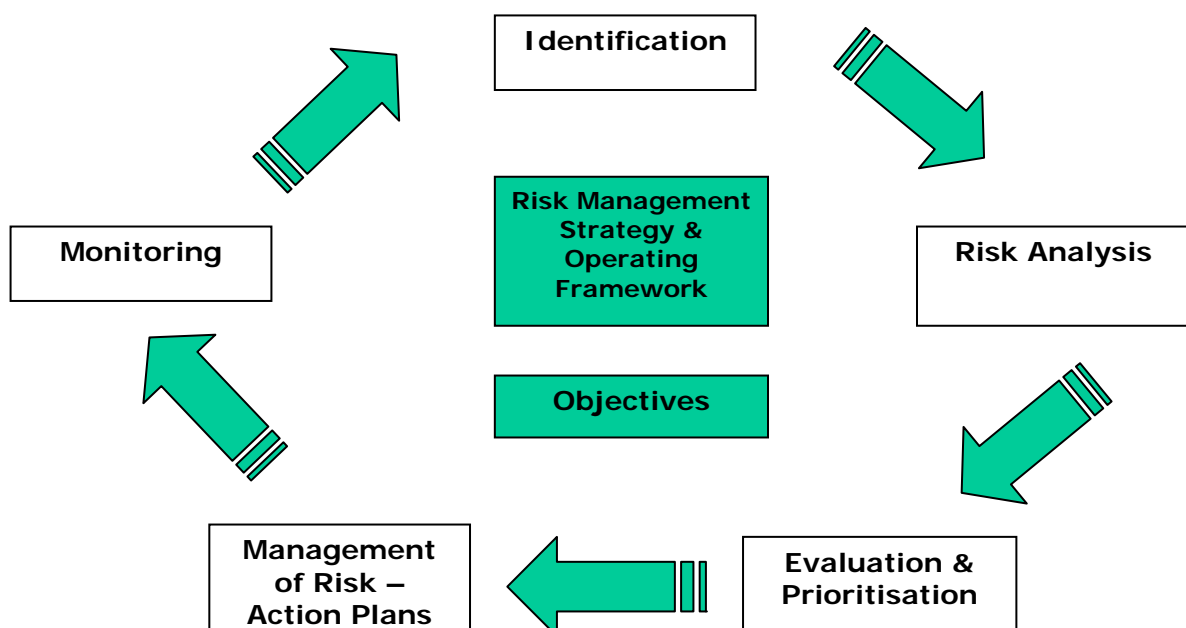
4.2   Risk Identification

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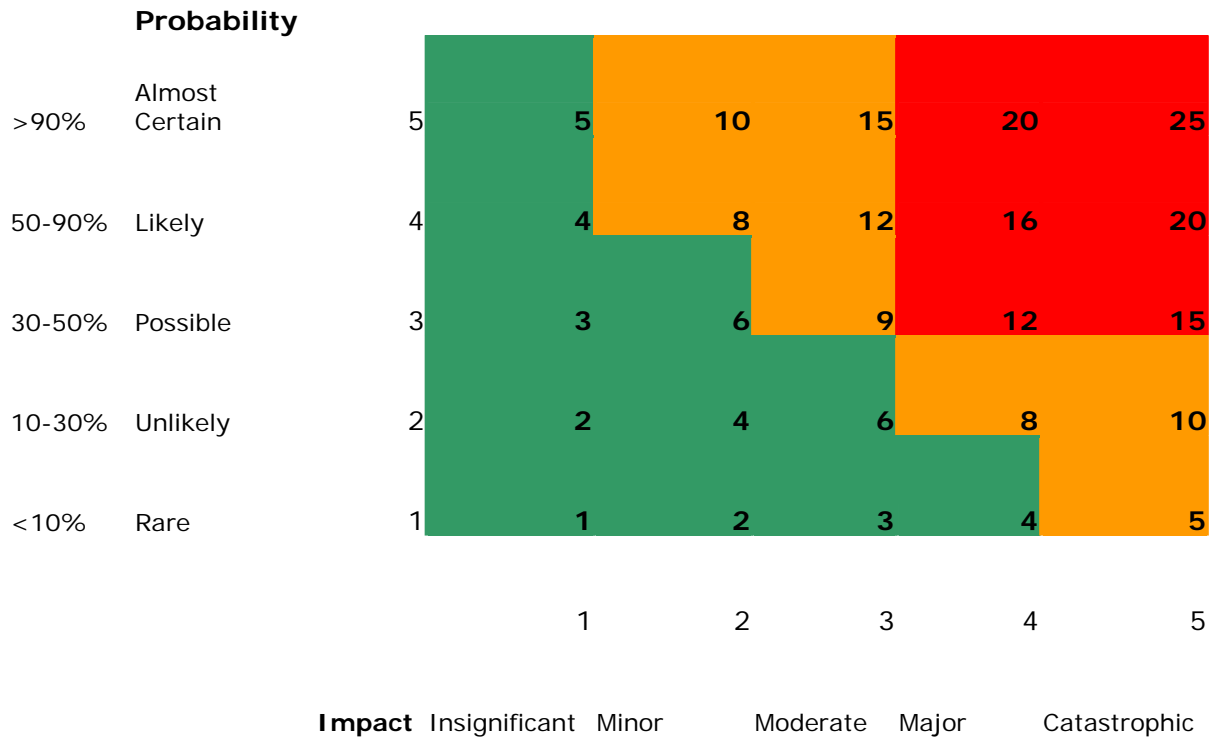
The risk appetite of the organisation is reviewed annually. Changes must be have the approval of the Senior Management Team and must be reported to the CEB and A&GC.

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.

4.5 Risk Matrix

Probability

		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

	1	2	3	4	5
Impact	Insignificant	Minor	Moderate	Major	Catastrophic

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

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

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

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	**CS**	Customer Services
CD	City Development	**FI**	Finance
CHCD	Community Housing & Community Development	**BT**	Business Transformation
CA	Corporate Assets	**PS**	Procurement & Shared Services
OCH	Oxford City Homes	**CP**	Corporate Performance
CW	City Works	**LG**	Law and Governance
ED	Environmental Development	**CRP**	Corporate Secretariat
CL	City Leisure	**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 '**<u>SMART'</u>** – 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.

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.
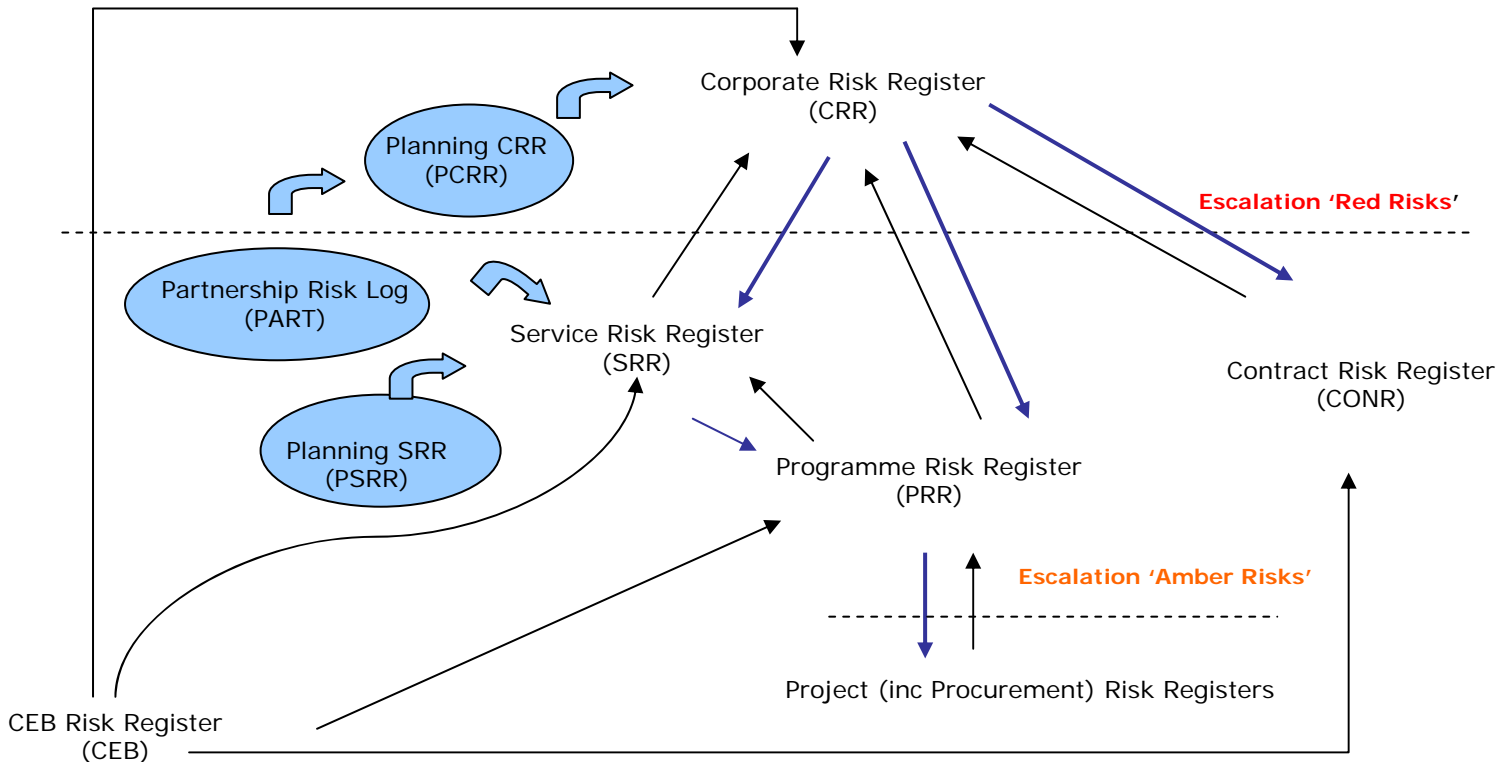
Key:
Informing arrows. These register/logs are not long term documents but documents which inform and update the formal risk registers
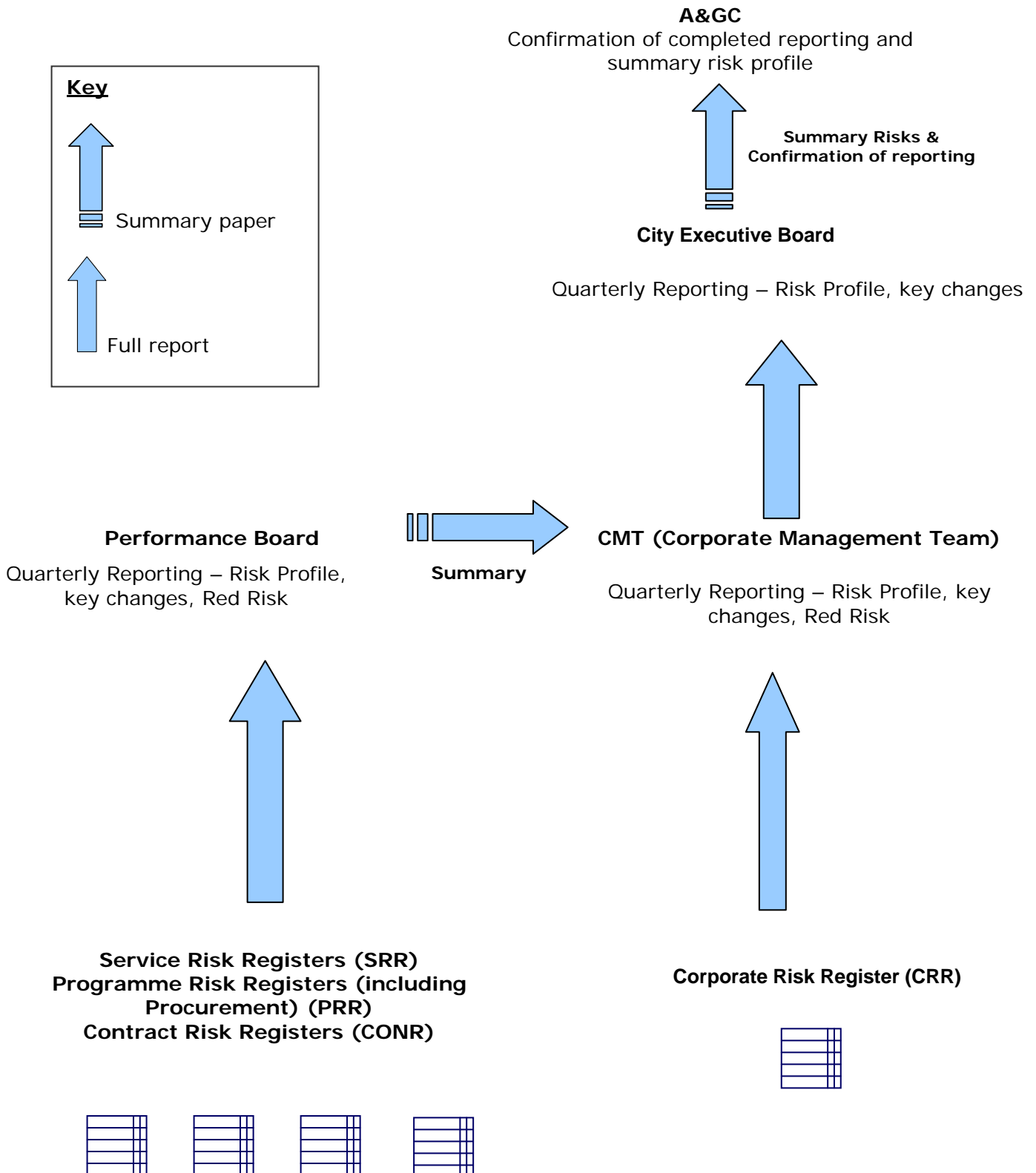
Escalation:
'**Red Risk**'. Risk must be reported to Risk Manager. Risk Manager with owner will consider escalation to CRR (will in addition be reported to Senior Managers via other reporting mechanisms on 1/4ly basis).

'**Amber Risk**'. Project/programme risk is a risk which should be referred to the Programme Manager
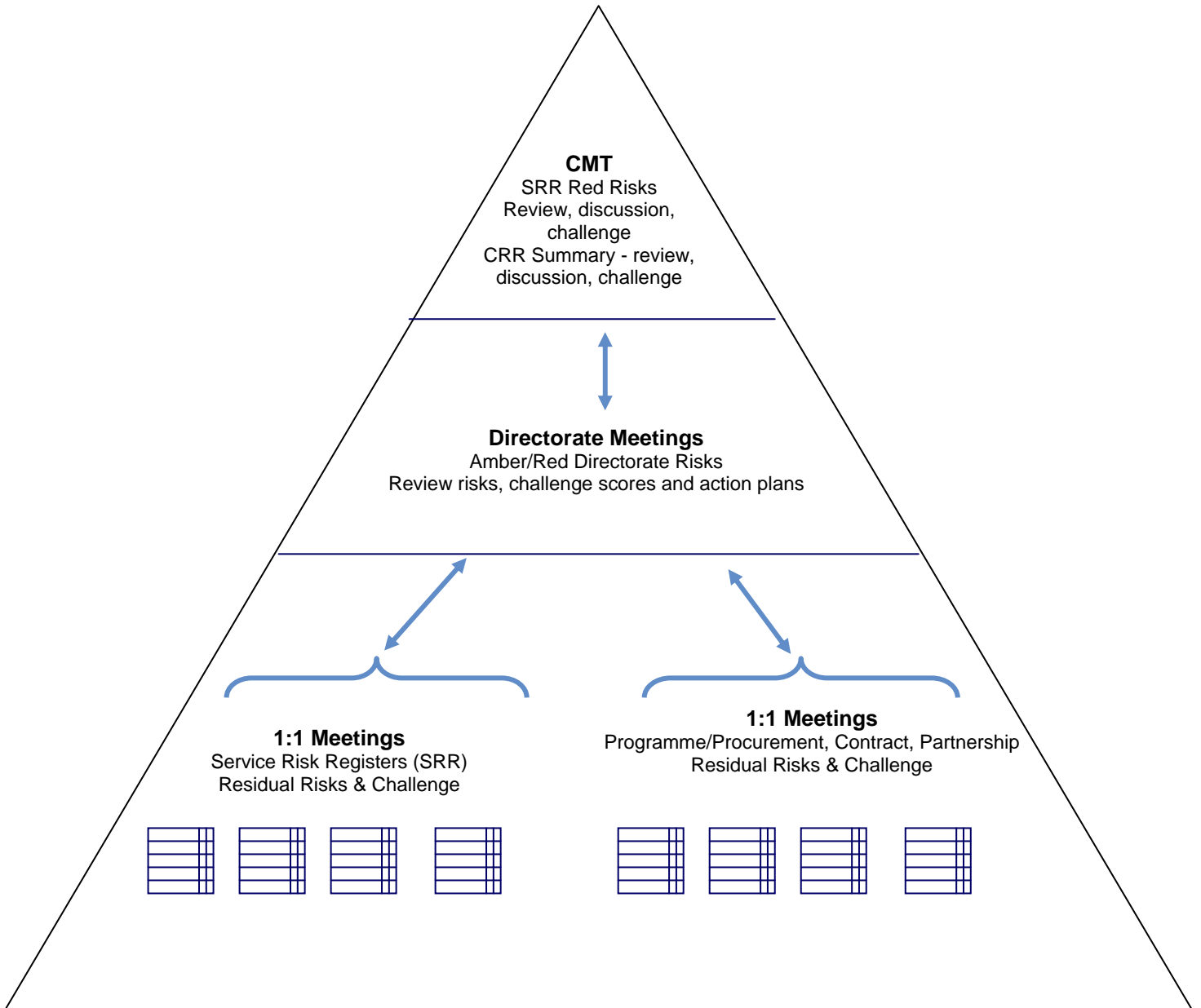
5.   Reporting & Review

	Board	Frequency
CRR Review	CMT CEB A&GC (summary/confirmation)	Quarterly
New CRR identification and review	SMT	Quarterly
SRR Review	Performance Board CMT (summary) 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) CEB (approval)	Annually
Risk Management Operating Framework	Performance Board (review) 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

5.1   Risk Register Reporting Flow

Key

Summary paper

Full report

A&GC
Confirmation of completed reporting and
summary risk profile

**Summary Risks &
Confirmation of reporting**

City Executive Board

Quarterly Reporting – Risk Profile, key changes

Performance Board

Quarterly Reporting – Risk Profile,
key changes, Red Risk

Summary

CMT (Corporate Management Team)

Quarterly Reporting – Risk Profile, key
changes, Red Risk

**Service Risk Registers (SRR)
Programme Risk Registers (including
Procurement) (PRR)
Contract Risk Registers (CONR)**

Corporate Risk Register (CRR)

5.2   Challenge and Consistency

Risk Management Discussion & Challenge Chart

CMT
SRR Red Risks
Review, discussion,
challenge
CRR Summary - review,
discussion, challenge

Directorate Meetings
Amber/Red Directorate Risks
Review risks, challenge scores and action plans

1:1 Meetings
Service Risk Registers (SRR)
Residual Risks & Challenge

1:1 Meetings
Programme/Procurement, Contract, Partnership
Residual Risks & Challenge

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.

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).

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 • Responsible for noting the adoption of the Risk Management Operating Framework by the CMT. • 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
Audit and Governance Committee	• Consulted on the annual review of the Risk Management Strategy • Responsible for noting the adoption of the Risk Management Operating Framework by the CMT. • 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 • Understand the corporate risks that the Council faces • Facilitate a risk management culture across the Council • 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 • Consulted on the Risk Management Strategy • Ensure that emerging internal and external risks are raised and discussed • 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 • Review of the Bi-annual report on internal risk management benchmarking (Oxford City Council benchmarked against industry best practice) • Accountable for the review of Service Area Self-Assessments • 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. • 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 • **Active involvement** in the identification and assessment of risk on an ongoing basis • **Own and review the CRR as per agreed timetable** • **Support embedding** of risk management throughout the organisation – in planning, policy and decision making, performance management, project management, contract management and partnership management • Accountable for ensuring that there is a **corporate focus** on risk management • Accountable for ensuring the risk registers **link with strategic objectives** • Support the encouragement of **member engagement** • Accountable for approval of the Councils **risk strategy and operating framework** including **risk appetite** • To be aware, have understanding and have **full confidence in the risk management** processes throughout the organisation • Lead risk management across the Council • 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 • 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 • Accountable for the timely quarterly reporting of risk registers to the appropriate board, including preparation of Corporate reports on risk management • Responsible for ensuring that the appropriate staff and members are informed of changes in strategy and operating framework • Responsible for the provision of Risk Management Training • 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 • Accountable for the annual review of the Risk Management Strategy and Operating Framework • Accountable for approving CEB risk registers prior to submission to the CEB. • Accountable for the management of the Corporate Risk Register • Support the development of links between service registers, partnership risk logs, project and programme registers and corporate risk register • 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. • Accountable for identifying, analysing, evaluating and profiling risks arising from their areas of responsibility, manage those risks and ensure that they are monitored • Accountable for incorporating risk management processes into service planning processes • Accountable for systematically and promptly reporting, to the Risk Manager, any perceived new risk or failures to existing control measures • Accountable for ensuring that the requirements of the risk management operating framework and strategy forms part of new projects, partnership and contract management. • Own and manage the Service Risk Registers and the risks and action plans laid out in them for their area. • Accountable for maintaining unique referencing for SRR and CEB reports • Accountable for reporting of new red risks and closed red risks (and provision of supporting evidence) to the risk manager. • 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 • Accountable for ensuring that unique reference numbers are obtained from Service Heads/Project/Programme Managers/Procurement Team. • 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 • Use the results of the Council's risk management process to focus and inform the overall internal audit plan • 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: • 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; • Is consulted for the review and qualification of benchmarking results before submission to Performance Board; • Supports the further embedding of risk management across the organisation and beyond organisational boundaries including partnerships and contractual relationships; • 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' • 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. • Is accountable for consistency of risk management approach and use of risk scoring across the organisation; • 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. • 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 • Accountable for ensuring that risks are reviewed throughout the project lifecycle
Staff	• Understand their accountability for individual risks • 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 • Ensure that internal controls are robust and operating correctly