



Oxford City Council

Risk Management Strategy

DRAFT
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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.

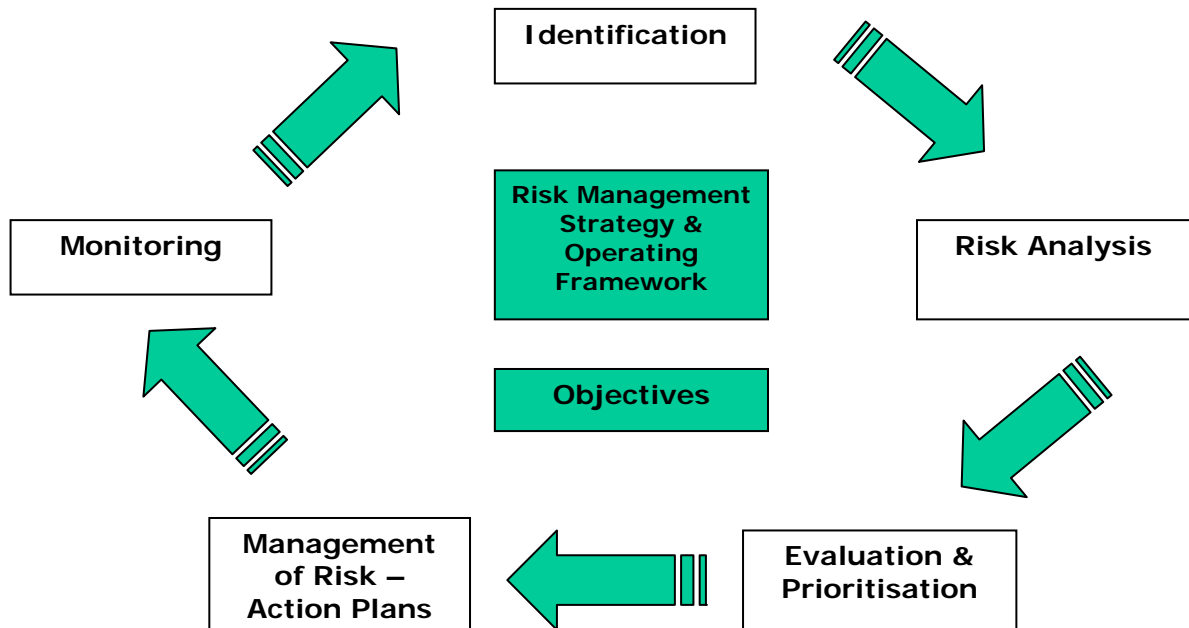
To achieve these objectives, we will continue to develop risk management processes and procedures by:

- 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

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.

The monitoring programme tracks the progress of the action plans.

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.

18. Roles & Responsibilities

ROLE	RESPONSIBILITIES
The City Executive Board	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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

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.