

Financial Services

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Risk Management Strategy and Toolkit

December 2020

Version 1.0



Foreword

Welcome to the Council's Risk Management Strategy, revised in January 2020. Risk management is not simply a compliance exercise but an indispensable element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals. All organisations face risks in undertaking their business in the sense that there exists the possibility that an event or action will adversely affect their ability to achieve objectives.

As an organisation we face a significant number of risks and it is therefore important that the Council recognise its responsibility to adopt a risk management process and we are fully committed to improving the effectiveness of risk management across the Council.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

Risk Management is the responsibility of everybody at the Council and the aim of this strategy is to explain our approach to Risk Management and the framework that we will operate to ensure that risks are effectively managed across the organisation.

Nigel Kennedy
Head of Financial Services
Oxford City Council

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Introduction

Risk management will help identify and deal with the key risks facing the organisation in the pursuit of its objectives and the process outlined within this strategy should be used to identify and manage all key risks to the Council's ability to deliver its priorities. It covers strategic priorities, operational activities and delivery of services, projects and partnership outcomes.

The Council defines risk as: *"The effect of uncertainty on objectives, often described by an event or a change in circumstances"* and Risk Management as: *"Coordinated activities to direct and control an organisation with regard to risk"*

The benefits of successful risk management include:

- **Increased confidence** – in achieving our priorities and desired outcomes.
- **More efficient service delivery** – fewer disruptions, efficient processes, improved controls.
- **Improved financial performance and value for money** – increased achievement of objectives, reduced impact and frequency of critical risks.
- **Stronger corporate governance and compliance systems** – robust corporate governance, fewer regulatory visits.

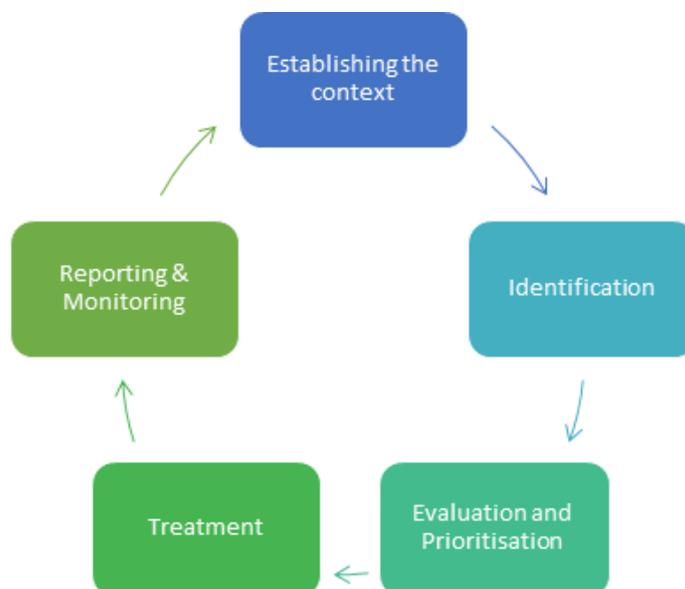
This Risk Management Strategy provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully. Detailed information on how to implement this strategy and tools to assist in this are provided in the Risk Management Toolkit at the end of this document. Whilst Financial Services provide risk management support to the council, their role is to facilitate and drive best practice, rather than own risk on behalf of the council.

Risk management should not be seen as a means of reducing all risk to the council. Indeed, in order to deliver our objectives we must have an appetite for a certain amount of risk; only by taking risks can we work innovatively to achieve our aims. As a large and diverse organisation it is recognised that our risk appetite will vary according to the activity undertaken and hence different appetites and tolerances for risk will apply. In this regard, the Council aims to be risk aware, but not overly risk averse, and to actively manage business risks to protect and grow the organisation.

Finally, this document 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 **Cabinet**.

Risk Management Process

The Council's risk management process consists of a series of co-ordinated activities, applicable to all levels and activities of the Council.



Step	Activity
Establishing the context	Understanding of key outcomes and objectives for the organisation, directorate, service or project being assessed.
Identification	The step where risks to the organisation are identified and described.
Evaluation and Prioritisation	Assessment of key controls and the prioritising of risks based on likelihood and impact.
Treatment	Deciding what to do about the risks and planning further actions to reduce the risk to an acceptable level where necessary.
Reporting and monitoring	Risks change and so need regular monitoring and reporting to appropriate stakeholders for decision making and governance purposes.

Further detail of the process and its use is contained within section 4 of this document – Risk Management Toolkit.

Roles and Responsibilities for Risk Management

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following summarises the various roles and responsibilities.



Roles	Responsibilities
The Cabinet	<ul style="list-style-type: none"> Accountable for the adoption of the Council’s Risk Management Strategy and Toolkit Responsible for understanding the risk profile of the 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 (A&G)	<ul style="list-style-type: none"> Consulted on the review of the Risk Management Strategy & Toolkit Scrutinises and monitors the effectiveness of risk management arrangements and obtains assurance on the effectiveness of risk and internal control arrangements Receive quarterly reports in relation to Corporate Risks and make appropriate recommendations to Cabinet
Members (excluding Cabinet & A&G)	<ul style="list-style-type: none"> Understand the corporate risks that the Council faces Take decisions that have regard to risk management implications and the corporate risks which the council faces
Corporate Management Team	<ul style="list-style-type: none"> Demonstrate leadership of the risk management process and support the embedding of risk management across the organisation. Ensure the corporate risk register is a live and up to date record of the Council’s risk exposure and regularly discussed within management team meetings Accountable for approval of the Councils risk strategy and operating framework including risk appetite Provide assurance to Members that appropriate risk management processes are in place across the Council Be responsible for ensuring that the Council fully complies with all Corporate Governance requirements, including producing the Annual Governance Statement Consulted on the Risk Management Strategy and Toolkit.
Operational Delivery Group (ODG)	<ul style="list-style-type: none"> Accountable for having an oversight of the corporate and red service area risks
Heads of Service	<ul style="list-style-type: none"> Ensure that risk management, within their Service, is implemented in line with the Council’s Risk Management Strategy and Toolkit and incorporated into service planning processes. Own and manage the Service Risk Registers and the risks and action plans laid out in them for their area. Accountable for systematically and promptly reporting, to the Risk and Insurance Officer, any perceived new risk or failures to existing control measures reporting, any new red risks or any closed red risks (alongside provision of supporting evidence).
Service	<ul style="list-style-type: none"> Accountable for the review of Service Risk Registers across the

Roles	Responsibilities
Management Team Meetings	<p>service.</p> <ul style="list-style-type: none"> Review service risks, challenge scores and action plans regularly amongst management team meetings. Ensure that Service Risk Registers are live documents and an up to date record of the risk exposure Understand where a service risk has a corporate or strategic impact and escalate accordingly
Head of Financial Services	<ul style="list-style-type: none"> Support all staff in delivering risk management activity Accountable for the timely quarterly reporting of risks 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 policy. Supports the Corporate Management Team in ensuring that the Risk Management Strategy and Toolkit is adopted in the work of all Boards, groups and projects as well as in the management of partnerships and contracts Accountable for the periodic review of the Risk Management Strategy and Operating Framework Accountable for approving Cabinet risk registers prior to submission to the Cabinet. Accountable for the management of the Corporate Risk Register Chair of the Risk Group
Head of Law & Governance	<ul style="list-style-type: none"> Accountable for the annual production of the AGS – Annual Governance Statement – to be published alongside the Statement of Accounts.
Internal Audit	<ul style="list-style-type: none"> 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 Management Group	<p>This group meets at least bi-annually. It is chaired by the Head of Financial Services or the Financial Accounting Manager. The group:</p> <ul style="list-style-type: none"> Supports the adoption of the Risk Management Strategy and Toolkit approach in the work of all Boards, groups and projects as well as in the management of partnerships and contracts; Provides guidance and supports the organisation in ensuring risk management is embedded in the organisation; Promotes good risk management practices across the council Supports reviews of corporate and service risk registers and supports Service Heads in ensuring that risks are identified, analysed, evaluated and prioritised. Support the Corporate Management Team in ensuring that the Corporate Risk Register is regularly monitored, reviewed and progressed. Supports Service Area Self-Assessments Reviews and approves updated business continuity plans
Programme Boards	<ul style="list-style-type: none"> Accountable for ensuring projects are appropriately risk assessed in line with the Risk Strategy and Toolkit. Accountable for ensuring that risks are reviewed throughout the project lifecycle

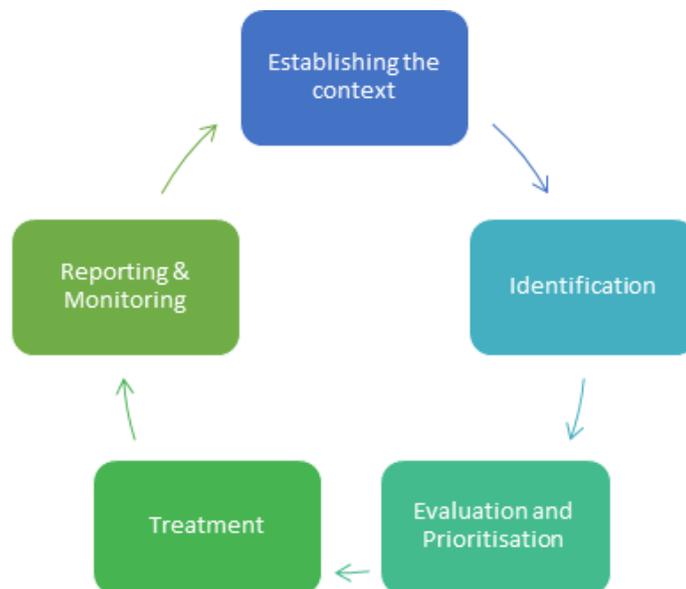
Roles	Responsibilities
Risk Owners	<ul style="list-style-type: none"> • Understand their accountability for individual risks • Report systematically and promptly to management any perceived new risks or failures of existing control measures • Ensure that internal controls are robust and operating correctly

Risk Management Toolkit

The Risk Management Process outlined within this Toolkit should be used as a guide to best practice in managing risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in directorate or service plans) and delivery of projects or programmes.

Risk management activity will happen at different levels within the organisation and for different purposes. You are identifying the risks that may affect the delivery of these objectives. A risk is where there is uncertainty of the outcome which may have a positive or negative effect on the achievement of the desired outcome, e.g. the objective.

The Council's risk management process consists of five steps:



A step-by-step guide follows to enable you to understand the risk management process.

Further advice and assistance on risk management is available from the [Intranet](#) and from the Risk and Insurance Officer, Alison Nash (email: anash@oxford.gov.uk Phone: 01865 252048).

1. Establishing the context

The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives being considered (i.e. overarching corporate objectives, service or project objectives, etc.). In this regard, risks are managed via a series of risk registers across the following levels within the organisation:

Corporate Level: the key risks facing the authority and the achievement of its corporate objectives.

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 Risks are generally held at Director or Head of Service level.

Service Level: the risks arising from service operations.

Service Area risks are considered as part of the service planning processed and reviewed periodically by Heads of Service and Service Managers. High (red) risks are considered for potential inclusion in the Councils Corporate Risk Register on a quarterly basis.

Programme / Project Level: the risks from initial business case stage throughout the project lifecycle.

It is the responsibility of Project Managers to identify and ensure mitigation of risks relating to their project. These are reported via highlight reports for each project to the Programme Manager and to the relevant service to which the project relates. High (red) risks are considered for potential inclusion in the Councils Corporate Risk Register on a quarterly basis and should be escalated to Alison Nash and Bill Lewis (Financial Services) in the first instance.

2. Risk Identification

As discussed, risks should be identified that may affect the Council's ability to achieve its business objectives, execute its strategies successfully or limit its ability to exploit opportunities.

Risks can be identified through a number of methods, including:

- A 'brainstorming' session or workshop with the whole management team and relevant stakeholders
- Interviews or questionnaires with key stakeholders
- Meetings with smaller groups of people

There are a wide range of methods available that can be used to identify and understand risks. The method that you select will depend upon the type of risk(s) that you are dealing with but typically a management team workshop is the method most commonly used.

Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Service / corporate plans, strategies and objectives
- Existing risk registers
- Risks or issues raised by internal audit or other scrutiny body
- Risks identified through budget setting processes
- Health & safety risk assessments
- Business continuity risk assessments
- Partnership, programme or project documentation (e.g. business case or project risk register)
- Experience of those participating in the risk identification process

It is the responsibility of those identifying risks to decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

As well as direct risks to the achievement of our objectives it is important to think broadly about uncertainties that may have an impact on the organisation. The diagram shown below illustrates a variety of different risk themes, expanding on PESTLE prompts, which the organisation could face. Think also in terms of these themes when identifying risks.



Once identified, the risks need to be described in sufficient detail and recorded in a consistent format to support effective decision making on the way that the risk is managed. It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

The description of the risk should include the following elements:

- Risk Title – a short and concise header for the risk
- Description – expanding on the risk title outlining the situation or event that exposes us to a risk.
- Risk Cause – also known as the trigger event. Situations or factors which result in the risk becoming a reality.
- Risk Effect - the likely consequences if the risk materialises (The negative impact - consider worst likely scenario)

When describing a risk try not to describe the impact of the risk as the risk itself or define risks with statements which are the converse of objectives. Focus upon the uncertain event that would result in those impacts.

3. Risk Evaluation and Prioritisation

Once risks have been identified the risk matrix is the main tool for prioritising risks so we can establish which risks are most significant and therefore are in need of greater attention and resources. It also allows us to compare different types of risk with each other across the council.

Each risk should be analysed using a five by five matrix for (1) the likelihood it will happen and (2) the impact if it did occur. This assessment should be made on three different basis:

- **Gross risk** – risk level if existing key controls and mitigations were not in place or not effective.
- **Current risk** – risk level after existing controls and mitigations are taken into consideration.
- **Target risk** – anticipated risk level following the introduction of planned controls and mitigations.

Assessing the gross risk allows consideration of the dependency the organisation has upon the existing key controls and informs decisions around risk treatment, and selection of an appropriate target risk level, considered in the next section of this toolkit. It is often helpful to consider the Current Risk first, and then ask yourself what the impact and likelihood of the risk might be if the key controls were not in place.

It is the risk owner’s responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered within the current risk.

Each identified risk should then be plotted onto the risk matrix.



When considering the likelihood of a risk happening you should select the number from 1 to 5 from the risk matrix that you think it will be over the next 12 months (it

can be longer or shorter; some risks in the Strategic Risk Register are better considered over 3 to 5 years, some operational risks will be considered over 3 to 6 months). This score will require an element of judgement when considering how likely an event is to occur and you should consider the following:

- *Has this event happened before in the Council? (How frequently?) Has this event happened elsewhere? (How frequently?)*
- *How likely is it that one or more of the causes/ triggers of the event will occur?*
- *Has anything happened recently that makes the event more or less likely to occur?*

The following tables provide some support in quantifying the risk in terms of likelihood and impact.

Risk Probability Assessment Criteria

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

When you select the impact you should give consideration to the factors outlined in the risk matrix. For example, if the risk you are scoring has a low financial impact but a high impact on our reputation then you would select the most appropriate number between 1 and 5 that relates to the level of reputational impact. Once again, this score will have an element of judgement.

The criteria for risk impact levels can be found on the next page.

Risk Impact Assessment Criteria

	Insignificant	Minor	Moderate	Major	Severe
Financial	<£50k per annum	£50k - £250k per annum	£250k - £500k per annum	£500k - £750k per annum	>£750K per annum
Service Delivery	No impact to service quality, limited disruption to operations	Minor impact to service quality, minor service standards are not met, short term disruption to operations, minor impact on a partnerships	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards	Major impact to service quality, multiple service standards are not met, long term disruption to operations, multiple partnerships affected	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations, several major partnerships are affected
Reputation	Public concern restricted to local complaints which do not attract local media attention.	Minor adverse local / public / media attention and complaints	Adverse national media public attention	Serious negative national or regional criticism	Prolonged, regional & national condemnation
Compliance & Regulation	Minor breach of internal regulations, not reportable	Minor breach of external regulations, not reportable	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Significant breach of external regulations leading to intervention or sanctions	Major breach leading to suspension or discontinuation of business and services
Strategic	Little impact on the organisational strategy	May have an impact on achieving organisational strategy	Would impact on the organisational objectives	Would require a significant shift from current strategy and objectives	Would require a fundamental change in strategy and objectives

Step 4. Risk Treatment

Once risks have been identified and scored based on current controls the next step is to decide what action needs to be taken to manage them.

Generally speaking, there are four approaches to treating risk: Treat, Tolerate, Terminate or Transfer:

Action	Description	Options
Treat	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Reducing the likelihood of the risk occurring AND / OR Mitigating the impact if the risk does occur
Tolerate	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an "informed" basis.
Terminate	Not undertaking the activity that is likely to trigger the risk	Changing the direction or strategy and revisiting objectives or improving channels of communication Obtaining further information from external sources or acquiring expertise Reducing the scope of the activity or adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk
Transfer	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to a consultant or external suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is or reputational damage to the organisation.

When considering further action required to manage the risk, and indeed the appropriateness of existing controls, an assessment of treatment options should be made alongside a consideration of the Council's risk appetite and tolerance for the current level of risk.

A further consideration is the efficiency of risk treatment in relation to the cost effectiveness of the proposed actions to be taken. Firstly the cost of implementation has to be considered (time, manpower, budget, etc.). The impact expected if no action is taken, should be weighed against the cost of action and the reduction of the impact. There should be a direct benefit from the cost implementation in terms of the reduction of the level of the risk.

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

Oxford City Council has focused on the Red, Amber, Green status of risks in determining the risk appetite of the organization. Red risks are considered unacceptable and every effort must be made to reduce the risk to the organization.

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 Cabinet.

Step 5. Risk reporting and monitoring

Risk registers

Corporate risks are managed through the Council’s Corporate Risk Register. Risks are also managed at a directorate, service, project, programme and partnership level. Respective management teams are responsible for ensuring that their risks are identified and managed appropriately.

The Council uses CorVu, its performance management system, to record risk information including the scoring and existing controls. Risk owners can also use the system to track progression on the implementation of new controls against key milestones. Further information on CorVu can be found by clicking on the “CorVu Help & Guidance” link from the CorVu main page.

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

Risk	Ref	
	Category	
	Risk description	
	Opportunity/Threat	
	Cause	
	Consequence	
	Risk Owner	
	Date raised	
Gross	Impact	
	Probability	
Current	Impact	
	Probability	
Target	Impact	
	Probability	
Controls	Control description	
	Due date	
	Owner	

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 CRR may later be transferred to a SRR once the CRR has been approved. Corvu allocates the unique reference numbers for SRR and Corporate risks when a new risk is added.

Categories:

CRR - Corporate Risk Register

SRR - Service Risk Register

CEB - Cabinet reports

Service Area Codes:

ACE	Assistant Chief Executive	RE	Regeneration & Economy
PS	Planning, Sustainable Development & Regulatory	CS	Community Services
BI	Business Improvement	WR	Welfare Reform
FS	Financial Services	LG	Law & Governance
HS	Housing Services		

Risk register reviews

The Corporate Management Team (CMT) review corporate risks on a quarterly basis. This includes discussion on service risks, particularly any 'red' service risks, which will be highlighted for potential inclusion in the Corporate Risk Register. CMT also review the scoring of the risks in terms of their probability and impact to ensure that a consistent and embedded approach to risk management is maintained across the council.

Additionally each Service Area will consider the risks across the service as part of the Service Management Team meetings. Red risks will be reviewed and there will be challenge of the scoring and action plans.

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.

Risks may be closed by the Risk Owner when they are satisfied that the risk to objectives has been managed to an acceptable level. This will typically be achieved when 100% of actions have been completed and the target risk score has been achieved. This must be reported in CorVu as part of the quarterly updated cycle. Closed red risks must be reported to the Risk and Insurance Officer by the Service Head with supporting evidence.

Risk escalation process

The risk escalation process allows for risks to be escalated or downgraded between the different levels of the Council as deemed appropriate.

If a service or risk owner wishes to escalate a risk or propose a new strategic risk, they should raise this with their Directorate Leadership Team who will take this forward as part of the Corporate Leadership Team review and reporting cycles.

A risk may need to be escalated to a higher level if:

- the risk rating cannot be controlled/contained within its current level
- the risk remains very high even after mitigations are implemented
- the risk will impact on more than one service/project or function
- the risk moves outside the appetite boundaries / comfort zone.

A risk may need to be moved to a lower level if:

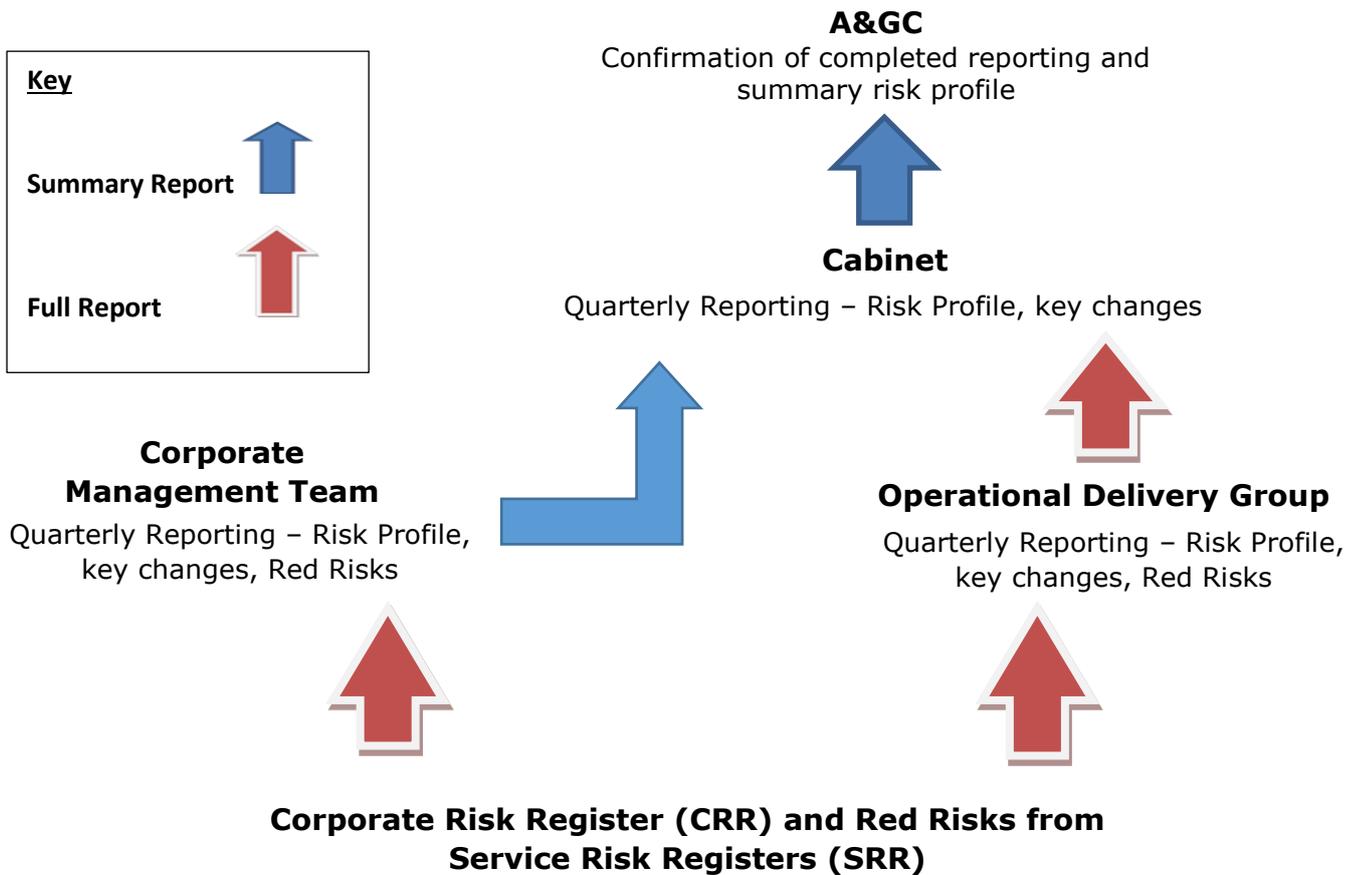
- the risk can be controlled / managed at a lower level
- the risk rating decreases significantly
- the risk event will only affect one function / service area / team

Risk reporting

Risk reports are prepared on a quarterly basis to Cabinet, Audit and Governance Committee and Officer Groups in accordance with the following table:

	Board / Meeting	Frequency
Corporate Risk Register	Corporate Management Team (CMT) Cabinet A&GC (summary/confirmation)	Quarterly
New CRR identification and review	CMT	Quarterly
Service Risk Register Review	Service Management Teams A&GC (summary/confirmation)	Quarterly
New SRR identification	Service Management Teams	As necessary and Annually
Risk Management Strategy and Toolkit	A&GC (review) Cabinet (approval)	As necessary
Service Area Self-Assessment	Risk Management Group	Periodically on a rolling programme
Benchmarking	Insurance and Risk Officer Risk Management Group	Annually (plus update to Risk Management Group)
Risk Appetite Review	CMT approval and reported to A&GC as necessary	Annually

Risk Register Reporting Flow



Further advice and assistance on risk management is available from the [Intranet](#) and from the Risk and Insurance Officer, Alison Nash (email: anash@oxford.gov.uk Phone: 01865 252048).

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