

To: Audit & Governance Committee

Date: 25th November 2008

Item No:

Report of: Heads of Finance

Title of Report: Corporate Risk Register – Quarter 2 Monitoring

Summary and Recommendations

Purpose of report: To present to members the Quarter 2 review of the Corporate Risk Register and Risk Status

Report Approved by:

Finance:

Legal: Lindsay Cane

Policy Framework: None

Recommendation(s): That Members note the update to the Corporate Risk Register

Quarterly Updating of the Risk Register

1. The Corporate Risk Register for 2008-09 together with the first quarter review of risk status was presented to Audit & Governance Committee in September 2008.
2. Lead officers have now updated the register for the second quarter, reviewing the causes of each risk and the effectiveness of the mitigating controls. Where new causes of risk have been identified these are highlighted under the main matrix page.
3. KPMG have facilitated the second quarter update, providing additional risk management training and support.

Outcomes from the Review

4. The new causes of risk identified relate mainly to the effects of the economic downturn (risk 7) and associated budget impacts (Risk 2). Although the level of risk has increased since the first quarter, the mitigating controls have been assessed as highly effective and so the overall net impact has not increased. This will be further reviewed with the third quarter update.
5. Risk 5 (Assets) has been reviewed in more depth with expanded causes of risk. The probability score for this risk has increased from Possible to Likely.
6. The Direction of Travel in terms of risk assessment is now clearly shown on the summary page of the register, and the Appendix summarises the position and documents methodology..

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Background papers: None

Version number: 1.0

Risk Management Update Q2 to Audit Committee
November 2008

Papers Included:

Direction of Travel – Q2

Risk Scoring Methodology

Understanding the Risk Register

Oxford City Council Risk Register Q2 – summary

Oxford City Council Risk Register – 12 corporate risks

Risk Management – Oxford City Council - Q2 – Direction of Travel

(Risks in boxes show no movement from start of Q1. Arrows show the movement of risk, the position at the end of Q2 being the arrow head)

		Probability					Impact			
	5	4	3	2	1	1	2	3	4	5
	Almost Certain	Likely	Possible	Unlikely	Rare	Insignificant	Minor	Moderate	Major	Catastrophic

Risk Management – Oxford City Council – Risk Scoring Methodology

Probability		>90%	Almost Certain	5	10	15	20	25
Event is expected to occur in most circumstances				5	10	15	20	25
Event will probably occur in most circumstances	Likely	50-90%	4	4	8	12	16	20
Event should occur at some time	Possible	30-50%	3	3	6	9	12	15
Event could occur at some time	Unlikely	10-30%	2	2	4	6	8	10
Event may occur only in exceptional circumstances	Rare	<10%	1	1	2	3	4	5
				1	2	3	4	5
				Insignificant	Minor	Moderate	Major	Catastrophic
Time				Resolution would be achieved during normal day to day activity	Resolution would require input from regional management team	Resolution would require input from Executive team	Resolution would require the mobilisation of a dedicated project team	Resolution would require input from the Board
Finance				Less than 1% or no impact	1% to 3% impact	3% to 10% impact	10% to 25% impact	Greater than 25%
Environment				On-site environment exposure immediately contained	On-site environmental exposure contained after prolonged effort	On-site environmental exposure contained with outside assistance	Off-site environmental exposure contained with outside assistance	Environmental exposure offsite with detrimental effects
Reputation				Letters to local/industry press	Series of articles in local/industry press	Extended negative local/industry media coverage	Short term negative national media coverage	Extensive negative national media coverage
Regulatory				Minor breaches by individual staff members	No fine and no disruption to scheduled services	Fine but no disruption to scheduled services	Fine and disruption to scheduled services	Significant disruption to services over an extended period of time
Management effort				An event, the impact of which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact	A significant event which can be managed under normal circumstances	A critical event which with proper management can be endured	A disaster with potential to lead to collapse of the business
Impact								

Risk Management – Oxford City Council – Understanding the risk register

Stage 1 – Key risks identified and linked with the corporate plan with gross risk assessed

Stage 2 – Causes of risk identified along with mitigating controls

Stage 3 – Assessment of the overall effectiveness of control. High effectiveness reduces gross risk down to net risk

Risk 1 Failure to ensure sufficient management capacity and capability									
CP All									
Impacts									
Misad Opportunities	Management direction	Injured Performance	Breach of Contract/asset loss	Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency
Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency	Strategy change	Initial Impact Score	Internal Probability Score	Lead Officer
■	■	■	■	■	■	■	■	■	HOS Human Resources
■	■	■	■	■	■	■	4	4	4
■	■	■	■	■	■	■	4	4	4

Causes	Mitigating Controls	Control Owner	Grade	Effectiveness of actions/assurance				
				Q1	Q2	Q3	Q4	Overall
Loss of high quality staff who do not see how they fit into new structure	Employee communication process and consultation through restructuring emphasises investment in management capability and development opportunities	HOS Human Resources	Medium	☺	☺	☺	☺	☺
Externally recruited staff do not become a good match for the organisation's needs	Professionalisation of recruitment process improves the quality of selection	HOS Human Resources	Low	☺	☺	☺	☺	☺
Managers lack the capability and competence to perform effectively in their roles	Investment in management training builds skills and capability	HOS Human Resources	Medium	☺	☺	☺	☺	☺
Ineffective HR policies and procedures limit managerial effectiveness	Policies and procedures are updated to become best practice and easy to use	HOS Human Resources	Medium	☺	☺	☺	☺	☺
Managers lack knowledge and confidence to effectively implement policies and procedures	Investment in training managers in the use of policies	HOS Human Resources	High	☺	☺	☺	☺	☺
Net risk score after mitigating actions				3				
Net probability score				3				
Net impact score				3				

Stage 5 – Ongoing review of effectiveness of action and assurance. Positive action and assurances may lead to a greater risk management effectiveness and therefore if significant will lead to a decrease in the risk over time, reflecting the direction of travel.

Stage 4 – Setting of actions and methods of assurance to monitor risk management arrangements with a view to reducing the overall risk scores to a suitable level.

Actions/assurances to date have not effected the overall risk score

Risk 1 Failure to ensure sufficient management capacity and capability
CP All

Impacts	Actions																						
	Missed Opportunities	Service Disruption	Breach of Contract/asset loss	Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency	Strategy change	Initial Impact Score	Initial Probability Score	Lead Officer	Effectiveness of Control	Action/Mitigation	Required outcome	Milestone date	Accountable officer	Position q1	Position q2	Position q3	Position q4	
	0	0	0	0	0	0	0	0	4	4	4	HOS Human Resources			Ongoing review of actions and mitigations								

Impact Score: 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic
 Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

Causes	Mitigating Controls		Control Owner	Grade	Actions/Assurance				Effectiveness of actions/assurance				
	Net probability score	Net impact score			revised probability score	revised impact score	Q1	Q2	Q3	Q4			
Loss of high quality staff who do not see how they fit into new structure	Employee communication process and consultation through restructuring emphasise investment in management capability and development opportunities	3	HOS Human Resources	Medium	Employee communication process throughout restructures. Joint Board with Unions to engage further.	Clear understanding of the investment in management development that will follow the restructures	HR Projects Manager	Sep-08	☺	☺			
Externally recruited staff do not become a good match for the organisation's needs	Professionalisation of recruitment process improves the quality of selection	3	HOS Human Resources	Low/Medium	Recruitment process revised to increase effectiveness	Improvement in the quality of selection decisions	HR Services Mgr	Nov-08	☺	☺			
Managers lack the capability and competence to perform effectively in their roles	Investment in management training builds skills and capability	3	HOS Human Resources	Medium	Management Training programme	Improved capability and confidence of managers	HR Projects Manager	Jan-09	☺	☺			
Ineffective HR policies and procedures limit managerial effectiveness	Policies and procedures are updated to become best practice and easy to use	3	HOS Human Resources	Medium	HR Policy Review, staged process and thematic reviews	HR policies are best practice and easy to use	HR Services Mgr	Mar-09	☺	☺			
Managers lack knowledge and confidence to effectively implement policies and procedures	Investment in training managers in the use of policies	3	HOS Human Resources	Medium/High	HR Policy Training Programme	Improved capability and confidence of managers to use policies	HR Projects Manager	Mar-09	☺	☺			
Net risk score after mitigating actions		3			Revised risk score based upon effectiveness of action and assurances				3	3			
Net risk score after mitigating actions		3			Revised risk score based upon effectiveness of action and assurances				3	3			

Actions/assurances to date have not effected the overall risk score

Risk 5	Failure to understand and meet the investment needs of the Council's Assets
CP	Improving VFM and service performance

		Impacts										Actions											
		Mixed Opportunities	Service Disruption	Breach Of Contract/asset loss	Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency	Strategy change	Initial Impact Score	Initial Probability Score	Lead Officer	Effectiveness of Control	Activation/Mitigation	Required outcome	Milestone date	Accountable officer	Position Q1	Position Q2	Position Q3	Position Q4
		Mitigating Controls										Effectiveness of actions/assurance											
		Control Owner										Grade											
		Control Owner										Grade											
	Failure to repair / lack of resource											4	4	Head of Property & Facilities Management		Budget allocated. Detailed reviews of Leisure Centres backlog taking place. Non contractually committed capital spend on hold October due to financial position.	Better understanding of backlog	Sept. 08	Building Design and Facilities Manager	⊖	⊖		
	Lack of knowledge on asset condition													Head of Property & Facilities Management	Medium	Carry out surveys and update the capital/repairs programme (currently done when need arises for individual properties)	manage programme within resources	on-going	Building Design and Facilities Manager	⊖	⊖		
	Lack of strategic planning on asset requirements													Head of Property & Facilities Management	Medium	Office accommodation plan. Asset Management Strategy developed.	Plan publication	Jan 09, March 09	Head of Property & Facilities Management	⊖	⊖		
	Failure to meet contractual obligations with regards to repair													Head of Property & Facilities Management	Medium	Programme in place for inspection	manage programme within resources	on-going	Property Manager	⊖	⊖		
Net risk score after mitigating actions		Net probability score										3	Revised risk score based upon effectiveness of action and assurances										
		Net impact score										3	revised impact score										

Outcomes of actions/assurances to date have highlighted weaknesses which has adversely effected the overall risk score

new q2

Lack of knowledge on asset condition
Lack of strategic planning on asset requirements
Failure to meet contractual obligations with regards to repair

Risk 7 | Failure to identify and manage high risk areas which may be impacted by the credit crunch

Impacts										Actions										
Missed Opportunities	Service Disruption	Branch of Offices	Start-up Costs	Govt. Intervention	Financial Cost	Delayed Repayment	Health and Safety	Inefficiency	Strategy Change	Initial Impact Score	Lead Officer	Effectiveness of Control	Action/Initiation	Required Outcome	Timeline date	Accountable Officer	Position Q1	Position Q2	Position Q3	Position Q4
Mitigating Controls										Effectiveness of actions/assurances										
Causes										Grade										
Control Owner										Grade										
Control Owner										Grade										
■	■	■	■	■	■	■	■	■	■	■	HOS Finance	Medium	Monthly Monitoring	Problem areas picked up quickly and eg costs reduced If income falling	Monthly	Heads of Service	☹	☹		
■	■	■	■	■	■	■	■	■	■	■	Head of Finance	Medium	Monthly monitoring	Compensating savings found If interest levels fall	Monthly	Head of Finance	☹			
■	■	■	■	■	■	■	■	■	■	■	Head of Finance	Medium	Contract management framework needs to be put in place	New tendering and contract management framework works up to early 2009	Plan in place to deliver a joint contract management framework	Strategic Procurement Manager	☹			
■	■	■	■	■	■	■	■	■	■	■	Head of Property	Medium	Additional cost borne by developer	Additional cost borne by developer	Head of Property	☹				
Net risk score after mitigating actions										Effectiveness of actions/assurances to date have highlighted improvements which have positively effected the overall risk score										
Net probability score										revised probability score										
Net impact score										revised impact score										
4										3										
3										3										

Outcomes of actions/assurances to date have highlighted improvements which have positively effected the overall risk score

New Risk Q2

Bank base rate reduced significantly as part of Govt measures leading to reduced investment income
 Delay to Westgate development leading to increased cost of maintaining car park

Risk 9 Failure to maintain a positive reputation with key stakeholders		Impacts										Actions																	
CP	Stronger and more inclusive communities	Missed Opportunities	Management distraction	Service Disruption	Impaired Performance	Breach of Confidentiality	Staff morale loss	Govt Intervention	Financial Cost	Damaged Reputation	Health and Safety	Inefficiency	Strategy change	Initial Impact Score	Initial Probability Score	Lead Officer	Effectiveness of Control	Required outcome	Milestone date	Accountable officer	Position 91	Position 92	Position 93	Position 94					
		■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	3	3	Chief Executive	Control Owner	Grade	On-going	on-going	on-going	on-going	on-going	on-going	on-going				
		Causes										Effectiveness of actions/assurances																	
		Mitigating Controls										Effectiveness of actions/assurances																	
		Control Owner										Effectiveness of actions/assurances																	
		Grade										Effectiveness of actions/assurances																	
	Failure to improve services	Performance board driving good performance management at a top level.										HOS Policy Perform and Comm	Medium	Monthly meeting of Corporate Performance Board and quarterly reports to members on performance	KPIs met	on-going	HOS Policy Perform and Comm	Q1	Q2	Q3	Q4								
	Failure to communicate well	Revision of website, redesign of "Your Oxford", strong media work, communication with staff										HOS Policy Perform and Comm	High	Monitoring of the Policy and performance team's transformation plan and monthly publication of Performance Matters (Councillors and all staff)	KPIs met	on-going	HOS Policy Perform and Comm	Q1	Q2	Q3	Q4								
	Failure to consult	Applied Peter McQuitty to oversee the Council's consultation and involvement strategies										HOS Policy Perform and Comm	Medium	Monitoring of his transformation plan	KPIs met	on-going	HOS Policy Perform and Comm	Q1	Q2	Q3	Q4								
	Failure to work proactively with regulators	Peter McQuitty and Peter Sloman meet the regulators quarterly to undertake reviews and Peter McQuitty is involved in the preparation for each inspection.										HOS Policy Perform and Comm	Medium	Quarterly meetings and annual audit programme monitored by Peter McQuitty	KPIs met	on-going	HOS Policy Perform and Comm	Q1	Q2	Q3	Q4								
	Health and Safety failure	Corporate health and safety manager asked to report bi-annually on corporate health and safety programme, including risk assessments, inspections introducing safe drivers and following legionnaires review, formally making corporate property responsible for all assets and buildings.										H&S Officer	Medium	On going as per mitigation	minimum level of occurrence	on-going	H&S Officer	Q1	Q2	Q3	Q4								
	Non-ethical behaviour	External, internal audit programme. Whistle blowing policy, Gifts and hospitality registers. Staff code of conduct in place.										Monitoring Officer	Medium	Ongoing review	minimum level of occurrence	on-going	Monitoring Officer	Q1	Q2	Q3	Q4								
	Failure to manage complaints	Complaints procedure in place. Monitoring of process										Corporate Secretariat Manager	Medium	Ongoing monitoring plus half yearly report to Standards Committee	Level of repeat complaints and Ombudsman	on-going	Corporate Secretariat Manager	Q1	Q2	Q3	Q4								
Net risk score after mitigating actions		Net probability score										3	Revised risk score based upon effectiveness of action and assurances	revised probability score	3	3													
		Net impact score										3	revised impact score	3	3														

Actions/assurances to date have not effected the overall risk score

Risk 10	Failure to prioritise and maintain strategic direction
CP	All

Impacts										Actions																							
Missed Opportunities	Management distraction	Service Disruption	Impaired Reputation	Contractual Breach	Staff morale	Govt. Intervention	Financial Cost	Damaged Reputation	Health and Safety	Efficiency	Strategy change	Initial Impact Score	Initial Probability Score	Lead Officer	Effectiveness of Control	Action/Mitigation	Required outcome	Milestone date	Accountable officer	Position Q1	Position Q2	Position Q3	Position Q4										
								□	□	4	3	3	Chief Executive	Medium	Control Owner: Chief Executive	<p>Ongoing review of actions and mitigations</p> <p>Transformation Plans in place which intergrate to service plans</p> <p>KPIs met</p> <p>on-going</p> <p>Head of Transformation</p> <p>on-going</p> <p>HOS Policy Perform and Comm</p> <p>on-going</p> <p>KPIs met</p> <p>on-going</p> <p>Corporate plan monitoring is in place (Corporate Performance Board) and all targets are being reviewed with Service Heads. The strategy review timetable has slipped slightly although both the Cultural Strategy and Asset Management plan are progressing smoothly.</p>			☹️	☺️	☺️	☺️											
<p>Causes</p> <p>All large organisations face the risk that day to day pressures and new initiatives can distract the organisation prior to its effort on its main strategic objectives.</p> <p>Service transformation plans are designed to link the strategic work with actions within the services.</p>										<p>Mitigating Controls</p>				<p>Grade</p>				<p>Effectiveness of actions/assurance</p>															
<p>Net risk score after mitigating actions</p>										<p>Net probability score</p>		<p>4</p>		<p>Revised risk score based upon effectiveness of action and assurances</p>		<p>revised probability score</p>		<p>4</p>		<p>3</p>		<p>revised impact score</p>		<p>3</p>		<p>3</p>							

Outcomes of actions/assurances to date have highlighted improvements which have positively effected the overall risk score

