

**To:** City Executive Board

**Date:** 8<sup>th</sup> February 2012

**Report of:** Head of Finance

**Title of Report:** RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 2 AND QUARTER 3 2011-12

## Summary and Recommendations

**Purpose of report:** To provide an update on the Corporate Risk Register (CRR) and Service Risk Registers as at end of Quarter 2 and Quarter 3 2011.

**Key decision No**

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Improving value for money and service performance

**Recommendation(s):**

That the City Executive Board note the contents of this report.

## Summary

1. This report presents the second and third quarter review of both the Corporate (CRR) and Service Risk Registers (SRR)
2. There were 8 Corporate Risk Register (CRR) risks reported in Q2 which reduced to 6 in Q3.
3. There were 104 Service Risk Register (SRR) risks reported in Q2 which reduced to 100 in Q3.
4. There are no risks to be escalated from Service Risk Registers (SRR) to the Corporate Risk Register (CRR).

## Quarter 2 and Quarter 3 Corporate Risk Register

5. The Risk Manager has carried out a full review of all corporate risks during Q2 and Q3. The table below tracks the number of current risks showing on the register:

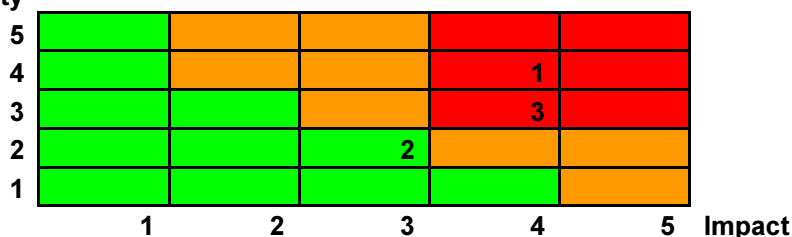
Current Risk	Q1	Q2	Q3
Red	4	4	2
Amber	2	0	4
Green	2	2	0
Closed	0	2	0
<b>Total risks</b>	<b>8</b>	<b>8</b>	<b>6</b>

### Corporate Risk Register mapped against the Council's Risk Matrix:

8. The risk exposure of the Council is depicted in the risk scoring matrix. This shows the risks against 25 predetermined categories:

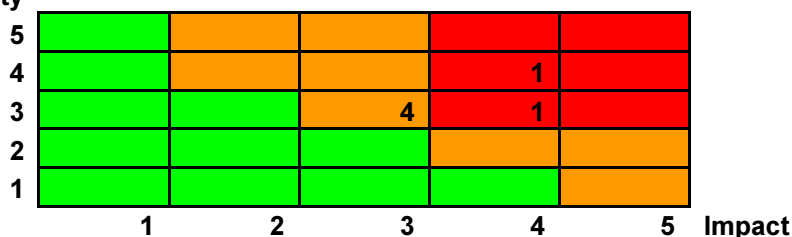
#### Quarter 2 CRR Risk Matrix

Probability



#### Quarter 3 CRR Risk Matrix

Probability



11. As can be seen there has been a decrease in the number of 'red' corporate risks in Q3, thereby reducing the Council's exposure. However, there has been an increase in the number of 'amber' risks. These risks will be kept under review during Q4 to ensure that the mitigations are appropriate and effective.
12. The following table shows the change in CRR risk profile from Q2 to Q3:

	Improved position	Deterioration in position	No Change	Grand Total
Number	2	2	2	6
Percentage	33%	33%	33%	

## Red Risks – Corporate Risk Register

13. Red risks are clearly undesirable and every effort is made to manage these risks to a more acceptable level. There were 4 corporate risks reported in Q2 with a current status of 'red'. 2 of these risks remain red during Q3:

P = Probability, I = Impact

Ref	Risk Category	Risk Description	Q2 Current Status	Q2 Progress	Q3 Current Status	Q3 Progress
CRR-007	Health & Safety	Existence of operational risks (relating to internal as well as public concerns – property not vehicles)	P3 I4	No further progress has been made on actions during Q2, the situation is being continually monitored.	P3 I4	No changes to risk scoring. Corporate Management Group is well established within the Council. A corporate approach towards health and safety has been developed.
CRR-012	Failure to achieve budget reductions over four year period	Inability to achieve savings in budget	P3 I4	As part of the budget setting process all current in year savings targets have been reviewed and are being closely monitored and reported to CEB. Current Impact has raised from 3 to 4 as this is reflecting the impact of the Councils budget position over a four year period.	No longer red	This risk is no longer red as the probability has decreased: at the end of December all savings are forecast to be achieved by the end of the financial year
CRR-013	Impact on homelessness of changes in Housing Benefit	Changes in housing benefit and universal housing benefit increase homelessness	P4 I4	Current probability raised from 3 to 4. Good progress being made on actions. The Council's Discretionary Housing Payments (DHP) Policy was reviewed/approved by CEB on 21/09/11. Presentations made to key stakeholders to raise awareness. Preparation is also under way identifying the 25 to 34 year olds to be affected by the Single Homeless rate to come into effect in January 2012. Reply to the DCLG consultation on the Council Tax Benefit Localisation proposals	P4 I4	No changes to risk scoring.  Council is seeking budget in order to spend to maximum cap for Discretionary Housing Payments (DHP) for 2012/2013. This will ensure that as much DHP as possible can be paid out. The affected 25 to 34 year olds have now been contacted.
CRR-014	Management of HRA reform and self-financing	That the self financing regime is difficult to administer and the 30 year cashflow is not favourable to the council	P3 I4	A Board has now been established and we have engaged with consultants to assist with this project. We are agreeing our debt profile in line with our Asset Management Plan and 30year Business Plan Current probability has decreased from 4 to 3.	No longer red	The impact has reduced to a 3 due to the revised 30 year business plan now showing a favorable position for the administration of Council Housing.

## Closed Risks – Corporate Risk Register

14. There are two Corporate Risks which have been closed during Q2, with no risks closed in Q3. The risks closed in Q2 are:

*CRR 017 Impact of other public sector bodies cutting their services*

Oxfordshire County Council will issue a budget consultation in December, at which point a full impact and risk assessment will be undertaken and any identified risks will be added to the appropriate risk register. County Council cuts continue adversely to affect Oxford City Council in a number of ways (for instance, in the area of warden services).

*CRR005 Financial Reporting (Accounts qualified)*

This risk is being formally reported as closed in Q2, as the accounts have now been signed off by the Audit Commission with an unqualified opinion.

## Quarter 2 and Quarter 3 Service Risk Registers

15. Service Risk Registers (SRR) were reviewed at the end of Q2 (30<sup>th</sup> September 2011) and Q3 (31<sup>st</sup> December 2011) for all service areas. As part of the update the risk owners have been asked to review their current risks, review progress against action plans and to report on their status.
16. A summary of current risks over the two quarters is set out below:

<b>Current Risk</b>	<b>Number of SRR risks Q2</b>	<b>Number of SRR risks Q3</b>
Red	9	6
Amber	49	40
Green	46	53
<b>Total risks</b>	<b>104</b>	<b>99</b>
New Risks	0	2
Closed	15	8

17. As can be seen there has been a decrease in the number of 'red' risks and a movement of the risk profile of the Council towards 'green' risks.

**SRR mapped against the Councils Risk Matrix:**

18. The risk profile of the Council is depicted in the risk scoring matrix. This shows the risks against 25 predetermined categories:

19. Quarter 2 SRR Risk Matrix

Probability

5				1	
4		2	3	3	
3	1	8	32	5	
2		12	21	12	
1	1	1	2		
	1	2	3	4	5 Impact

21. Quarter 3 SRR Risk Matrix

Probability

5				1	
4		5	4	1	
3		8	25	4	
2	1	17	23	6	
1	1	1	2		
	1	2	3	4	5 Impact

22. There has been a decrease in the number of risks measured with a probability of 3/impact of 3 and probability of 2/impact 4. These amber categories are often used more frequently than they should be, that is as a middle range risk rating and can often be an indication that risks are not being properly assessed. However, the movement seen here has resulted from an improvement in the risk profile of these risks. Showing that risks are actively and positively being managed in this category by the Service Areas.

23. The following table shows the change in SRR risk profile from Q2 to Q3:

	Improved Position	Deterioration in position	No Change	New Risks	Grand Total
<b>Number</b>	13	3	25	3	44
<b>Percentage</b>	30%	7%	57%	7%	

## Red Risks – Service Risk Register

24. Red risks are clearly undesirable and every effort is made to manage these risks to a more acceptable level.

### Quarter 2 Service Register Red Risks

25. In Q2 there were nine SRR risks with a current risk status of ‘red’. These are:

Riskcode	Area	Risk description	Cause	Consequence	Quarter 2		Quarter 3		Comments
					Current Probability	Current Impact	Current Probability	Current Impact	
CRR-015	Corporate Assets	There are a number of large construction projects planned to be undertaken by the Council, the cost of these may rise in the current economic climate due to increased prices	Increase in prices of current contract over and above those already agreed. Collapse of major contractors already engaged	overspend due to increase prices or the need to retender for further contractors to complete the work	3	4	3	4	Continues to be monitored
SRR-001-CD	City Development	Major service failure due to significant loss of ICT, staff etc	Major systems failure - major health pandemic etc	Reduction in staff or premises availability means a reduced service to customers and or a backlog of work to be cleared.	3	4	3	4	Continues to be monitored
SRR-002-DS	Direct Services	Level of charges for services charged to public such as trade refuse may be too high to be competitive.	Increasing cost of overheads.	Unit rates are increased causing problems with Value for Money comparisons and overall prices levels outside acceptable market rates.	4	4	3 ↓ from 4	4	Overheads continually subject to scrutiny and review through Fundamental Service Reviews
SRR-009-CA	Corporate Assets	Financial, construction, property market risk.	Lack of effective Project controls/Change	Budget and time overrun. Shortfall in capital receipts.	3	4	3	4	Continues to be monitored

					Quarter 2		Quarter 3		Comments
Riskcode	Area	Risk description	Cause	Consequence	Current Probability	Current Impact	Current Probability	Current Impact	
			control. Disposals risk Planning permission	Refusal of planning permission.					
SRR-010-FI	Finance	Inability to achieve savings in budget	Significant efficiency savings and service reductions as a result of Comprehensive Spending Review	Increased use of balances or further reductions to be identified	3	4	No longer red		Whilst the impact remains high the probability has been reduced as at December all savings are on target
SRR-013-DS	Direct Services	Unable to deliver essential services	Major systems infrastructure failure and / or loss of application expertise for critical system	Emergency services not able to be delivered, loss of credibility with customers	3	4	No longer red		No longer considered to be a risk
SRR-013-LP	Leisure and Parks	Risk of delay to project beyond January 2012 due to town green application and judicial review	Protesters submitted a town green application for Blackbird Leys Park and also a judicial review	There would be a potential delay to the project beyond Jan 2012 before determination. If the application was determined in favour of a town green then there is a risk that there could be no future development at the facility.	4	4	5 ↑ from 4	4	Uncertainty over judicial review continues which may effect project
SRR-001-HC	City Regeneration	Increased costs of provision of temporary accommodation and rent top-up payments	Changes to Housing Benefit and Local Housing Allowance regulations, economic climate leading to more severe problems for customer base.	Additional cost, less effective homelessness prevention work, higher homelessness acceptances	4	4	4	4	Continues to be monitored

					Quarter 2		Quarter 3		Comments
Riskcode	Area	Risk description	Cause	Consequence	Current Probability	Current Impact	Current Probability	Current Impact	
CRR-011	City Regeneration	Macro pressures create tension in communities. Changes in central government may heighten the impact. Opportunity to pre-empt issues and exploit situation to develop further cohesion.	Pressures on spending, increased inequalities, changes in society make up/demographics of the city (including increased immigration), change in socio-economic trends	Racial tension, group reactions, increased immigration. Increased costs of policing and community safety programmes. The Council's ability to respond (due to financial pressures) will be reduced. Negative press and reputation implications at a localised level. Heightened tension on migrant workers in HMOs (buildings in multiple occupancy).	4	4	3 ↓ from 4	4	Continues to be monitored

Reported as 'red' in Q2 not reported as 'red' in Q3

Risk Code	Area	Description	Why not reported in Q3
SRR-001-CD	City Development	Major service failure due to significant loss of ICT, staff etc	No longer Red. Current probability reduced to 2 in q3
SRR-010-FI	Finance	Inability to achieve savings in budget	No longer Red. Current probabilty reduced to 3



28. Whilst the number of red risks is rightly small, it can be seen that there have been positive steps taken to manage these risks, with 4 risks (or 44% of red risks) reported as having an improved risk profile in Q3.
29. The following table shows the change in risk profile for red risks from Q2 to Q3:

	Improved position	Deterioration in position	No change	Grand Total
<b>Number</b>	4	1	4	9
<b>Percentage</b>	44%	11%	44%	

241

31. From the above analysis it can be ascertained that there are no risks which need escalating from the SRR to the CRR. In future reports it will be possible to review the movement from current to residual risk and the efficacy of mitigating actions.

### Other Issues

32. The use of E-learning is currently being explored, dovetailing with the developments being made within the People and Equalities area. E-Learning is a useful tool for risk management when used in conjunction with face:face and interactive sessions. It also provides a good method of ensuring that all staff have received the same information and training when dealing with less detailed risk management training requirements.
33. The Risk Management Group met once in Q2 and once in Q3, and agreed that they will continue to meet on a more frequent basis than they have over the last 12 months. The purpose of the group is to provide a working group which supports the achievement of risk management aims.

### Financial Implications

34. There are no financial implications arising directly from this report.

## **Legal Implications**

35. There are no legal implications relevant to this report.

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## **List of background papers:**

**Version number 0.2**