

**Law and Governance**

Direct Line: 01865 252214

E-mail: [mmetcalfe@oxford.gov.uk](mailto:mmetcalfe@oxford.gov.uk)

**Town Hall**

St. Aldate's  
Oxford OX1 1BX

[www.oxford.gov.uk](http://www.oxford.gov.uk)



Central Number: 01865 249811

To Members of the Audit and  
Governance Committee

22 November 2012

Our ref:

Your ref:

Dear Councillor

**AUDIT AND GOVERNANCE COMMITTEE - THURSDAY 29 NOVEMBER 2012**

I attach the following report which was not available when the main agenda was dispatched.  
Please bring these documents to the meeting

**Agenda No    Item**

6.    **Risk Management Quarterly Reporting: Quarter 2 - 2012/2013 (Pages 1 - 8)**

The Head of Finance has submitted a report which updates the Committee on both the corporate and service risks as at the end of quarter 2. 30<sup>th</sup> September 2012.

The Committee is asked to comment on and note the report.

Yours sincerely

Mathew Metcalfe, Democratic and Electoral Services Officer  
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INVESTORS  
IN PEOPLE



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# Agenda Item 6

**To:** Audit & Governance Committee

**Date:** 29<sup>th</sup> November 2012 **Item No:**

**Report of:** Head of Finance

**Title of Report:** Risk Management Quarterly Reporting: Quarter 2  
2012/2013

## Summary and Recommendations

**Purpose of report:** To update members on both corporate and service risks as at the end of quarter 2, 30th September 2012.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

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

**Recommendation(s):**

**The Committee are asked to note the contents of this report**

**Appendix A** Corporate Risk Register

**Appendix B** Service Risk Register – Red Risks

## **Risk Management Strategy**

- 1) The Risk Management Strategy was approved at the City Executive Board on 23<sup>rd</sup> April 2012 with the stated aims of:
  - fully embedding Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
  - providing a clear and consistent approach to the management of risk across the organisation and through organisational boundaries.
- 2) A copy of the updated Strategy can be found on the intranet:

<http://occweb/intranet/riskmanagementstrategy.cfm>

## **Risk Identification**

- 3) **Corporate Risks** – 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 level.

- 4) **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Risk Manager and Financial Accounting Manager will have oversight of all risks and on a quarterly basis will review service risks to determine the need for inclusion in the Corporate Risk Register.
- 5) **Project and Programme Risk** – The Council adopts the principles of 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 the Project/Programme Risk Register (PRR).

### **Corporate Risk Register**

- 6) A review of the Corporate Risks at the end of Quarter 2 2012/13 compared to Quarter 1, has shown that there has been no change in the Councils current risk position, this is shown in the table below:

<b>Current Risk</b>	<b>Q1 2012</b>	<b>Q2 2012</b>
Red	1	1
Amber	4	4
Green	0	0
Closed	0	0
<b>Total risks</b>	<b>5</b>	<b>5</b>

- 7) The current Corporate Risk Register (Appendix A) shows one red risk, this is:
  - Impact on Homelessness of changes in Housing Benefit - Changes in housing benefit in terms of the benefit cap and the introduction of a 'Bedroom Tax' for under occupancy have the potential to increase pressure on the homelessness service. The Council has made provision in the Medium Term Financial Plan by way of inclusion of a £1 million contingency to assist in the mitigation of increased costs that may arise. The Council is also running two pilot schemes on Direct Payments and Universal Credit, to better understand the implications of the proposed changes on customers and help shape Government thinking.

### **Quarter 1 Service Risk Register**

- 8) A review of Service risks at the end of Quarter 2 compared to Quarter 1 has shown an increase in the overall net risk position in the service areas. This is due to a further six services risks being raised to Red.

9) The tables below shows the direction of travel of all current open risks from Q1 to Q2, and the number of risks as at the end of Quarter 2.

<b>Trend</b>	<b>Q2 2012</b>
Declining	11
No change	62
Improving	11
New risks this quarter	2
<b>Grand Total</b>	<b>86</b>

<b>Current Risk</b>	<b>Q1 2012</b>	<b>Q2 2012</b>
Red	6	12
Amber	52	36
Green	30	38
<b>Total risks</b>	<b>88</b>	<b>86</b>
Closed	0	3

10) There are 12 red risks in Q2 and these are shown in Appendix B. This has increased from 6 red risks in the last quarter. The new risks showing as red are:

- Corporate Property - Inability to recruit and retain staff on proposed terms and conditions being mitigated by recruitment of temporary staff and contractors – Probability 3: Impact 4
- City Development - Major service failure due to significant loss of ICT, staff, being mitigated by ensuring that the BCP is robust and upto date – Probability 3: Impact 4
- Environmental Development - Opportunity to embed HMO Licensing across the City and to regulate the private rented sector, mitigation actions include ensuring the HMO business plan is robust and upto date– Probability 3: impact 4
- Direct Services - Failure to maintain or improve customer satisfaction levels –Probability 4: Impact 4 - the performance is currently low and this impacts on the customers who are unsatisfied with the repair service, and is currently being mitigated by monitoring the levels within the customer contact centre.
- Corporate Property – Westgate redevelopment scheme is unviable, mitigations include ongoing dialogue with external bodies on highway matters – Probability 3: Impact 4
- HR & Facilities – Non achievement of Town Hall income targets – Probability 4: Impact 4 – action is being taken to address the likely income shortfall, this includes additional resources to quickly follow up enquiries and quotes, and setting out a business case for development of town hall income
- Corporate Assets – Inaccurate data and inability to align with Agresso income could lead to incorrect billing of tenants and calculation of income, reconciliations have been completed between

Agresso and Uniform to identify a small number of differences all of which are now being rectified – Probability 4: Impact 3

- Corporate Assets – Budget overrun and service cuts, this is being managed by monthly reviews of KPIs and budgets, and now predicting a budget underspend – Probability 4: Impact 3
- Environmental Development – Threats to public health, for instance from food borne communicable diseases, being mitigated by experienced specialist staff, effective links with CCDC and protocols in place for outbreak and control – Probability 3: Impact 4

11) Three risks reported as red in the last quarter have improved their position and are now showing as Amber or Green, they are:

- Corporate Property – 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 increase prices, however this risk has reduced because a number of these projects have now started and we have been able to secure fixed costs and no financial impact to the Council. Probability 2: Impact 2
- Housing - Increase costs of provision of temporary accommodation and rent top-up payments – The council has made a sizable contingency within its medium term financial plan. Probability 3: Impact 3
- Finance - Safety of investments linked to need to achieve a good return – The Council has robust monitoring in place to ensure security of investments with counterparties reviewed on a regular monthly basis Probability 3: Impact 3

### **Financial Implications**

12) The robust management of risk should assist in mitigating the financial impact to the council should the event occur.

### **Legal Implications**

13) There are no legal implications directly relevant to this report.

<b>Name and contact details of author:-</b>
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Name: Anna Winship
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Job title: Financial Accounting Manager
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Service Area / Department: Finance
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Tel: 01865 252517 e-mail: <a href="mailto:awinship@oxford.gov.uk">awinship@oxford.gov.uk</a>
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### **List of background papers:**

**Version number:**

As at: Sept-2012

Ref	Title	Risk description	Risk		Cause	Consequence	Date Raised	Owner	Gross		Current		Residual		Control description	Controls		
			Opp/ threat						I	P	I	P	I	P		Due date	Progress	Owner
CRR-007	Health & Safety	Existence of operational risks (relating to internal as well as public concerns - property not vehicle)	T		Health and Safety practices are not robust enough. Under investment in property, potential lack of clarity of accountability and of ownership of health and safety	Increased insurance claims and ultimately premium costs. Reputational implications.	2-Jan-2010	David Edwards	4	3	4	3	3	2	Create 'one view' of all corporate assets (issues, status of building, budget, work required, timescales). 'One view' being everything documented in consistent and understandable format which can be shared across organisational boundaries.	1-Mar-2012	50%	Steve Sprason
															Complete annual H&S report to CEB including claims record and statement on housing landlord responsibilities	30/9/12	75%	Steve Sprason
															Develop a corporate approach towards health and safety	1-Mar-2012	100%	Steve Sprason
															Complete H&S records on all estate management electronic records	30/9/12	75%	Steve Sprason
															Establish Corporate Asset Management Group to create a joined up approach towards management of Corporate Assets	1-Mar-2012	50%	Steve Sprason
CRR-013	Impact on homelessness of changes in Housing Benefit	Changes in housing benefit and universal housing benefit increase homelessness	T		Changes in housing benefit and universal housing benefit increase homelessness	Cost the council more money in administration and payments to landlords	1-Dec-2009	David Edwards	5	3	3	5	3	3	Monitoring and intervention, ensure take up of benefits	1-Mar-2012	50%	Helen Bishop
CRR-004	Delivery of key projects = ability to deliver cross cutting projects	People and the council are not developed sufficiently to make risk based decisions, carry out options appraisals. Decision making can be poor. Innovation is not encouraged, low risk appetite.	T		Recent adoption of Project Management methodology (experience in the council is minimal). Conflict between BAU and Project work. Process focused and not fully embedded.	Project methodology is not applied consistently across the council. Budget variations, volatility in results and benefits not realised. Board intervention. Council does not innovate or change. Ability of the council to deliver objectives.	2-Jan-2010	Jacqui Yates	4	3	3	3	3	2	CMT act as mentors within boards to encourage innovation and a culture where decisions are taken based on a robust options appraisal	1-Mar-2012	65%	CMT
															Develop clear roles, responsibilities and job descriptions/expectations for managers, heads of, directors	1-Mar-2012	50%	Simon Howick
															Development of a business partner model to project management using centre of knowledge within the Project Management office	1-Mar-2012	100%	Jane Lubbock
															Development of corporate approach to project management via a corporate project management office.	1-Mar-2012	100%	Jane Lubbock
															Development of options appraisal methodology for capital projects	1-Mar-2012	100%	Steve Sprason
CRR-006	Supplier Management	Ability of the council to manage large contracts and to obtain best value from those contracts	T		Correctly identifying appropriate staff with corporate and commercial awareness to manage contracts (where balancing reduction in staff with keeping best staff to manage contracts)	Council does not realise benefits from large contracts	2-Jan-2010	Jacqui Yates	2	4	3	3	3	2	Corporate contract management framework written and will be rolled out during 2012	3-Dec-2012	60%	Jane Lubbock
															Develop the procurement team as a centre of excellence for relationship management.	1-Mar-2012	100%	Jane Lubbock
															Development and approval of procurement strategy. Ensure consistent approach towards supplier management across the organisation.	1-Mar-2012	100%	Jane Lubbock
															Implement a mentoring/work shadowing programme where expertise can be shared with new contract managers.	1-Mar-2012	70%	Jane Lubbock
															Implement standard contract documentation and approach (based on 4Ps approach to contract management )	1-Mar-2012	100%	Jane Lubbock
CRR-012	Failure to achieve budget reductions over four year period	Inability to achieve savings in budget	T		Significant efficiency savings and service reductions as a result of Comprehensive Spending Review	Increased use of balances or further reductions to be identified	1-Oct-2010	Jacqui Yates	4	3	3	3	3	3	Effective budget monitoring framework in place		85%	Nigel Kennedy
															Proactive management and tracking of major forecast uncertainties		60%	Nigel Kennedy
															Robust MTF planning framework in place	1-Mar-2012	100%	Nigel Kennedy

**Current Risk Score**

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

**Residual Risk Score**

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

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**All Risks**

As at: Sep-2012

Appendix B

Ref	Title	Risk		Cause	Consequence	Date Raised	Owner	Gross Current Residual						Control description	Controls	
		Risk description						I	P	I	P	I	P		Due date	Owner
<b>City Development</b>																
SRR-001-CD	Service Failure	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.	28-Feb-2011	Niko Grigoropoulos	4	3	4	3	3	3	Ensure that the Business Continuity Plan is robust and up to date. Test the Plan and have contingency plans in place.	31/3/2012	Michael Crofton-Briggs	
SRR-009-CD	Opposition	Opposition especially to emerging statutory plans,	Local public, groups, organisations or political parties object to policies in emerging documents and choose to use many and all avenues to express objection, including some outside normal procedures and all drawing a lot of media attention	Delay, extra costs, reputational risk, possibly amendments to policies.	28-Feb-2012	Niko Grigoropoulos	4	4	4	3	4	2	Communication strategy on front footgetting out messages, careful following of procedures	31/3/2013	Mark Jaggard	
<b>Corporate Property</b>																
SRR-012-CA	Budget Management	Budget overrun	Failure to manage cost centres	Budget overrun/ service cuts.	28-Feb-2011	Lorraine Newman-Robson	3	3	4	3	4	3	Monthly reviews of KPIs/ budget	31/3/2013	Richard Hawkes	
SRR-009-CA	Blackbird Leys Swimming Pool	Costs of development exceed budget availability either through extended brief requirements or expense of tender. Delay to project due to external influences. Lack of staff resourced to adequately manage the project	Lack of effective Project controls/Change control. Disposals risk Planning permission	Budget and time overrun. Shortfall in capital receipts. Refusal of planning permission.	30-Jun-2011	Ian Gordon	4	4	4	4	3	3	Close control of brief and budget. Agreement with successful contractor regarding tender price. Continual review of risk matrix. Dedicated staff to supervising officer working closely with project manager and cost consultant. Back fill to cover CA role	31/3/2013	John Bellenger	
SRR-001-CA	Staff recruitment and retention	Inability to recruit and/or retain staff on proposed terms and condition.	Terms and conditions of employment are not sufficiently attractive to attract permanent staff.	Required skills and capacity are not available to deliver required work programmes.	28-Feb-2011	Lorraine Newman-Robson	3	1	4	3	4	3	Backfill with temporary staff and contractors where necessary	31/3/2013	Lorraine Newman-Robson	
SRR-011-CA	Uniform Property Management System	Inaccurate data and inability to align with Agresso incomes could lead to incorrect billing of tenants and calculation of income	Manual interfaces for change control and reconciliation with systems	Missed income, corruption of data, inability to forecast budgets etc.	28-Feb-2011	Richard Hawkes	3	3	4	3	4	3	Collaboration with Finance and frequent manual reconciliation of systems	31/3/2013	Richard Hawkes	
SRR-007-CA	Westgate re-development	Scheme is unviable	Project proves not viable and/or there are delays in delivery due to current economic downturn, inability to fund etc.	Scheme does not proceed.	28-Feb-2011	Lorraine Newman-Robson	4	3	4	3	3	3	Ongoing dialogue with Land Securities and County Council on highway matters. Commercial terms agreed and legals instructed	31/3/2013	Steve Sprason	
<b>Direct Services</b>																
SRR-004-DS	Customer Satisfaction	Failure to maintain or improve customer satisfaction levels.	Customer expectations increase annually.	Customer dissatisfaction with the service.	1-Dec-2009	Joanne Gardner	4	3	4	4	3	3	Monitor customer involvement and derive the benefits from the CRM system	31/3/2011	Joanne Gardner	
<b>Environmental Development</b>																
SRR-001-ED	Service Failure	Opportunity to embed HMO licensing across the City and to regulate the private rented sector	Systems failure/ poor delivery of service; inadequate engagement; non-compliance with regulation/ legislation	Damage to Council reputation and potentially finances; risks to occupiers, neighbours	28-Feb-2011	Ian Wright	4	3	4	3	4	2	Ensure that the HMO Business Plan is robust and up to date	31/3/2012	Ian Wright	
SRR-013-ED	Public Health Protection	Threats to public health eg., from food borne communicable disease	Uncontrolled spread of diseases; illness and possible deaths; damage to Council reputation.	Failure to adequately control/respond to outbreaks.	1-Apr-2012	Ian Wright	4	4	4	3	4	3	Competent and experienced specialist staff, effective links with the CCDC; protocols for outbreak and control		Ian Wright	
<b>Housing</b>																
SRR-009-HC	HRA Business Plan Delivery failure	Complex strategic/financial/operational project dependant upon significant reductions in cost-base for successful delivery	Combination of reform of HRA financial structure, Council aspirations for the Landlord Service and development of new social housing, higher than average repair and maintenance costs in some areas and changes to rent collection arrangements.	Failure to realise savings would lead to reduction in service levels, as debt servicing will need to take priority for first call on funds.	6-Mar-2012	Stephen Clarke	4	3	4	4	4	3	Fundamental Service Review of Repairs and Maintenance and Revenue collection		Stephen Clarke	
<b>Human Resources and Facilities</b>																
SRR-007-PC	Income Targets	Non achievement of Town Hall income targets	Impact of economic circumstances; delays in building upgrade and, or maintenance programme.	Reduction of service to community and visitors.	30-Apr-2011	Tina Hollis	4	4	4	4	3	4			Tina Hollis	

**Current Risk Score**

A risk is first identified it will be the same as the gross risk score. The current risk score is tracked to manage the risk and reduce the Council's exposure.

**Residual Risk Score**

A risk is first identified it will be the same as the gross risk score. The residual risk score shows how effective your action plans are at managing the risk.

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