

**To:** Audit & Governance Committee

**Date:** 28<sup>th</sup> November 2013 **Item No:**

**Report of:** Head of Finance

**Title of Report:** Risk Management Quarterly Reporting: Quarter 2  
2013/2014

## **Summary and Recommendations**

**Purpose of report:** To update members on both corporate and service risks as at the end of Quarter 2, 30<sup>th</sup> September 2013.

**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

### **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 Strategy can be found on the intranet:

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

The current scoring matrix is as follows:

Probability		Impact				
		1	2	3	4	5
>90%	Almost Certain	5	10	15	20	25
50-90%	Likely	4	8	12	16	20
30-50%	Possible	3	6	9	12	15
10-30%	Unlikely	2	4	6	8	10
<10%	Rare	1	2	3	4	5

**Impact** Insignificant Minor      Moderate Major      Catastrophic

Risks are evaluated to consider the probability of the risk transpiring and the impact if the risk were to transpire.

Impact – What will happen if the risk occurs?

Probability – How likely is it that this risk will occur

### 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 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) The Corporate Management Team carried out a 'blank paper' review of Corporate risks for 2013/14 in May 2013. As a consequence a number of new risk were identified including regular review of Business Continuity Plans, Resilience of ICT, and managing capital projects which are reflected in the table below. There has a positive direction of travel on the risk profile since this exercise was carried out in Quarter 1 as shown below:

<b>Current Risk</b>	<b>Q3 2012/13</b>	<b>Q4 2012/13</b>	<b>Q1 2013/14</b>	<b>Q2 2013/14</b>
Red	1	1	4	3
Amber	3	3	7	8
Green	1	1	0	0
<b>Total risks</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>11</b>

- 7) The current Corporate Risk Register (Appendix A) shows three red risk, they are:
- Resilience of ICT function – managing projects and improvements alongside business as usual leading to capacity issues and the inability to provide good quality and consistent service;
  - Welfare Reforms – Changes to legislation regarding welfare reforms will impact directly and indirectly on the Council, leading to increased homelessness, increased costs for the Council, and increased arrears on debts being collected;
  - Managing Capital Projects and Contract Management – ensuring sufficient management of capital projects and contracts is carried out to prevent costs overruns, slippage on projects and the non-delivery of projects;
- 8) One risk showing as red in quarter one has been reduced to an Amber risk in quarter two, this relates to Adverse Weather and the increased risk of flooding and other adverse weather conditions in a changing climate leading to an adverse impact on service delivery and the financial impact this has on the Council. We have responded well to all situations relating to adverse weather and the impact has reduced in each of these situations.

### Quarter 2 Service Risk Register

- 9) Each year as part of the service planning process, all current service risks are reviewed, those no longer relevant are deleted, and any new ones are added. These refreshed service risk registers are then loaded into CorVu for monitoring purposes during the year.

- 10) The table below shows the number of current risks for Q3 and Q4 2012/13 compared with Q1 and Q2 13/14.

<b>Current Risk</b>	<b>Q3 2012/13</b>	<b>Q4 2012/13</b>	<b>Q1 2013/14</b>	<b>Q2 2013/14</b>
Red	6	4	9	0
Amber	38	34	54	56
Green	42	36	30	31
<b>Total risks</b>	<b>86</b>	<b>74</b>	<b>93</b>	<b>87</b>
Closed	3	12	0	6

- 11) There are no red risks in Q2, this has decreased from 9 red risks in Q1, this is a positive direction of travel for service risks, and has been achieved by working on each of the mitigating actions attached to each risk.

- 12) The nine risks reported as red in quarter 1 that have improved, and are now showing as either Amber or Green risks are:

- Business Improvement and Technology – Business Continuity, the risk of application failure due to lack of skills, knowledge and adequate testing has been mitigated by carrying out regular testing of applications and completing a skills gap analysis along with carrying out cross training within existing staff. These actions have changed this to a Green risk;
- Environmental Development – Service Delivery, failure to recruit to vacancies within the service. This has changed to an amber risk by ensuring vacant posts are filled by the use of temporary staff;
- Housing and Property – HRA Business Plan Delivery Failure, this has reduced to an amber risk. The HRA Business Plan is regularly reviewed and monitored to ensure it is financially sound. The plan will be subject to a more formal review during the 2014/15 Budget Setting process and will be consulted on with tenants in December;
- Leisure Parks and Communities – Safeguarding vulnerable groups including children. This has changed to an amber risk as training has been rolled out across the organisation, and we received a good report following an external review of our procedures in this area;
- Policy, Culture and Communications – Failure to achieve sponsorship income targets due to a changing business climate making it difficult to sustain city events and cultural activities. A Sponsorship Officer has been appointed to develop a fundraising plan to mitigate this risk and additional income has been received making this now a green risk;
- Housing and Property – Blackbird Leys Swimming Pool, there is now a close control of the brief and budget to ensure that the project does not overrun or overspend. Regular monthly financial monitoring checks and reviews are being carried out, and a client

side project manager has now been successfully appointed changing this risk from Red to Amber;

- Housing and Property – Overspends on construction related projects as costs may increase in the current economic climate. Mitigation actions being carried out on this risk include setting up contracts with bonds and based on fixed prices, alongside robust contractor evaluation being carried out and tight monitoring of the finances of each project changing this risk from Red to Amber;
- Regeneration and Major Projects – Staff recruitment and retention, difficult to fill vacancies and obtain the required skills to deliver current work programmes. Temporary staff and contractors have been put in place to mitigate this risk changing this risk from Red to Amber;
- Regeneration and Major Projects – Westgate redevelopment, ongoing dialogue with the main contractors is continuing over the future design, which is now making this risk Amber.

### Specific Risks – Recruitment

- 13) At the last meeting of Audit and Governance on 26<sup>th</sup> September 2013 a question was raised about the difficulty in recruiting as this was recognised as being a key theme running through the Corporate and Service risk registers.
- 14) The Council’s current annual turnover rate as at October 2013, arising from resignations, is 8.8%, which is considered to be healthy when compared with similar organisations to ourselves.
- 15) The table below shows those service areas with a turnover above this percentage:

Service	Turnover (resignations)	Notes
BIT	10% (3 leavers)	Small number of leavers but small service area so not statistically significant
Customer Services	13% (18 leavers)	High turnover of Customer Service Officers being addressed
Environmental Development	14.5% (12 leavers)	The turnover reflects the market position and impacts upon particular areas of the service; hence a review is being commissioned
Finance	10% (4 leavers)	Small number of leavers but small service area so not statistically significant
HR & FM	10% (5 leavers)	Small number of leavers but small service area so not statistically significant

Law & Governance	13.8% (4 leavers)	Small number of leavers but small service area so not statistically significant
PCC	24% (5 leavers)	Museum shop restructure and 2 people relocating to other parts of the country for family reasons. Small service.

- 16) The Council successfully recruits into around 150 posts per year. There are some key roles identified where it is more difficult to recruit into, but generally the Council are seeing increasing numbers of job applicants and encouragingly from a more diverse background.
- 17) Where posts are difficult to recruit to, the Council have taken the following actions:
- Converted temporary staff into permanent staff
  - Used specialist agencies to source staff through executive search
  - Used less obvious networks to identify potential candidates such as alumni
  - Applied a market supplement to make the salary more attractive
- 18) Five service areas have identified specific roles in which they are finding difficulties to recruit into specialist roles, they are:
- Major Projects & Regeneration – Major Projects and Regeneration Manager and Major Projects Development Surveyor. Both posts have been advertised widely on two occasions and were unable to attract suitable candidates based on the reward package.
  - Housing Services – Policy & Asset Manager, Housing & Assets Manager and Building Design and Facilities Manager. Difficulties are envisaged in recruiting to these vacancies due to a lack of availability of management/leadership competence at this level in the market.
  - Environmental Development – there are no specific posts that have recently been unsuccessful at recruiting into, however a large number of vacant posts are filled by agency staff.
  - Direct Services – the posts for supervisors/surveyors in craft trades are difficult to recruit into due to them being on a fixed salary that is lower than the pay that the craft pay rates that the trade workers under their supervision are able to achieve.
  - Communities and Neighbourhood – Locality Officers and Neighbourhood Partnerships Team Leader, these two posts have been recruited into, however there isn't a strong pool of community workers in the local area, as there are a large amount of jobs of this nature in London which are attracting the strong candidates.

- 19) Whilst there are some recruitment problems in some areas of the Council this does not have a significant overall effect on the Councils service delivery and therefore currently does not pose a significant risk. Where difficulties have arisen these jobs have been backfilled by suitable temporary staff pending employment of permanent staff at a later date.

**Financial Implications**

- 20) The Robust management of risk should assist in mitigating the financial impact to the Council should the event occur

**Legal Implications**

- 21) There are no legal implications directly relevant to this report

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**List of background papers:**

**Version number:**

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