**To:** Audit & Governance Committee

**Date:** 26<sup>th</sup> June 2014 **Item No:**

**Report of:** Head of Finance

**Title of Report:** Risk Management Quarterly Reporting: Quarter 4 2013/2014

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### Summary and Recommendations

**Purpose of report**: To update members on both corporate and service risks as at the end of Quarter 4, 31<sup>st</sup> March 2014.

**Key decision: No**

**Executive lead member: Councillor Ed Turner**

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

**Report Approved by:**

**Finance:** Jackie Yates - Executive Director of Organisational Development and Corporate Services
**Legal:** Jeremy Thomas – Head of Law and Governance

**Recommendation(s):**

The Committee are asked to note the contents of this report

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**Appendix A** Corporate Risk Register

**Risk Scoring Matrix**

1) The Council operates a five by five matrix for scoring risks. The methodology and matrix; or 'heat map' can be found below.

2) You will note it is possible for a single score; depending on its probability and impact to appear differently on the heat map. For example if the probability of an event is high but the impact is low it is likely to have a lower score on the heat map. However the higher the potential impact score the more likely the event will be classed as a red risk on the heat map.
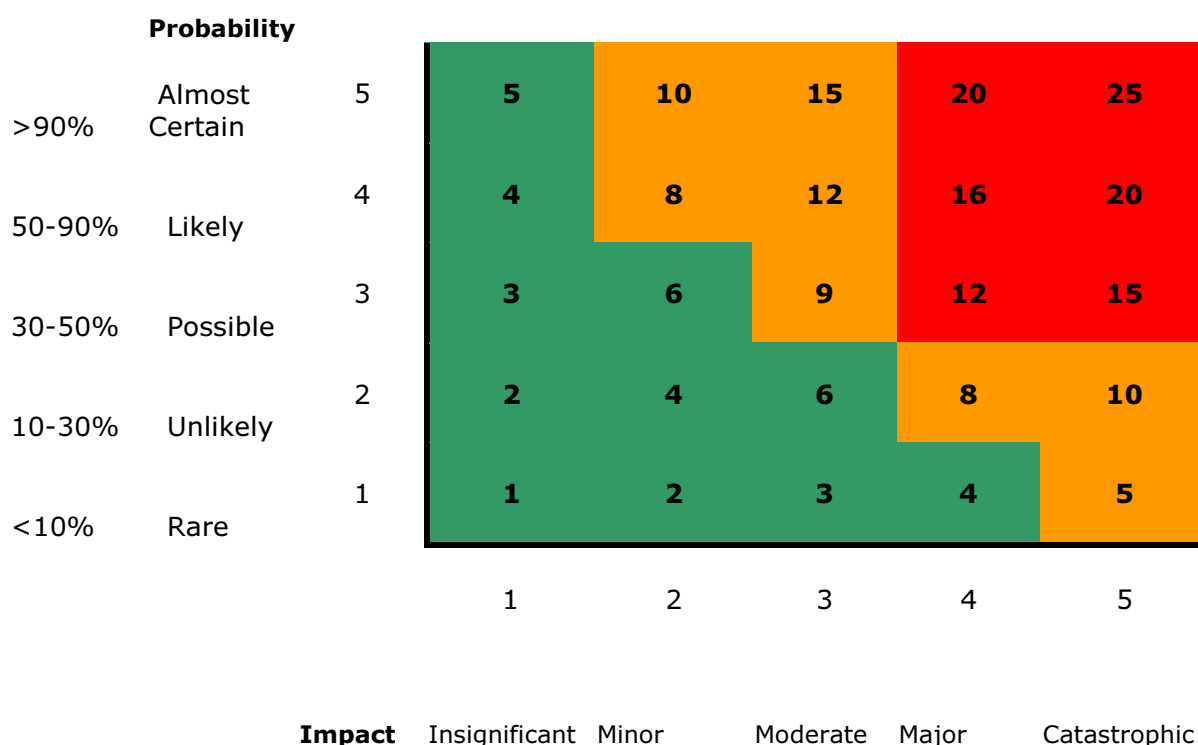
## Probability

| | | | |
|---|---|---|---|
| 5 | Almost Certain | >90% | Event is expected to occur in most circumstances |
| 4 | Likely | 50 - 90% | Event will probably occur in most circumstances |
| 3 | Possible | 30 - 50% | Event should occur at some time |
| 2 | Unlikely | 10 - 30% | Event could occur at some time |
| 1 | Rare | <10% | Event may occur only in exceptional circumstances |

## Impact

| Impact | | Time | Finance | Environment | Reputation | Regulatory | Management Effort |
|---|---|---|---|---|---|---|---|
| 5 | Catastrophic | Resolution would require input from the Executive Directors/CEO | >25% impact on service budget | Environmental exposure offsite with detrimental effects | Extensive negative national media coverage | Significant disruption to services over an extended period of time | A disaster with potential to lead to collapse of the organisation |
| 4 | Major | Resolution would require the mobilisation of a dedicated project team | 10%-25% impact on service budget | Off-site environment exposure contained without assistance | Short term negative national media coverage | Fine, but disruption to scheduled services | A critical event which with proper management can be endured |
| 3 | Moderate | Resolution would require input from Heads of Service | 3%-10% impact on service budget | On-site environmental exposure contained without assistance | Extended negative local/industry media coverage | No disruption to scheduled services | A significant event which can be managed under normal circumstances |
| 2 | Minor | Resolution would require input from Management | 1%-3% impact on service budget | On-site environmental exposure contained after prolonged effort | Series of articles in local/industry press | No disruption to scheduled services | An event the consequences of which can be absorbed but management effort is required to minimise the impact |
| 1 | Insignificant | Resolution would be achieved during normal day to day activity | <1% or no impact on service budget | On-site environment exposure immediately contained | Letters to local/industry press | Minor breaches by individual staff members | An event the impact of which can be absorbed through normal activity |

256

**Risk Matrix – Heat Map**

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

**Impact**   Insignificant   Minor        Moderate   Major        Catastrophic

### 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 has 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.  Each project is managed by the Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

### Corporate Risk Register

6) The Corporate Management Team carried out a 'blank paper' review of the Corporate risks for 2013/14 and identified a number of new risks

257

including regular review of Business Continuity Plans, Resilience of ICT, and managing capital projects. There has been a positive direction of travel of the red risks profile since this exercise was carried out in Quarter 1 as shown below:

| Current Risk | Q3 2012/13 | Q4 2012/13 | Q1 2013/14 | Q2 2013/14 | Q3 2013/14 | Q4 2013/14 |
|---|---|---|---|---|---|---|
| Red | 1 | 1 | 4 | 3 | 0 | 0 |
| Amber | 3 | 3 | 7 | 8 | 9 | 5 |
| Green | 1 | 1 | 0 | 0 | 2 | 6 |
| | | | | | | |
| Total risks | 5 | 5 | 11 | 11 | 11 | 11 |

7) The current Corporate Risk Register (Appendix A) shows no red risks.

**Quarter 4 Service Risk Register**

8) 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.

9) The table below shows the number of service risks as at the 31st March 2014 compared to 31st March 2013, together with the direction of travel over the year.

| Current Risk | Q3 2012/13 | Q4 2012/13 | Q1 2013/14 | Q2 2013/14 | Q3 2013/14 | Q4 2013/14 |
|---|---|---|---|---|---|---|
| Red | 6 | 4 | 9 | 0 | 2 | 0 |
| Amber | 38 | 34 | 54 | 56 | 48 | 38 |
| Green | 42 | 36 | 30 | 31 | 36 | 46 |
| Total risks | 86 | 74 | 93 | 87 | 86 | 84 |
| New risks in quarter | 0 | 0 | | 19 | 0 | 0 | 0 |
| Closed | 3 | 12 | 0 | 6 | 3 | 2 |

10) There are no red service risks reported in Q4. The two red risks reported in Q3 have now been successfully mitigated. The risk reported by Direct Services relating to ICT has now been resolved and closed. The risk relating to recruitment within the Regeneration and Major project team has been mitigated to an amber risk.

**Financial Implications**

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

**Legal Implications**

12) There are no legal implications directly relevant to this report

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|---|
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**List of background papers:**
**Version number: 2**

259

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