

**To:** Audit and Governance Committee

**Date:** 16 December 2015

**Report of:** Head of Financial Services

**Title of Report:** Risk Management Quarterly Reporting: Quarter 2  
2015/16

### Summary and Recommendations

**Purpose of report:** To update the Committee on both corporate and service risks as at the end of Quarter 2, 30<sup>th</sup> September 2015.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Efficient and effective Council

**Recommendation(s):** That the Committee notes the contents of this report, in particular the new Corporate Risk around the Medium Term Financial Plan as set out in paragraphs 8 and 9.

### **Appendices:**

**Appendix A Corporate Risk Register**

## Risk Scoring Matrix

1. The Council operates a 'five by five' scoring matrix. The methodology for scoring risks is set out below along with a copy of the scoring matrix or 'heat map'.
2. It is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event occurring is high but the impact is low it is likely to have a lower rating 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 matrix.

### Probability

Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
		<b>Impact</b>				

Key:

Green	Amber	Red

### 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 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 whether they should be considered 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.

### Quarter 2 Corporate Risk Register

6. The Corporate Risk Register (Appendix A) shows that the Medium Term Financial Plan risk has changed to a red risk. This is due to the announcements in the Chancellor's Budget Statement in July 2015. The table below shows the movement of risks over the last 15 months.

<b>Current Risk</b>	<b>Q2 2014/15</b>	<b>Q3 2014/15</b>	<b>Q4 2014/15</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>
Red	0	0	0	0	1
Amber	5	6	5	4	3
Green	6	5	6	2	2
<b>Total risks</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>6</b>

7. There was a full desktop review of all of the corporate risks undertaken by Directors and Heads of Service undertaken at the beginning of the year which resulted in the number of risks reducing from 11 to 6.
8. The Chancellor's July Budget Statement included a number of proposals which have significant ramifications for the Council's Medium Term Financial Plan, and in particular the Housing Revenue Account, which under current proposals is projected to have to find savings of around £34 million over the next 4 years. Changes to the HRA Business Plan to mitigate the pressures are being reviewed as part of the annual budget setting process.
9. In the short term, to help mitigate the pressure and enable all options to be considered a temporary moratorium has been imposed on all non-essential projects that are not already contractually committed. This will inevitably lead to slippage on some schemes and the reappraisal of others

### **Quarter 2 Service Risk Registers**

10. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added. In quarter 1 of 2015/16, the management of Council services was restructured and risks have been moved between services areas and reassessed. These refreshed Service Risk Registers will be used for monitoring purposes for the remainder of the year.
11. The table below shows the number of service risks in Q2 2015/16 compared with the last 15 months. Nine risks have been closed since the last quarter and there are two new risks.

<b>Current Risk</b>	<b>Q2 2014/15</b>	<b>Q3 2014/15</b>	<b>Q4 2014/15</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>
Red	0	0	0	1	4
Amber	41	38	39	32	31
Green	36	39	35	38	29
<b>Total risks</b>	<b>77</b>	<b>77</b>	<b>74</b>	<b>71</b>	<b>64</b>
New risks in quarter	0	0		1	2
Closed	4	0	3	4	9

12. There were four red risks at the end of September 2015 as follows: -
- Housing and Property – relating to increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptance
  - Housing and Property – relating to HRA Business Plan failure and the implications for social housing arising from the announcements contained in the Chancellor’s Summer Budget in July. Changes that are required to be made to the HRA Business Plan to mitigate the pressures will be determined through the budget setting cycle which is underway.
  - Planning and Regulatory – relating to a major service failure due to a reduction in staff or premises availability or significant loss of ICT resulting in a reduced service to customers and a backlog of work to be cleared  
Direct Services - relating to the ICT issues affecting the delivery of the service, causing additional manual processing and impacting on customer relations with the consequent risks to income generation going forward. Since Q2 there have been a number of mitigating actions put in place by ICT which should result in a downgrading of the risk for Q3

Service Area Risk Summary

13. The table below shows the how the service area risks have been scored in accordance to the risk matrix. The risk with the potential for a catastrophic impact is related to the loss of an investment due to issues with a counterparty; the likelihood of the risk occurring has been managed down to unlikely.

<b>Current Impact</b>	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
<b>Current Probability</b>					
Almost Certain (5)				1	
Likely (4)		6	2		
Possible (3)		6	19	3	
Unlikely (2)		10	11	3	1
Rare (1)	2				

**Climate Change / Environmental Impact**

14. There are no issues arising directly from this report

**Equalities impact**

15. There are no equalities impacts arising directly from this report

**Financial Implications**

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

**Legal Implications**

17. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

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**List of background papers: None.**

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