

To: Audit and Governance Committee

Date: 28 September 2016

Report of: Head of Financial Services

Title of Report: Risk Management Quarterly Reporting: Quarter 1 2016/17

Summary and Recommendations

Purpose of report: To update the Committee on both corporate and service risks as at the end of Quarter 1, 30 June 2016.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient and Effective Council

Recommendation(s): That the Committee:

- a) notes the content of the report
- b) reviews the revised corporate risk register (Appendix A)
- c) agrees the proposed change to the risk prioritisation matrix (paragraph 3 and Appendix B).

Appendices:

Appendix A Corporate Risk Register
Appendix B Risk Prioritisation Matrix

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.
3. It is proposed that there is a change to the risk prioritisation matrix which would change the rating of 3 (Probability) and 4 (Impact) to be amber rather than red. This change would make the risk prioritisation more internally consistent and also links to the Council's direction of travel being less risk adverse than traditional Councils. The current risk prioritisation matrix is shown below. Appendix B shows the proposed risk prioritisation 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	Severe
		Impact				

Key:

Green	Amber	Red
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Risk Identification

4. **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 of corporate risks are generally Directors.
5. **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.

6. **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 1 Corporate Risk Register

7. Zurich Municipal held a Risk Management Workshop for Directors and Heads of Service to review and update the Corporate Risk Register for 2016/17. The new Corporate Risk Register is attached at Appendix A.
8. As a result of the review, the number of risks increased from seven to ten. Six have residual risk ratings of red. These are as follows:-
 - Housing - The Council has key priorities around housing which include ensuring housing delivery and supply for the City and enabling sufficient house building and investment. As a result the Council is setting up a housing company to enable it to better manage and resolve potential factors which threaten investment and service performance.
 - Supporting Economic Growth - The UK decision to exit the EU is already having a negative impact on the City and national economy, which could be exacerbated further by continued uncertainty. Locally this could manifest through loss of funding, impact on business rates and difficulty encouraging businesses and workers into the city. The Council is closely monitoring the impact on partners, the local economy and business rates.
 - Delivery of Financial Plan – Whilst the current budget enables funding of the Corporate Plan through the Medium Term Financial Strategy, there are other challenges to consider. There is a risk that the outcome of the Government Business Rate Reform is less favourable than currently predicted with the MTFP. There is also the challenge of generating income in the sum of £6-7m from trading activities and also additional uncertainty over EU grants which are likely to cease for the UK in the future with no existing plans for the UK Government to provide grants to replace them.
 - Innovative Arrangements & Models – The Council is exploring and implementing new models of service delivery such as joint venture companies. The implications of these will need to be understood and communicated, politically and operationally including the impact it will have on roles and governance arrangements. External advice is being utilised to optimise Company set-up and Governance processes are being put in place.
 - Climate Change – Oxford has been subject to a number of significant flooding and extreme weather events resulting in widespread disruption and damage. Mitigation arrangements and plans have been put in

place but there is a risk that they could be insufficient to deal with major future flooding or extreme weather. Flood alleviation schemes are underway and being investigated.

9. The table below shows the levels of red, amber and green residual risks over the last 12 months.

Current Risk	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17
Red	1	1	0	5
Amber	3	4	4	4
Green	2	2	3	1
Total risks	6	7	7	10

Quarter 1 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.
11. The table below shows the number of service risks in Q1 2016/17 compared with the last 12 months. Following a review, 15 new risks were added and 5 risks were closed.

Current Risk	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17
Red	4	6	2	7
Amber	31	27	27	37
Green	29	30	33	28
Total risks	64	63	62	72
New risks in quarter	2	3	0	15
Closed	9	4	1	5

As a result of the review, there has been an increase in the number of red risks to seven. Two remain unchanged from Q4. Two have increased from an amber status and two from a green status. One new risk for 2016/17 has been classified as red. These red risks are as follows:-

- Housing and Property – relates to increased costs of homelessness. Changes to Housing Benefit and Local Housing Allowance regulations together with the economic climate and Supreme Court decision imposing increased responsibility to vulnerable people results in additional costs, less effective homelessness prevention work and higher homelessness acceptance.
- Planning and Regulatory – relates to major service failure due to significant ICT outages resulting in a reduced service to customers.

- Direct Services – relates to the quality of ICT services provided resulting in insufficient resource or skills to meet business needs which prohibit continuity of service.
- Law & Governance – relates to reliance on ICT. Insufficient support for critical systems and incorrect device solution for Members which results in Officers and Members operating inefficiently.
- Financial Services – relates to Treasury Management and the safety of investments in order to achieve a good return. The current economic climate and prolonged low interest rates available on the market have not been helped due to the British exit from the EU and the consequent volatility in the markets.
- Community Services – relates to the non-achievement of Town Hall income targets. The impact of economic circumstances, delays in building upgrade and maintenance programme results in major disruption to business.
- Welfare Reform – relates to the Welfare Reform Team being unable to meet demand for support from customers due to lowering of Benefit Cap in Autumn 2016 resulting in the number of evictions rising.

Climate Change / Environmental Impact

12. This has been raised within the Corporate Risk Register as a risk and investigations are underway into flood alleviation schemes to minimise any future disruption or damage.

Equalities impact

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

Financial Implications

14. Whilst the recent decision to exit the EU will create potential new challenges, the robust management of risk should assist in mitigating the financial impact to the Council.

Legal Implications

15. 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.