

**To: Audit and Governance Committee**

**Date: 14 December 2016**

**Report of: Head of Financial Services**

**Title of Report: Risk Management Quarterly Reporting: Quarter 2 2016/17**

# Summary and Recommendations

**Purpose of report**: To update the Committee on both corporate and service risks as at the end of Quarter 2, 30 September 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**

**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.
3. A change to the risk prioritisation matrix was approved by the Committee on 28 September 2016 and the new risk prioritisation matrix is shown below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Probability** |   |   |   |   |   |   |
| Almost | 5 | **5** | **10** | **15** | **20** | **25** |
| Certain |
| 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 |
|   | **Impact** | Insignificant | Minor | Moderate | Major | Severe |

|  |  |  |  |
| --- | --- | --- | --- |
| **Key:** | **Green** | **Amber** | **Red** |
|  |   |   |   |

**Risk Identification**

1. **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.
2. **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.
3. **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**

1. The new Corporate Risk Register is attached at Appendix A.

1. Following approval of the proposed Risk Prioritisation Matrix, this was used to re-evaluate the current risks and this has resulted in the number of red risks reducing from five to two. These are as follows:-
* Devolution – There are potential changes to Local Government structures currently being debated with a range of potential outcomes possibly including Oxford City Council becoming a Unitary Authority or potentially ceasing to exist in its current form. Discussions are being held with Civil Servants to understand Government policy on Devolution as it develops.
* 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.
1. The table below shows the levels of red, amber and green residual risks over the last 12 months.

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

**Quarter 2 Service Risk Registers**

1. 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.

1. The table below shows the number of service risks in Q2 2016/17 compared with the last 12 months. Following a review, one new risk was added and one risk was removed.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Current Risk** | **Q3** **2015/16** | **Q4 2015/16** | **Q1 2016/17** | **Q2 2016/17** |
|
| Red | 6 | 2 | 7 | 2 |
| Amber | 27 | 27 | 37 | 38 |
| Green | 30 | 33 | 28 | 32 |
| **Total risks** | **63** | **62** | **72** | **72** |
| New risks in quarter | 3  | 0 | 15 | 1 |
| Closed | 4 | 1 | 5 | 1 |

As a result of the application of the revised Risk Prioritisation Matrix, (please see Points 1, 2 & 3 above) there has been a decrease in the number of red risks from seven to two. One remains unchanged from Q1. One new risk for Q2 has been classified as red. These red risks are as follows:-

* + Financial Services – relates to Treasury Management and the safety of investments. The current economic climate and fines imposed on the banking sector for mis-selling etc. have not helped the stability of the banks. There are also risks due to the forthcoming British exit from the EU and the consequent volatility in the markets. This risk is red because of the potentially high impact, although the probability of a loss occurring is rated as possible due to the controls the Council has in place around counterparty selection and duration of investment.
	+ Direct Services – relates to Aged Debt Recovery. The loss of income to the business as a result of lack of robust debt collection procedures. There are a number of debts proving hard to collect and enforcements officers are being employed to assist with the task.

**Climate Change / Environmental Impact**

1. 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**

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

**Financial Implications**

1. 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**

1. 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.**