



**To:** Audit and Governance Committee

**Date:** 5 November 2018

**Report of:** Head of Financial Services

**Title of Report:** Risk Management Quarterly Reporting as at 30 September 2018.

### Summary and Recommendations

**Purpose of report:** To update the Committee on both corporate and service risks as at 30 September 2018.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Efficient and Effective Council

**Recommendation(s):** That the Committee notes the content of the report

### **Appendices:**

Appendix A Corporate Risk Register

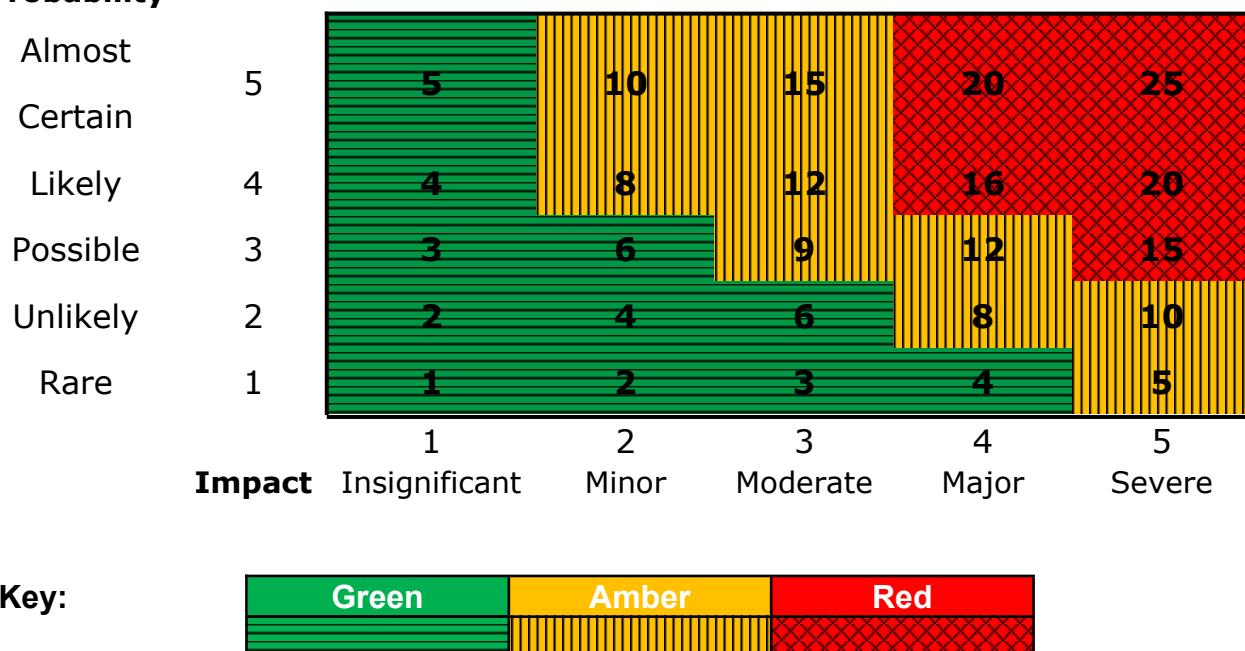
Appendix B Risk Management Audit Report – Action Plan

### **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. The risk prioritisation matrix is shown below.

### Probability



### 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 2 Corporate Risk Register

7. Audit and Governance Committee receive information on risk on a quarterly basis. A workshop was held with Directors and Heads of Service to review and update the Corporate Risk Register for 2018/19. The Corporate Management Team has approved the new Corporate Risk Register for 2018/19 and this is attached at Appendix A.
8. As a result of the review the number of risks increased from ten to twelve. This comprised of four new risks being added:-

- Health & Safety (Buildings) – failure to comply with Health & Safety legislative requirements which ensure the safety of buildings could potentially lead to a HSE investigation and substantial fines or Corporate Manslaughter charges.
  - Resilience of Trading Models – risk that the Council Companies are not successful and fail to deliver outputs and financial returns.
  - Business Continuity Planning & Disaster Recovery including ICT Recovery Plan – relates to ensuring that the Council continues to function in the event of a major incident.
  - Terrorism – the city is a popular historical and educational destination with many high profile events held throughout the year which could make it a more likely target for acts of terrorism.
9. One risk was closed – Innovative Arrangements & Models which related to the setting up of new companies. The companies are now in place and trading, therefore the risk has been completed.
10. One risk was removed – Community Cohesion. The Council have sufficient mitigating controls currently in place and the risk will continue to be monitored by the Service Area.
11. Four risks have a current risk ratings of red. As part of the overall review of the corporate risk register, all risks were reassessed and three existing risks were moved to being red risks (the first three below) and one new risk around the health and safety of buildings has been identified as a newly emerging red risk:-
- 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. Insufficient housing in the City leads to an increase in homelessness which has an impact on residents. There are also health and quality of life issues. The Council is implementing delivery methods for temporary accommodation and accommodation for homelessness prevention which include a rent guarantee scheme, a growth deal to facilitate additional affordable housing and a tranche of property purchases to be delivered via real lettings.
  - Local Government Reorganisation – There is a risk that re-organisation or devolution is imposed to the detriment of the Council and the City. Progress has been achieved in securing agreement from all 6 Councils to the Housing and Growth Deal which should be the priority focus for all Councils and stronger Growth Board governance arrangements will help make the case against restructuring. The Government has put a hold on any unitary decision for the time being.
  - Delivery of Services by External Suppliers/Partnerships/Supply Chain – The negative performance of suppliers/partners has a direct impact on the Council's ability to achieve its goals. Lack of a co-ordinated response or weak relationships with partners can lead to the withdrawal of services, increasing

the burden on the City Council services and poorer outcomes for communities. Effective relationship management across partners will help manage risks around service delivery.

- Health & Safety (Buildings) - There are Health & Safety legislative requirements which ensure the safety of our buildings. Failure to comply due to inadequate procedures, maintenance or training could lead to Corporate Manslaughter charges, HSE investigations and substantial fines. A dedicated Health & Safety Team has been set up to review existing processes and systems with a regular programme of audits of performance to identify any gaps in the process.

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

<b>Current Risk</b>	<b>Q3 2017/18</b>	<b>Q4 2017/18</b>	<b>Q1 2018/19</b>	<b>Q2 2018/19</b>
Red	0	0	4	4
Amber	9	9	8	8
Green	1	1	0	0
<b>Total risks</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>12</b>

### **Service Risk Registers**

13. 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.
14. The table below shows the number of service risks as at Q2 compared with the last 12 months. Two risks were closed in Q2. Three new risks have been added:-

- Legal Resources – This relates to income targets not being achieved due to a failure to secure external work.
- Stage 3 Complaints Handling – There is a risk of failure to meet Council response times due to a reliance on a limited number of officers. This can lead to complaints and/or ombudsman intervention. Additional officers are being identified.
- Freedom of Information Processing – There is a risk of failure to meet statutory response times due to a reliance on a limited number of officers. This can lead to a financial penalty imposed by ICO. Legal Assistants and Democratic Assistant are providing support. Policy and procedures are being updated.

<b>Current Risk</b>	<b>Q3 2017/18</b>	<b>Q4 2017/18</b>	<b>Q1 2018/19</b>	<b>Q2 2018/19</b>
Red	1	3	3	2
Amber	39	31	31	31
Green	25	17	17	19
<b>Total risks</b>	<b>65</b>	<b>51</b>	<b>51</b>	<b>52</b>
New risks in quarter	2	0	0	3
Closed	4	2	0	2

15. There are two red risks as at 30<sup>th</sup> September. These are as follows:-

- **Financial Services** – relates to Treasury Management and the safety of investments. 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.
- **Law & Governance** – relates to Legal Resources and the failure to secure external work which can lead to income targets not being achieved. The provision of a responsive service which meets client's needs together with regular contact to ensure the understanding of service requirements is important to retain clients and also potentially gain new clients. Client satisfaction feedback is also sought and acted upon.

### Risk Management Audit

16. A Risk Management review has been carried out by our auditors BDO. This advisory review looked at the current practices in place and sought to identify opportunities for improvement in respect of general risk management. A summary table outlining the recommendations made by BDO and the action being taken by the Council is attached at Appendix B. In summary the focus of the recommendations were:-

- Consistency of Understanding around Risk Ratings – Risk Group should review Service Risk Registers and risk scoring to ensure consistency, wording and completeness.
- Corporate Risk Register - review required of the risk wording and mitigating controls together with a review of the risks currently in place. This review has been completed.
- Service Risk Registers – review required of the risk wording and mitigating controls should be SMART.
- Project and Partnership Risks – It would be beneficial to integrate Project and Partnership risk registers with the Service and Corporate risk register risk management process to allow increased transparency of cross-cutting risks.

- Management Review and Monitoring of Risks – The Corporate Risk Register should be a standing agenda item at the SMT meetings on a quarterly basis.
- Training – Risk Management Training sessions to be provided in-house or by external risk management specialists to address any knowledge shortfalls.
- Risk Management Strategy – to be reviewed and updated to contain some of the recommendations provided by BDO.
- Assessing Risk Management Effectiveness – the Council could analyse the changes in the risk registers over a year (on an annual basis) to identify where risks have crystallised, issues have occurred where the risk wasn't identified and any lessons learnt.

## **Business Continuity**

17. During 2017 and 2018 the Council has been working to ensure their Business Continuity Plans are robust and fit for purpose. Together with support from the Council's Insurer, Zurich Municipal the Council carried out realistic and challenging tests of the updated Business Continuity Plans in October 2017 and 2018. The latest test took place on the 18 October 2018 and a report from Zurich Municipal with action points and recommendations for the Council to review and implement is due shortly. An update will be provided in the Quarter 3 Audit & Governance report.

## **Climate Change / Environmental Impact**

18. There are no specific impacts arising directly from this report.

## **Equalities impact**

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

## **Financial Implications**

20. There are no financial implications arising directly from this report.

## **Legal Implications**

21. 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.**