

## Agenda Item 6

|                                               |                                                                                    |
|-----------------------------------------------|------------------------------------------------------------------------------------|
| <b>Strategic Management Team Lead Officer</b> | Nick Gray, Deputy Chief Executive                                                  |
| <b>Author</b>                                 | Jane Nottage, Policy and Performance Manager                                       |
| <b>Telephone</b>                              | 01306 879188                                                                       |
| <b>Email</b>                                  | <a href="mailto:jane.nottage@molevalley.gov.uk">jane.nottage@molevalley.gov.uk</a> |
| <b>Date</b>                                   | 29 June 2017                                                                       |

|                          |     |                     |    |
|--------------------------|-----|---------------------|----|
| <b>Ward (s) affected</b> | N/A | <b>Key Decision</b> | No |
|--------------------------|-----|---------------------|----|

|                |                              |
|----------------|------------------------------|
| <b>Subject</b> | Risk Management arrangements |
|----------------|------------------------------|

### RECOMMENDATIONS

The Audit Committee is asked to:

- Consider the contents of this report and confirm they are satisfied with the risk management arrangements
- Review the Strategic Risk Register (Appendix A) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive or to the Executive
- Agree that the Deputy Chief Executive, in consultation with the Executive Member, updates the Risk Management Policy as set out in the report
- Make observations or recommendations to the Executive if appropriate

### EXECUTIVE SUMMARY

This report:

- highlights the key points raised at the Risk Management Seminar and the action taken in response;
- provides Members with the outcome of the Internal Audit of Risk Management that took place in March 2017; and
- Provides an update of the Strategic Risk Register

There is one appendix:

- Appendix A: Strategic Risk Register

### CORPORATE PRIORITIES

This report is an update on the Council's progress in implementing and embedding risk management arrangements throughout the organisation to ensure that the priorities contained in the Corporate Strategy are met.

**The Committee has the authority to determine the Recommendations**

## **1.0 Introduction**

The Risk Management Annual Report was considered by Audit Committee at its meeting on 9 March 2017. Members were asked to confirm that they are satisfied with the risk management arrangements. Members noted that the arrangements as detailed in the report were robust. It was also noted that a useful seminar on risk management had recently taken place which provided Members with an opportunity to seek clarification and ask questions about the subject.

A number of suggestions were made at the Seminar for officers to consider with a view to further enhancing our risk management arrangements. Due to the timing of Audit Committee, it had not been possible to consider and incorporate any relevant points raised in the Risk Management Annual Report.

It was also noted that the Internal Audit of Risk Management had not been completed in time to feed in to the Risk Management Annual Report.

This report therefore:

- highlights the key points raised at the Risk Management Seminar and the action taken in response; and
- provides Members with the outcome of the Internal Audit of Risk Management that took place in March 2017.

## **2.0 Risk Management Seminar**

A Risk Management was held on 23 February 2017 to provide Members with:

- an understanding of MVDC risk management policies and processes
- assurance that there are robust risk management arrangements in place
- an opportunity to input and give feedback on risk management arrangements

As reported at Audit Committee in March 2017, the arrangements were felt to be robust, and Members highlighted a number of areas of potential enhancements to these arrangements for officers to consider.

The points raised at the Seminar have now been fully considered and the following enhancements incorporated into the arrangements:

|   | <b>Suggestion</b>                                                                              | <b>Rationale</b>                                                                                                                                                             | <b>Action</b>                                                                                                                                                                                                                                                                                                     |
|---|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Review risk matrix (Risk Management Policy, Appendix 4)                                        | To provide greater sensitivity of risk scoring in the strategic risk register<br><br>To introduce a relative weighting, including consideration of Health and Safety impacts | Risk matrix updated.<br><br>Impact assessment reflects 3 key considerations of 'Financial', 'Service' and 'Reputation'. Weighting to reflect highest score, including consideration of health and safety impact<br><br>Strategic Risk Register includes scoring of impact and probability using 5 x 5 risk matrix |
| 2 | Make clearer linkage between Strategic Risks and the corporate priority upon which they impact | To provide greater clarity and focus                                                                                                                                         | Acknowledgement in Risk Management Policy (Section 2.2) that Strategic Risks will generally impact across all the corporate objectives.<br>Where there is impact on a specific corporate priority, this will be highlighted in the Strategic Risk Register.                                                       |
| 3 | Consider reference to horizon scanning and watching brief on emerging risks                    | To highlight potential areas of risk and demonstrate dynamism of arrangements                                                                                                | Issues log put in place for discussion by Senior Management Team.                                                                                                                                                                                                                                                 |
| 4 | Consider adding in movement of risk to Strategic Risk Register                                 | To evidence impact of controls on reducing the risk and demonstrate dynamism of arrangements                                                                                 | A column on movement of risk will be added to future versions of Strategic Risk Register.                                                                                                                                                                                                                         |
| 5 | Consider improving content and consistency of risk paragraphs in Committee Reports             | To enable more effective and transparent decision making                                                                                                                     | Provision of guidance to report authors.                                                                                                                                                                                                                                                                          |
| 6 | Review the role of Executive Members (Risk Management Policy, Appendix 1)                      | To reflect the on-going role of Executive Members in Risk Management.                                                                                                        | Role of Executive Members updated to reflect their on-going role in identifying, managing and monitoring risk.<br>This will include consideration of risk in Business and Budget reports to Executive.                                                                                                            |

### 3.0 Internal Audit of Risk Management

Each year, internal audit carries out a risk maturity and compliance update to determine the progress made by the Council since the previous audit. The most recent internal audit was undertaken in March 2017 and, at the time of the Audit Committee in March 2017, the outcome was not available to report.

This report has now been finalised and is included on the agenda for Audit Committee on 29 June 2017 as part of the Internal Audit Progress Report papers.

Two recommendations were made. One recommendation was made for officers to consider that those risks that remained amber after mitigation either had further actions identified or a confirmation that senior management accept the level of risk. This recommendation has been actioned.

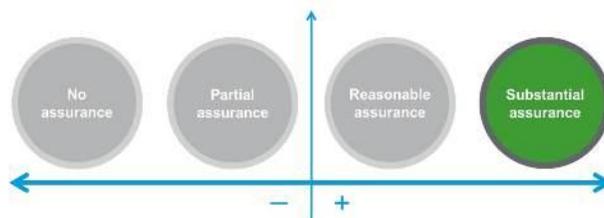
A second recommendation related to the on-going work in relation to partnerships. As the governance arrangements for new partnership and investment initiatives are established, officers will ensure that the risks related to these operations will be documented, reported and monitored. This has been included as an action in the Annual Governance Statement which is included on the agenda for Audit Committee on 29 June 2017 as part of the Statement of Accounts.

The opinion stated in the Internal Audit Risk Management Report 2016/17 is that:

---

#### Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



---

### 4.0 Strategic Risk Register

A strategic risk is defined as an event or action that will affect an organisation's overall ability to achieve its corporate objectives and execute its strategies successfully. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries.

The Strategic Risk Register is owned by the Chief Executive and shows MVDCs strategic risks. The Strategic Risk Register includes both the inherent and residual risk levels for each risk. The Register has been further enhanced with the inclusion of scoring of impact and probability. The Senior Management Team has undertaken a thorough review of the Strategic Risks. There are six risks as set out in the table below. Each have been scored against a five by five risk matrix to enable a more sensitive risk analysis. The updated Strategic Risk Register is attached as Appendix A.

The current analysis of residual risk for the six strategic risks is:

|                    |                    |               |                 |               |                         |  |
|--------------------|--------------------|---------------|-----------------|---------------|-------------------------|--|
| <b>IMPACT</b>      | Catastrophic<br>5  |               |                 |               |                         |  |
|                    | Major<br>4         |               | C1b, C1c,<br>C3 |               |                         |  |
|                    | Moderate<br>3      |               | C5, C4c         |               |                         |  |
|                    | Minor<br>2         |               |                 |               | C4b                     |  |
|                    | Insignificant<br>1 |               |                 |               |                         |  |
|                    | Remote<br>1        | Possible<br>2 | Likely<br>3     | Probable<br>4 | Highly<br>Probable<br>5 |  |
| <b>PROBABILITY</b> |                    |               |                 |               |                         |  |

C1b Funding Streams  
 C1c Asset Investment Strategy  
 C3 Health and Safety  
 C4b IT – hacking  
 C4c IT – resilience  
 C5 Data Protection/Information Governance

### 5.0 Next steps

To delegate updating of the Risk Management Policy in line with the improvements as set out in the report and any other minor amendments as deemed appropriate to the Deputy Chief Executive in consultation with the Executive Member.

### 6.0 Financial Implications

MVDC’s risk management arrangements provide a focus on the assessment of financial risk, as well as service and reputational risk. All decisions taken by Members include an assessment of risk, which includes financial risk where appropriate.

### 7.0 Legal Implications

MVDC’s Risk Management arrangements are an integral element of our corporate governance structure. This structure is consistent with a variety of professional codes, statutes and guidance, including the principles contained in the *Delivering Good Governance in Local Government Framework (CIPFA/SOLACE, 2016)*.

## CORPORATE IMPLICATIONS

### S151 Officer commentary

The s151 Officer confirms that all relevant financial risks and implications have been considered in this report.

### Monitoring Officer commentary

The Monitoring Officer is satisfied that relevant legal implications have been considered.

### **Risk Implications**

Ensuring that an effective risk management system is in place is a key component of our governance arrangements. MVDC has arrangements in place to ensure the effective management of risk. Risk registers are in place across the organisation linked to the achievement of corporate priorities.

### **Equalities Implications**

There are no equalities implications arising as a direct consequence of this report.

### **Communication**

The Risk Management Policy and Strategic Risk Register are posted on the website in the area on the [Council's Performance](#).

### **BACKGROUND PAPERS**

Risk Management Policy 2015-19

MVDC Internal Audit of Risk Management – April 2017

# MOLE VALLEY DISTRICT COUNCIL

## Strategic Risk Register

This register details the strategic risks faced by Mole Valley District Council in relation to achieving the priorities as defined in the Corporate Strategy. It also notes the current mitigation action being taken to control these risks. The Register is owned by the Chief Executive.

### Corporate Priorities

1. Environment - a highly attractive area with housing that meets local need
2. Prosperity - a vibrant local economy with thriving towns and villages
3. Community wellbeing - active communities and support for those who need it

### Summary Matrix – key strategic risks after mitigation

|                    |                    |             |                 |             |               |                         |
|--------------------|--------------------|-------------|-----------------|-------------|---------------|-------------------------|
| <b>IMPACT</b>      | Catastrophic<br>5  |             |                 |             |               |                         |
|                    | Major<br>4         |             | C1b, C1c,<br>C3 |             |               |                         |
|                    | Moderate<br>3      |             | C5, C4c         |             |               |                         |
|                    | Minor<br>2         |             |                 |             | C4b           |                         |
|                    | Insignificant<br>1 |             |                 |             |               |                         |
|                    |                    | Remote<br>1 | Possible<br>2   | Likely<br>3 | Probable<br>4 | Highly<br>Probable<br>5 |
| <b>PROBABILITY</b> |                    |             |                 |             |               |                         |

C1b Funding Streams  
 C1c Asset Investment Strategy  
 C3 Health and Safety  
 C4b IT – hacking  
 C4c IT – resilience  
 C5 Data Protection/Information Governance

## Mole Valley District Council Strategic Risk Register

| Ref | Description of the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Inherent risk level (no controls) |        |        | Controls in place at MVDC                                                                                                                                                                                                                                                                                                                                                                                                              | Risk owner<br>– Member                            | Risk owner<br>– Officer                   | Residual risk level (after existing controls) |        |        |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|-----------------------------------------------|--------|--------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Probability                       | Impact | Rating |                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                   |                                           | Probability                                   | Impact | Rating |
| C1b | <p><b>Funding streams</b><br/>If MVDC fails to adequately identify or underestimate the loss of public sector funding streams, this could lead to a lack of financial resilience and a failure to deliver statutory and essential services</p> <p>This risk is informed by a number of factors including:</p> <ul style="list-style-type: none"> <li>Impact of central government policy on funding streams</li> <li>Impact of reduction of funding streams from other public services</li> <li>Additional demand on services</li> </ul>                                                                                                                                                               | 4                                 | 4      | 16     | -Annual financial scene setting report to Executive updates assumptions underpinning MTFS<br>- Asset Investment Strategy approved by Executive and in place<br>- Proactive approach to sourcing information on potential funding changes and the financial implications of existing and future government policy changes and other funding sources, including Surrey County Council<br>-4 year efficiency plan in place                | Executive Member (Finance and Corporate Services) | Finance Director (Deputy Chief Executive) | 2                                             | 4      | 8      |
| C1c | <p><b>Asset Investment Strategy</b><br/>If MVDC fails to deliver the Asset Investment Strategy by March 2020 we will not secure adequate funding streams through returns on property investment. This could lead to a lack of financial resilience and a failure to deliver statutory and essential services</p> <p>This risk is informed by a number of factors including:</p> <ul style="list-style-type: none"> <li>Availability of and access to cheap borrowing</li> <li>Increase in property prices due to increased local government interest activity</li> <li>Capacity of the organisation to deliver</li> <li>The need for a dynamic and responsive approach to maximise outcomes</li> </ul> | 4                                 | 4      | 16     | -Rigour and due diligence applied through regular review of approach and criteria for investment by Executive<br>-Consideration of alternative forms of property investment<br>-Use of expert consultants<br>-Annual targets set<br>- Regular monitoring by Executive through Business and Budgeting monitoring reports<br>-Active assessment of the market for access to cheap borrowing, such as through the Public Works Loan Board | Executive Member (Finance and Corporate Services) | Finance Director (Deputy Chief Executive) | 2                                             | 4      | 8      |
| C3  | <b>Corporate Health and Safety</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Probability                       | Impact | 25     |                                                                                                                                                                                                                                                                                                                                                                                                                                        | Executive Member                                  | Finance Director                          | Probability                                   | Impact | 8      |

| Ref     | Description of the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Inherent risk level (no controls)  |                               |    | Controls in place at MVDC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Risk owner<br>– Member                            | Risk owner<br>– Officer                   | Residual risk level (after existing controls) |                               |   |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------------|---|
|         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 5                                  | 5                             |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                   |                                           | 2                                             | 4                             |   |
|         | <p>MVDC needs to provide services in a safe manner that protects the health and safety not just of its employees but also members of the public, trainees, contractors and Members.</p> <p>If we fail to have good Health and Safety arrangements in place, this could lead to loss of service and / or preventable accidents to staff or members of public.</p> <p>This risk is informed by a number of factors, including:</p> <ul style="list-style-type: none"> <li>• Compliance with Health and Safety at Work Act</li> <li>• Civil Duty</li> <li>• Moral and Public Duty</li> </ul> |                                    |                               |    | <ul style="list-style-type: none"> <li>- Corporate Health and Safety Policy, arrangements and procedures in place</li> <li>- Regular review of Health and Safety at Staff and Members Consultative Forum</li> <li>- Regular reviews of health and safety arrangements by Health and Safety consultant</li> <li>- Health and Safety action plan in place</li> <li>- Employee induction includes focus on Health and Safety and all employees provided with Health and Safety Guidance</li> <li>- Health and Safety risk assessments in place for all service areas</li> <li>- Fire risk assessments in place for relevant Council properties</li> <li>- Arrangements with partner organisations/contractors to ensure appropriate Health and Safety requirements are in place</li> </ul> | (Finance and Corporate Services)                  | (Deputy Chief Executive)                  |                                               |                               |   |
| C4<br>b | <p><b>IT systems</b></p> <p><b>b) Risk of hacking</b><br/>All IT systems contain vulnerabilities. Once exposed there is a danger period where systems are particularly vulnerable to attack.</p>                                                                                                                                                                                                                                                                                                                                                                                          | <p><b>Probability</b></p> <p>5</p> | <p><b>Impact</b></p> <p>4</p> | 20 | <ul style="list-style-type: none"> <li>-IT Security Policy in place and updated regularly</li> <li>-Access to systems and data is strictly controlled and data is held securely in order to ensure it is only available as permitted and not at risk of loss or compromise</li> <li>- Regular testing of the ICT security perimeter of firewalls, monitoring for new vulnerabilities of systems and a cycle of ensuring all system versions are up to date is in place</li> <li>- Regular patching cycle of service infrastructure</li> <li>- Risk assessment on basis on industry knowledge and GovCert of identified threats</li> </ul>                                                                                                                                               | Executive Member (Finance and Corporate Services) | Finance Director (Deputy Chief Executive) | <p><b>Probability</b></p> <p>4</p>            | <p><b>Impact</b></p> <p>2</p> | 8 |

| Ref | Description of the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Inherent risk level (no controls) |        |    | Controls in place at MVDC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Risk owner<br>– Member                            | Risk owner<br>– Officer                                                    | Residual risk level (after existing controls) |        |   |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------|--------|---|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Probability                       | Impact |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                   |                                                                            | Probability                                   | Impact |   |
| C4c | <p><b>IT Systems</b></p> <p><b>c) Operational Resilience</b></p> <p>MVDC needs to make sure that its staff and IT systems are available to deliver the services for which it is responsible.</p> <p>If we fail to do this, there could be a major breakdown and disruption of systems that leads to an inability to deliver key services.</p> <p>This risk is informed by a number of factors, including:</p> <ul style="list-style-type: none"> <li>Majority of MVDC staff based at Pippbrook</li> <li>IT systems hosted at Pippbrook</li> </ul>                                       | 4                                 | 4      | 16 | <ul style="list-style-type: none"> <li>IT Strategy in place and updated regularly</li> <li>Automated centralised back-up of data and systems is in place should a systems or data recovery be needed</li> <li>Improved on-site arrangements for physical environment (e.g. air con)</li> <li>Alternative working arrangements in place for staff</li> </ul>                                                                                                                                                                                      | Executive Member (Finance and Corporate Services) | Finance Director (Deputy Chief Executive)                                  | 2                                             | 3      | 6 |
| C5  | <p><b>Data Protection/Information Governance</b></p> <p>MVDC needs to make sure that personal data is secure and that an individual's right to privacy is protected.</p> <p>If we fail to effectively act on and embed standards and procedures that enable us to do this, this could lead to a loss of public trust and financial penalties to the organisation.</p> <p>This risk is informed by a number of issues, including:</p> <ul style="list-style-type: none"> <li>Potential breaches in confidentiality enabling access to confidential data</li> <li>Loss of data</li> </ul> | 3                                 | 3      | 9  | <ul style="list-style-type: none"> <li>Data Protection Policy approved by Council and updated regularly</li> <li>Data protection training and updates for new and existing staff</li> <li>Member Training on responsibilities under appropriate Code of Conduct for new and existing Members</li> <li>Certification obtained on disposal of confidential information</li> <li>Information Asset Register in place</li> <li>Records Retention Policy in place and implemented</li> <li>Data sharing protocols in place and implemented</li> </ul> | Executive Member (Finance and Corporate Services) | Interim Corporate Head of Service (with responsibility for legal services) | 2                                             | 3      | 6 |