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Ward (s) affected	N/A	Key Decision	No
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Subject	Risk Management Annual Report 2012 -13
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RECOMMENDATIONS

The Audit Committee is asked to:

- Consider the contents of this report and confirm they are satisfied with the risk management arrangements
- Make appropriate observations or recommendations to the Executive

EXECUTIVE SUMMARY

This report:

- summarises the risk management activity since the previous annual report and outlines future activity and development
- provides assurance that risk management is embedded within the Council's governance framework
- enables the Committee to meet its responsibilities to provide the Council with independent assurance of the adequacy of the risk management framework and the associated control environment.

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 Plan are met.

The Committee has the authority to determine the Recommendations

1.0 INTRODUCTION

Risk is the uncertainty that an event or an action will adversely affect an organisation's ability to achieve its objectives and to successfully achieve its plans and strategies.

How successful the Council is in dealing with the risks it faces can have a major impact on the achievement of its priorities and service delivery to the community. Risk management arrangements support and underpin the Councils Corporate Plan, and its three themes – Access to Services, Environment and Value for Money.

The focus of effective risk management is the identification and treatment of risk and opportunities. It increases the probability of success, reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process which runs throughout the Councils strategies and service delivery.

Over the years, the Council has continued to develop its risk management arrangements. This has contributed to embedding a culture where managers manage their risks as an integral element of their management practice.

The Council has adopted risk management arrangements that enable decisions to be taken based on comprehensively assessed risks. The Councils risk management arrangements are embedded within the overall strategic and operational policies and practices, and form a key part of our Corporate Governance arrangements.

2.0 RISK MANAGEMENT ARRANGEMENTS

Risk Management Policy

The Councils approach to risk management is set out in its Risk Management Policy. It includes a Policy Statement that confirms that the Council will:

'Adopt best practice in the identification, assessment and cost effective control and management of risks to ensure that they are eliminated or reduced to an acceptable level'.

The Policy also sets out the Councils risk management objectives as follows. They are to:

- Integrate risk management into the culture of the Council by engendering a positive attitude and understanding of risk throughout all service areas
- Manage risks in accordance with best practice
- Prevent injury, damage and financial loss to all those connected with the Council's delivery of services.

This report sets out progress made in meeting the risk management objectives as set out in the Policy.

Internal and external audit review

Each year, internal audit carries out a risk maturity and compliance update to determine the progress made by the Council since the previous review.

The different levels of risk maturity are summarised in the diagram below.



In 2011, the Council moved from being '*Risk Defined*', to '*Risk Managed*'. In the most recent audit, carried out in January 2013, the Council was deemed to have maintained that level of risk maturity i.e. '*Risk Managed*'. The Senior Management Team is satisfied for the Council to retain this level of risk maturity as it is considered to be appropriate for the level of business undertaken by the organisation. This will be kept under review and revisited following the receipt of any recommendations arising from the forthcoming Internal Audit Review of risk management that is scheduled to take place in December 2013.

Internal audit test and examine the risk management arrangements that the Council has in place. In the latest audit, a number of positive conclusions were reached, including our arrangements to evidence and consider key risks and the work undertaken by the Risk Management Group to further develop a risk assurance framework.

A number of recommendations were made. Four recommendations were of medium priority and related to risk ownership and assurance & governance. Three were of low priority and related mainly to policy compliance. There were no high priority recommendations. Progress to implement these can be found in Appendix 1.

The internal audit annual report was presented to Audit Committee in June 2013. It confirmed that 'the risk management processes used by the Council are considered to be effective and fit for purpose'.

Our risk management arrangements are also subject to external audit. The annual external audit findings for the Council were reported to Audit Committee in September 2013. The report recognises the role that managers have for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

As well as auditing the financial statements, external audit provides a formal conclusion on whether the Council has put in place proper arrangements to secure economy, effectiveness and efficiency in its use of resources (the Value for Money conclusion).

These arrangements include risk management. The Annual Audit Letter (October 2013) provides an unqualified opinion on the financial statements and an unqualified Value for Money conclusion.

Summary of key activity

Since the previous annual report a number of developments and improvements to our risk management arrangements have been made. They include:

- A review of the Council's risk management arrangements led by the Policy and Performance Team (PPT). As part of this review, PPT officers considered risk management arrangements in place at Surrey County Council. This led to an enhancement to the risk register template. The template now includes a more detailed assessment of impact, breaking the elements down to allow consideration of the financial, service and reputational impacts.
- A strategic review of risk across the organisation, resulting in the identification and confirmation of five key strategic risks in delivering the Corporate Plan. They are;
 - Medium Term Financial Strategy, including delivery of Property Projects;
 - Welfare Reform;
 - Corporate Health and Safety;
 - IT systems and;
 - Data Protection/Information Governance.
- The review has given managers the opportunity to identify new risks on the horizon that could have significant impact on delivering services and to put plans in place to mitigate. For example, identifying the risk around the Welfare reform, led to the Benefits Team putting appropriate resources in place, to deal with the potential increase in customer enquiries resulting from the changes.
- Implementation of the Risk Assurance Framework. The Framework has been completed for all strategic risks and actions have been identified to ensure the mitigating actions and controls we have in place are effective.
- A review of the procedure for escalating risks upwards. An arrangement has been established to facilitate escalation of significant and other operational risks to SMT for consideration for inclusion on the Strategic Risk Register.
- Continuous process of risk assessment. Review of risk is an on-going activity and risk registers are live documents that are updated by managers as circumstances change. PPT officers meet with business managers on a regular basis to review their business risk registers. This ensures that identified risks remain relevant; that controls set in place to mitigate risks are working effectively; and also provides on-going support and guidance to managers.
- Further integration of risk into the business planning cycle, with business managers required to identify key risks to delivering their priorities in their business plans for 2014-15.

- Regular review of risk reports by Strategic Management Team and the Risk Management Group. This has ensured an awareness of the changing risk profile facing the Council. This has also meant that many of the key decisions taken considered the risks and opportunities involved and how they could effectively be managed; an example of this is the Police moving into Pippbrook.
- A sustained focus on our risk management responsibilities as they relate to Corporate Health and Safety. An external contractor has been commissioned to review the Council's current Health and Safety arrangements and to make recommendations to SMT.
- An inspection by the Health and Safety Executive of how we procure, deliver and manage our waste collection services. The report confirmed that there are no Health and Safety breaches. Some minor recommendations were made which are in the process of being implemented.
- A sustained focus on further improving the Council's business continuity arrangements. Zurich Municipal facilitated a work shop with Business Managers to review their Business Impact Analysis and Business Continuity Plans. All services have completed a Business Impact Analysis (BIA) and have a Business Continuity Plan in place. As a result of the Business Impact Analysis a full list of critical functions and prioritisation of all the councils functions has been developed and this has been critiqued by SMT. Work is progressing to confirm the corporate business continuity planning arrangements. There are two key elements to these arrangements:
 - An Organisational Resource Strategy that sets out MVDC's strategies for the loss of resources, including; people, premises, technology, information, supplies (power/heating);
 - An Incident Management Plan that informs MVDC's management response to the initial (acute) phase of a business continuity incident. These documents are scheduled for discussion by the Senior Management Team in December.
- Implementation of internal audit recommendations as identified above and in Appendix 1.

Risk Profile

Through the proactive management of risks, there have been changes to the Council's risk profile. Following two risk moderation sessions held for both the strategic and business management teams, five strategic risks were identified as highlighted above. These are contained within the Strategic Risk Register (Appendix 2) and include the actions that are in place in mitigation. The Senior Management Team review these risks on a monthly basis.

3.0 NEXT STEPS

The Risk Management Policy was approved by the Executive in early 2012 as a three year policy to early 2015. It is currently being reviewed by the Risk Management Group to ensure it reflects the current risk management arrangements.

The annual internal audit of risk management arrangements is scheduled to commence in December 2013. Any recommendations made will be considered and actioned as appropriate.

4.0 OPTIONS

The Committee has 2 options for consideration:

- **Option One** – To note the Council’s arrangements for risk management and confirm they are satisfied with the adequacy of the risk management framework and the associated control environment.
- **Option Two** – To ask Officers to report back on any risk management issues identified by the Committee.

5.0 CORPORATE IMPLICATIONS

Financial Implications

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

- (a) **S151 Officer commentary** - I confirm that all financial implications have been taken into account.

Legal Implications

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

- (b) **Monitoring Officer commentary** - I confirm that all legal implications have been taken into account.

Risk Implications

This is fundamentally a risk report and as such those implications are contained within the report itself.

Equalities Implications

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

Employment Issues

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

Sustainability Issues

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

Consultation

There are no consultation issues in this report.

BACKGROUND PAPERS

None.

Progress to implement internal audit recommendations

Appendix 1

	Action	Due date	Status	Comment
Rec 1.1 Medium	Risk Ownership: All risks must be attributed to a responsible officer. Where vacant posts arise, the register should reflect the officer with current responsibility for accepting, monitoring and management of risk.	Feb 13	Implemented	All risks are attributed to an identified officer.
Rec 1.2 Medium	Assurance and governance Independent assurance processes (external and internal audit) that review the application of controls should be highlighted within the assurance framework assessment	June 13	Implemented	Work has taken place to further develop and implement the assurance framework. The framework has been completed for all risks on the Strategic Risk Register.
Rec 1.2 Medium	Assurance and governance The assessment framework should be fully completed.	June 13	Implemented	The Strategic Management Team review the assurance assessment.
Rec 1.2 Medium	Assurance and governance To embed risk assurance processes further, consideration should be given to introducing management assurance statements for Heads of Service/ Business Managers.	Dec 13	Under consideration	This is under consideration, with examples being sought from other districts and boroughs. A decision will be made by December 2013.
Rec 2.1 Low	Policy Compliance The ExecView risk register should be updated with the outcome of the latest risk reviews and discussion that occurred in the third quarter 2012/13	Jan 13	Implemented	In place from Jan 13. All risks are updated at least quarterly.
Rec 2.1 Low	Policy Compliance Going forward the automated features within the ExecView software which could diarise a prompt for risk owners to review their register and positively affirm their status on a quarterly basis should be investigated. Exceptions to these returns should be monitored by Policy Officers.	June 2013	Implemented	Reminders have been set up on Execview to remind BMG members to review their risks alongside reminders to update performance information.
Rec 3.1 Low	2011/12 Recommendation Risk registers should be further developed to record risk triggers and early warning indicators that would allow prompt action if risk materialises	Sept 13	Implemented via quarterly risk management process.	Risk assessments take place at least quarterly and consideration is given to early warning indicators that have been identified in the risk description. The Policy and Performance Team undertake a review across the organisation and report early warning indicators to SMT as part of the consideration of the Strategic Risk Register. Additional controls will be considered for inclusion on the register.

Mole Valley District Council Strategic Risk Register as at 30 October 2013

Owner: Yvonne Rees

Ref	Description of the risk	Inherent risk level (no controls)	Controls	Risk owner – Officer	Risk owner – Member	Residual risk level (after existing controls)
C1	<p>Medium Term Financial Strategy</p> <p>If we fail to deliver the Medium Term Financial Strategy (MTFS), this could lead to a lack of financial resilience and a failure to deliver statutory and essential services.</p> <p>This MTFS is a 7 year financial plan. Its delivery is under-pinned by a number of assumptions that we have made based on our current knowledge and our forecast of we believe is most likely to happen. However, we know that we will need to change our assumptions over time as things change, for example central government funding. This risk recognises this, and through it, will seek to manage its delivery.</p> <p>This risk is informed by a number of factors, including:</p> <ul style="list-style-type: none"> • not achieving savings/income generation targets • additional service demand and/or • changes to funding levels. <p>[Corporate Project: 11]</p>	Medium	<p>- Monthly reporting to Corporate Board and Executive on how much we expect to spend by the end of the financial year. These reports are clear on the impacts on future years and enable prompt management action to be taken</p> <p>- Clear management action is reported promptly detailing alternative savings / income if original plans become non-deliverable or funding levels alter in year</p> <p>- Monthly tracking and reporting of actual demand for our services compared to how much we expected to spend</p> <p>- Monthly formal budget reports focus on funding levels, comparing how much we have actually spent to how much we forecast we would spend</p> <p>- The finance team actively look for information on potential funding changes and the financial implications of existing and future government policy changes</p> <p>Notwithstanding actions above, there is a high risk of central government policy changes /austerity measures impacting on the council's long term financial resilience.</p>	Senior Management Team / Nick Gray	Simon Ling	Low

C1a	<p>Property Projects Making the best use of our property assets means that we can create additional income that will support delivery of the Medium Term Financial Strategy. If we fail to deliver our property projects, this will have a significant impact on delivery of the MTFS and therefore affect our ability to deliver statutory and essential services. There are five key property projects that contribute to this risk:</p> <ol style="list-style-type: none"> 1. North Leatherhead by-pass 2. St Martin's Walk 3. Pippbrook 4. Leatherhead Town Centre/Bull Hill 5. Depot relocation <p>[Corporate Projects: 7, 8, 15]</p>	High	<ul style="list-style-type: none"> - Robust programme and project management in place - Asset Management Plan in place - Prioritisation of new/speculative projects takes the needs of the organisation and its capacity to deliver into account - Effective communication within Property Team to ensure efficient and coordinated use of resources - Annual budget and business planning arrangements identify and secure appropriate resources 	Senior Management Team / Richard Burrows	Charles Yarwood	Medium
C2	<p>Welfare Reform</p> <p>The Council aims to ensure that residents are supported through the changes as a result of Welfare Reform.</p> <p>There is a risk that multiple central government welfare reform changes could impact adversely on Mole Valley residents and put additional pressure on all public services.</p> <p>Contributing factors to this risk include:</p> <ul style="list-style-type: none"> • Being first point of call for 	Medium	<ul style="list-style-type: none"> - Health and Welfare Board established to provide a co-ordinated approach - Implementation of elements of a national welfare reform programme including: <ul style="list-style-type: none"> • Advice and information • Social Sector Size Criteria • Benefit Cap - Council adopting default scheme for Local Council Tax Support to minimise financial hardship on residents in 2013/14 - Signposting to key agencies and effective communications / publicity 	Senior Management Team / Rachel O'Reilly	Vivienne Michael	Medium

	<p>residents for a national programme</p> <ul style="list-style-type: none"> • The potential for increased homelessness • Health and welfare of staff working under increased pressure with dissatisfied residents under stress • A common understanding of the need for robust arrangements to be in place with partner agencies <p>[Corporate Project : 2]</p>		<ul style="list-style-type: none"> - Effective horizon scanning to ensure thorough understanding of intended changes - Linkages with Surrey County Council and Districts and Boroughs to monitor impacts on claimants and services - Maintaining dialogue with Benefits team to monitor welfare and make appropriate interventions 			
C3	<p>Corporate Health and Safety</p> <p>The Council 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"> • Compliance with Health and Safety at Work Act • Civil Duty • Moral and Public Duty 	High	<ul style="list-style-type: none"> - Corporate Health and Safety Policy and Codes of Practice in place - Corporate induction for people joining the Council includes a focus on Health and Safety - Risk assessments in place for key service risks - Arrangements with partner organisations to ensure appropriate Health and Safety requirements are in place - Health and Safety action plan in place - External contractor commissioned to review current arrangements and make recommendations to SMT 	Senior Management Team / Yvonne Rees	Chris Townsend	Medium

C4	<p>IT systems</p> <p>The Council needs to make sure that its IT systems are robust and enable the organisation 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"> • Services unable to be provided / provided at sub-optimal level • Information issues (system resilience, security concerns) • Reversion to more costly channels of customer interaction • Compliance with central government security requirements, including restriction on access to Public Service Network data through a non-council owned device 	High	<ul style="list-style-type: none"> - ICT Security Policy covering the permitted use of systems and data is in place and proactively managed and implemented - Automated centralised back-up of data and systems is in place should a systems or data recovery be needed - 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 - 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 	Senior Management Team / Richard Burrows	Charles Yarwood	High
C5	<p>Data Protection/Information Governance</p> <p>The Council needs to make sure that personal data is secure and that an individual's right to privacy is protected.</p>	High	<ul style="list-style-type: none"> - Regular updating of Data Protection Policy and data protection training for new and existing staff - Regular staff briefings 	Senior Management Team / Angela Griffiths	Charles Yarwood	Medium

	<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">• Potential breaches in confidentiality enabling access to confidential data• Loss of data		<ul style="list-style-type: none">- Staff and Member Training on responsibilities under appropriate Code of Conduct- Certification obtained on disposal of confidential information- Records Retention Policy up-to-date and implemented- IT Security and backups systems in place and tested regularly			
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