![MoleValley District Council logo]

Agenda Item 7

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Date	17 March 2016	
Ward (s) affected	N/A	**Key Decision** No

Subject	Risk Management Annual Report 2015-16

RECOMMENDATIONS

The Audit Committee is asked to:

- Consider the contents of this report and confirm they are satisfied with the risk management arrangements

- Make observations or recommendations to the Executive if appropriate

EXECUTIVE SUMMARY

This report:

- Summarises the risk management activity since the previous annual report.

- 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.

There is one appendix:

- Appendix 1: 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**

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 Council's Corporate Strategy and

its three priorities:

- Environment – a highly attractive area with housing that meets local need
- Prosperity – a vibrant local economy with thriving towns and villages
- Community Wellbeing – active communities and support for those who need it

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 Council's 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 Council's 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

2.1 Risk Management Policy

The Council's 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 Council's 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.

2.2 Internal 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 most recent Internal Audit was undertaken in December 2014. The Audit made no recommendations. One suggestion was made. This related to updating of the Risk Management Policy to reflect the process of Member update and discussion of risk. This has been implemented and is contained in the Risk Management Policy that was considered by Audit Committee in March 2015 and subsequently agreed by the Executive in March 2015.

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The Internal Audit Annual Report 2014/15 concluded that:

'The risk management processes are considered effective and fit for purpose. Strategic

risks are clear and reported, and the approach is embedded across the organisation.'

2.3 External Audit Review

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 2015. 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 2014-15 provides an unqualified opinion on the financial statements and an unqualified Value for Money conclusion stating:

'On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2015'.

2.4 Summary of key activity

The following arrangements are in place:

- Monthly updating and reporting of strategic risks to the Senior Management Team. Mitigating controls are clearly set out and there is a fully implemented assurance framework in place to support management of these risks.

- Full implementation of the risk management assurance framework ensures up to date detailed assessments, gap analysis and an action plan is in place. This is reported monthly to the Senior Management Team.

- Risk management is integrated into corporate and service business planning. Strategic risks are assessed to ensure alignment with the Corporate Strategy. Business Plans include a section where risks and opportunities are highlighted.

- Facilitated challenge of risks are held with Corporate Heads of Service every other month, and with all service managers every three months. New and emerging risks are reported to the Senior Management Team where appropriate. This ensures that the risk profile of the Council is up to date and consistent.

- Reporting to Members through a number of channels. Senior Managers update their respective Executive Members on risks arising from discussion at management meetings. Regular written briefings are provided to Executive Members which include risk; these are made available to all Members. Each Committee report has a section on risk. All Business Plans include risk and are signed off by Executive Members.

- The Risk Management Group, chaired by a Corporate Head of Service, meets at least quarterly to ensure that risk management is embedded across the Council. Updates from the Group are made to the Senior Management Team.

During 2015-16, there has been a focus on risk management arrangements in relation to Corporate Health and Safety, business continuity, projects and contract management.

- Regular reviews of Health and Safety are undertaken; the most recent independent review of our arrangements was undertaken in August 2015. The report focussed on four key risk areas; environmental services, community support services, Dorking Halls and Property Services. The report concluded that:

'Mole Valley District Council has a rigorous process of risk assessment in place. Risk assessments have been completed in the main and regular reviews are conducted. Display screen assessments have now been completed. Health and safety policies and procedures are reviewed and updated on a regular basis'.

- All services have completed a Business Impact Analysis and have a Business Continuity Plan in place. Corporate business continuity planning arrangements are in place and tested on a regular basis.

- MVDC's Project Management Approach has been updated during 2015/16. Risk Management is an integral element of the revised arrangements, reflecting that projects may involve elements of risk and uncertainty. A summary of risk and risk registers for major projects are reported to the Senior Management Team as part of the regular risk management updates.

- Relevant service managers and staff have received additional training with regards the identification of risks and opportunities as part of contract management.

2.5   Risk Profile

Through the proactive management of risks, there have been changes to the Council's risk profile. Since previously reported to Audit Committee in March 2015, there has been one addition to the strategic risk register:

- The refurbishment of the Pippbrook offices is a key project throughout 2016 and has been added as a new strategic risk to ensure the potential for disruption to Council services and to employees is effectively risk managed.

Two strategic risks have been deleted:

- Welfare reform was highlighted as a strategic risk with the anticipation of universal credit. On going dialogue with the Department for Works and Pensions has clarified the expectations for the roll-out of universal credit beginning in February 2016. The impacts for MVDC and the number of residents affected are projected to be small. The team are making preparations for the new arrangements and are keeping abreast of developments.

- The risk of IT systems included the risk of hacking. This risk was separated into two elements; IT – general, and IT- Risk of hacking. The general IT risk has been deleted as a strategic risk. This is managed at service level with significant work being undertaken to ensure all appropriate arrangements are in place to minimise the risk to general IT systems. IT – risk of hacking remains a strategic risk.

2.6   Risk tolerance level

A key element of MVDCs Risk Management Policy is to confirm the Council's Risk Tolerance. The Risk Tolerance level is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. This level was agreed by Executive in March 2015 to be any risk with a residual score of 15 or above. There is no change proposed to the risk tolerance level.

3.0   NEXT STEPS

At the time of writing, the annual internal audit of risk management arrangements is scheduled to take place during March 2016. Any recommendations made will be considered and actioned as appropriate.

4.0   CORPORATE IMPLICATIONS

Financial Implications

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

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.

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.

Communication

The Risk Management Policy is posted on the website in the area on the Council's Performance.

BACKGROUND PAPERS

Risk Management Policy 2015-19.

Mole Valley DC Internal Audit Annual Report 2014-15.

Mole Valley DC Annual Audit Letter 2014-15.

Mole Valley DC Audit Findings Report 2014-15.

Ref	Description of the risk	Inherent risk level (no controls)	Controls	Risk owner – Officer	Risk owner – Member	Residual risk level (after existing controls)
C1	**Medium Term Financial Strategy** 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. 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 what 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. This risk is informed by a number of factors, including: • not achieving savings/income generation targets • additional service demand and/or • changes to funding levels. Not withstanding actions above, there is a high risk of central government policy changes /austerity measures impacting on the council's long term financial resilience.	**Medium**	- Annual financial scene setting report updates assumption underlying MTFS - 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 - Clear management action is reported promptly detailing alternative savings / income if original plans become non-deliverable or funding levels alter in year - Monthly tracking and reporting of income generated compared to monthly projection - Monthly formal budget reports focus on comparing how much we have actually spent to how much we forecast we would spend - The finance team actively look for information on potential funding changes and the financial implications of existing and future government policy changes	Nick Gray	Lynne Brooks	**Low**

| C1a | **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 could 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:
   1. Pippbrook Refurbishment (see C1b)
   2. Pippbrook House
   3. Dorking Football Ground Meadowbank
   4. North Leatherhead by-pass
   5. Transform Leatherhead

This risk is also influenced by:
- Capacity of the organisation to deliver | **High** | - Asset Management Plan in place
- Robust programme and project management 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 | Richard Burrows | Charles Yarwood | **Medium** |
| C1b | **Pippbrook Civic Offices Refurbishment**

The refurbishment of the Pippbrook Civic Offices will ensure we make best use of this property asset, and create additional income through the creation of new lettable space within the building.

If we fail to deliver this property project, this could have an impact in relation to the agreed brief in respect of:
   1. Health and Safety
   2. Statutory Compliance
   3. Sustainability
   4. Improved working conditions

Key elements of this risk also include the delivery of council services from the site and managing staff expectations | **High** | -Robust programme and project management in place
-Robust risk management arrangements in place
-Business Continuity arrangements in place
-Effective communication and engagement plan in place | Richard Burrows | Charles Yarwood | **Medium** |

C3	**Corporate Health and Safety** 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. 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. This risk is informed by a number of factors, including: - Compliance with Health and Safety at Work Act - Civil Duty - Moral and Public Duty	**High**	- Corporate Health and Safety Policy, arrangements and procedures in place - Regular reviews of health and safety arrangements by Health and Safety consultant - Health and Safety action plan in place - Employee induction includes focus on Health and Safety and all employees provided with Health and Safety Guidance - Health and Safety risk assessments in place for all service areas - Fire risk assessments in place for relevant Council properties - Arrangements with partner organisations/contractors to ensure appropriate Health and Safety requirements are in place	Nick Gray	Lynne Brooks	**Medium**
C4b	**IT systems** **b) Risk of hacking** All IT systems contain vulnerabilities. Once exposed there is a danger period where systems are particularly vulnerable to attack.	**High**	- 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 - 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 - Regular patching cycle of service infrastructure - Risk assessment on basis on industry knowledge and GovCert of identified threats	Richard Burrows	Lynne Brooks	**Medium**
C5	**Data Protection/Information Governance** The Council needs to make sure that personal data is secure and that an individual's right to privacy is protected. 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. This risk is informed by a number of issues,	**High**	- Periodic updating of Data Protection Policy - Data protection training and updates for new and existing staff - Member Training on responsibilities under appropriate Code of Conduct for new and existing Members - Certification obtained on disposal of confidential information - Records Retention Policy in place and implemented - Data sharing protocols in place and implemented	Angela Griffiths	Lynne Brooks	**Medium**

	including: • Potential breaches in confidentiality enabling access to confidential data • Loss of data					
C6	**Business Continuity** The Council needs to make sure that there are plans to prepare and effectively respond to a known event or major incident results to ensure key services can be delivered.	**High**	- Combined Corporate Organisational Resource Strategy and Incident Management Plan setting out MVDC's strategies for the loss of resources, including; people, premises, technology, information, supplies (power/heating) - Priority Activities Document in place that defines the critical functions to be restored in an emergency situation and within which timescales - Combined Service level Business Continuity Plans and Business Impact Analyses in place	Angela Griffiths	Vivienne Michael	**Medium**