MoleValley
District Council

Agenda Item 9

Executive Member	Councillor Simon Ling
Strategic Management Team Lead Officer	Angela Griffiths
Author	Jane Nottage, Policy and Performance Manager
Telephone	01306 879188
Email	jane.nottage@molevalley.gov.uk
Date	12 March 2015

Ward (s) affected	N/A	**Key Decision**	No

Subject	Risk Management Annual Report 2014-15

RECOMMENDATIONS

The Audit Committee is asked to:

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

- Consider the updated Risk Management Policy and the proposed risk tolerance level, make appropriate observations and recommend the Policy and risk tolerance level to the Executive for approval

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
- Updates the Risk Management Policy
- Proposes the Council's risk tolerance level
- 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 are three appendices:
- Appendix 1: Progress to implement internal audit recommendations
- Appendix 2: Strategic Risk Register
- Appendix 3: Draft Risk Management Policy

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.

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 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 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.
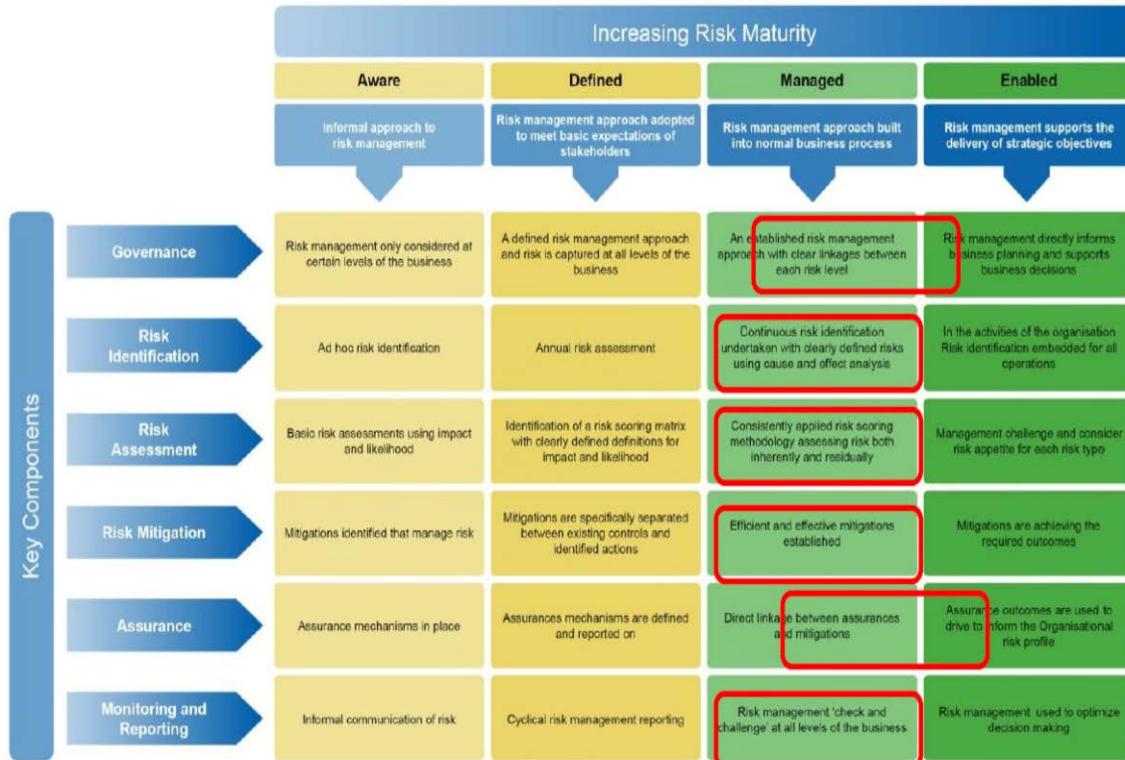
2.2 Internal audit review

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

Since previously reported to Audit Committee (November 2013), there have been two internal audits of risk management. Both audits concluded that:

'..the Board can take substantial assurance that the controls upon which the organisation relies are suitable designed, consistently applied and effective'

In 2011, the Council moved from being '*Risk Defined'*, to '*Risk Managed'.* In the audit carried out in December 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.

However, the Council is not complacent and aims for continuous improvement. In two areas, Governance and Assurance, improvements made to our risk management arrangements have meant that in these two areas the Council has begun the shift into the 'Risk Enabled' category as illustrated in the diagram below.

Increasing Risk Maturity			
Aware	**Defined**	**Managed**	**Enabled**
Informal approach to risk management	Risk management approach adopted to meet basic expectations of stakeholders	Risk management approach built into normal business process	Risk management supports the delivery of strategic objectives

Key Components	Aware	Defined	Managed	Enabled
Governance	Risk management only considered at certain levels of the business	A defined risk management approach and risk is captured at all levels of the business	An established risk management approach with clear linkages between each risk level	Risk management directly informs business planning and supports business decisions
Risk Identification	Ad hoc risk identification	Annual risk assessment	Continuous risk identification undertaken with clearly defined risks using cause and effect analysis	In the activities of the organisation Risk identification embedded for all operations
Risk Assessment	Basic risk assessments using impact and likelihood	Identification of a risk scoring matrix with clearly defined definitions for impact and likelihood	Consistently applied risk scoring methodology assessing risk both inherently and residually	Management challenge and consider risk appetite for each risk type
Risk Mitigation	Mitigations identified that manage risk	Mitigations are specifically separated between existing controls and identified actions	Efficient and effective mitigations established	Mitigations are achieving the required outcomes
Assurance	Assurance mechanisms in place	Assurances mechanisms are defined and reported on	Direct linkage between assurances and mitigations	Assurance outcomes are used to drive to inform the Organisational risk profile
Monitoring and Reporting	Informal communication of risk	Cyclical risk management reporting	Risk management 'check and challenge' at all levels of the business	Risk management used to optimize decision making

Following the 2013/14 Internal Audit of Risk Management, three recommendations and one suggestion were made. All have been implemented by the implementation date specified.

Following the 2014/15 Internal Audit, one suggestion was made. This related to the update 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 draft Risk Management Policy attached to this report.

There are consequently no outstanding recommendations or suggestions.

Further information can be found in Appendix 1.

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 2014. 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 2014) provides an unqualified opinion on the financial statements and an unqualified Value for Money conclusion.

2.4   Summary of key activity

The following arrangements are in place:

- Monthly update and reporting of strategic risks to the Corporate Board. 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 action plan is in place. This adds tangible value to governance and risk management arrangements throughout the organisation. Reported monthly to Corporate Board.

- Quarterly update of service risks. New and emerging risks reported to Corporate Board.

- Risk management integrated into corporate and service business planning.

- Reporting to Members through a number of channels. 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.

- A sustained focus on our risk management responsibilities as they relate to Corporate Health and Safety. An independent audit of our arrangements was undertaken during 2013 and an action plan put in place. A subsequent mini-audit was undertaken of progress made and reported to Corporate Board in December 2014. This concluded that significant progress has been made and stated that 'Health and safety is now not something that just "*happens*" at MVDC. There are now more robust policies and procedures in place and all managers are aware of their responsibilities. A directional approach is being taken which is being driven by a robust health and safety management system'

- A sustained focus on further improving the Council's business continuity arrangements. All services have completed a Business Impact Analysis (BIA)

and have a Business Continuity Plan in place. Corporate business continuity planning arrangements have been put in place. 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.

An exercise will be undertaken on an annual basis to test the arrangements.

- Following the hacking of the website in August 2013, there has continued to be a strong focus on IT security arrangements. The risk of hacking is identified in the Strategic Risk Register, with mitigating actions including; 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 (the national computer emergency response team) of identified threats; and establishment of an incident response plan.

- 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 Corporate Board.

- Implementation of internal audit recommendations as identified above and in Appendix 1.

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 November 2013, Risk of hacking has been added as an element of the IT strategic risk, and business continuity has been added as a sixth strategic risk. These are contained within the Strategic Risk Register (Appendix 2) and include the actions that are in place in mitigation. Corporate Board review these risks on a monthly basis.

3.0   REVIEW OF RISK MANAGEMENT POLICY

The Council's Risk Management Policy outlines the approach taken by the organisation to ensure the effective management of risks. The Policy is currently reviewed on a three yearly basis and brought to the Executive for approval of changes.

In line with the current review timetable, the Risk Management Policy has been reviewed. The Policy has been generally redrafted to improve clarity and to remove unnecessary detail. The following amendments are suggested:

- Clarity provided in sections **1.1, 2.2 and 2.6** on levels of risk register maintained and definitions of type of risk

- **1.4 Policy Review:** updated to reflect the recommendation to review the policy every four years. This is in line with the timeframe to review the Corporate Strategy and will ensure the two are clearly aligned. The approval of minor

changes is proposed to be delegated to the Corporate Head of Service with responsibility for risk in consultation with the Risk Management Group, and in consultation with the relevant Executive Member.

- **2.2 Identification of risks:** The SMT Lead Officer for Health and Safety has replaced the Council's Safety Adviser as being responsible for ensuring implementation of the Health and Safety Policy and for regular document review. This reflects the current arrangements put in place following the independent Health and Safety Audit in September 2013.

- **2.8 Reporting Risk:** This section has been updated to include monthly risk management updates to corporate board. The Board receives a monthly update of strategic risk, and a quarterly update of service risk.

  Update and clarification of reporting risk to Members has also been included. This relates to the suggestion made by internal audit that 'when the Risk Management Policy is next refreshed in 2015 the process of Member update and discussion of risk is reviewed to ensure that working practice is adequately reflected in the Policy prescribed'

- **2.9 Incorporating Risk in reports:** reference to the risk management questionnaire and the associated appendix has been removed as this arrangement is no longer required. All recommendations in reports to members are risk assessed to ensure that the potential implications and their impact on the Council or community (both positive and negative) are taken into account. The Policy and Performance Team provide observation and challenge to this section of Committee reports.

- **Appendix 1 Roles and Responsibilities:** The following have been updated: Respective roles of Executive, Audit Committee and SMT: Executive is confirmed as having responsibility to review and approve the risk management policy, and to set the Council's risk tolerance level. Responsibility for overseeing the effective management of risk sits with the Audit Committee to reflect its current remit. SMT have been confirmed as having responsibility for reviewing the strategic and service risk registers.

  Risk Management Group: Membership updated. The Executive Member with responsibility for risk will receive regular updates on the work of the Group. Responsibilities have been updated in line with the Terms of Reference for the Risk Management Group (Appendix 2)

  Policy and Performance Team. Previous responsibility of the Senior Performance and Policy Officer widened to whole team responsibility. Delete 'Develop and monitor the risk management arrangements on the Council's performance system 'TEN'. TEN is no longer used, and excel is now used to keep risk registers up to date.

- **Appendix 2 Risk Management Group – Terms of Reference:** This is a new appendix not included in the previous Risk Management Policy.

An updated Risk Management Policy is attached as Appendix 3.

4.0   RISK TOLERANCE LEVEL

A key element of the Policy is to confirm the Council's Risk Tolerance (Please refer to section 2.3 of the draft Policy). 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 previously agreed by Executive to be any risk with a residual score of 15 or above. It is proposed that the level remains at 15.

5.0   NEXT STEPS

The Risk Management Policy and the proposed Risk Tolerance level will be referred to the Executive on 31 March 2015 for formal approval.

A review of Strategic Risks will be undertaken following approval of the new Corporate Strategy by the Council on 10 March 2015.

6.0   FINANCIAL IMPLICATIONS - There are no financial implications arising as a direct consequence of this report.

7.0   LEGAL IMPLICATIONS - There are no legal implications arising as a direct consequence of this report.

8.0   OPTIONS

The Committee has two options for consideration:

Option 1 - 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 and recommend the Risk Management Policy and risk tolerance level to the Executive for approval.

Option 2 - To ask Officers to report back on any risk management issues identified by the Committee.

9.0   CORPORATE IMPLICATIONS

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

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 will be posted on the website in the area on the Council's Performance.

BACKGROUND PAPERS
Health and Safety Audit. ETS Health and Safety Limited 2014. September 2013.
Health and Safety Audit. ETS Health and Safety Limited 2014. November 2014.

Internal Audit Report 2013/14							
Ref	Action	Recommendatio-n/suggestion	Categoris-ation	Accepted (Y/N)	Due date	Status	Comment
1.1a	There were a small number of incomplete entries within the registers which are new and require update and completion (Reference nos: PDC10 PTS04,PRO02, HR Payroll).	Recommendation	Low	N	In place	Implemented	Risk Registers are live documents. New and emerging risks are identified as part of risk review meetings. Detailed work to complete the documentation takes place subsequent to the formal meetings. This is part of the dynamic nature of risk management.
1.1c	In order to ensure accurate risk assessment scores are in place we recommend review and checking of those risks where the residual and inherent score are the same.	Recommendation	Low	Y	Jan 14	Implemented	All such risks have been reviewed.
2.1	In order to reduce inefficiency there is potential here to review options to ensure a single system is used going forward that meets the requirements of being fully networked, maintains local risk ownership and accountability, is user friendly and prompts, diaries and records regular risk register updates.	Recommendation	Medium	Y	Mar 15	Implemented	A review of systems has been undertaken. Decision made to dispense with use of ExecView for risk management and to use excel spreadsheets. This has improved efficiency.
1.1b	In order to provide focus within the registers there is scope to order the listing in terms of highest residual score (RED) presented first.	Suggestion	N/A	Y	Apr 14	Implemented	Where appropriate, this is undertaken to focus discussions at risk review meetings. The significant risk register contains all Red residual risks.
Internal Audit Report 2014/15							
1.1	When the Risk Management Policy is next refreshed in 2015 the process of Member update and discussion of risk is reviewed to ensure that working practice is adequately reflected in the Policy	Suggestion	N/A	Y	March 2015	Implemented	The updated Risk Management Policy reflects the process of Member update and discussion of risk.

	prescribed						

Mole Valley District Council Strategic Risk Register: February 2015   **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	**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. [Corporate Priority 8]	**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	Simon Ling	**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 four key property projects that contribute to this risk:
	   1. North Leatherhead by-pass
	   2. Pippbrook
	   3. Leatherhead Town Centre/Bull Hill
	   4. Dorking Football Ground Meadowbank
	
	This risk is also influenced by:
	- Capacity of the organisation to deliver [Corporate Priority 9]
		High	- 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
				Richard Burrows	Charles Yarwood	**Medium**

C2	**Welfare Reform**
	
	The Council aims to ensure that residents are supported through the changes as a result of Welform Reform.
	
	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.
	
	Contributing factors to this risk include:
	
	  • Being first point of call for residents for a national programme
		Medium	- Executive Working Group and Health and Welfare Board established to provide co-ordinated and strategic approach
			- Implementation of elements of the national welfare reform programme including:
			  • Advice and information
			  • Social Sector Size Criteria
			  • Benefit Cap
			  • Preparation for Universal Credit
			
			- Council adopting default scheme for Local Council Tax Support to minimise financial hardship on residents
			
			- Signposting to key agencies and effective communications / publicity
				Rachel O'Reilly	James Friend	**Medium**

	• 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 [Corporate Priority: 3]		- 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	**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**	- Health and Safety action plan in place - Corporate Health and Safety Policy, arrangements and procedures in place - Corporate induction for people joining the Council includes focus on Health and Safety and all employees provided with Health and Safety Guidance - Fire and Health and Safety risk assessments in place for key service risks - Arrangements with partner organisations/contractors to ensure appropriate Health and Safety requirements are in place	Nick Gray	Chris Townsend	**Medium**

C4	**IT systems**	**High**	- ICT Security Policy covering the permitted use of systems and data is in place and proactively managed and implemented	Richard Burrows	Simon Ling	**Medium**
	a) General 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.					
	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.		- Automated centralised back-up of data and systems is in place should a systems or data recovery be needed			
	This risk is informed by a number of factors, including:		- Secure data via transfer of environmental plant to shared data centre			
	• Services unable to be provided / provided at sub-optimal level		- 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			
	• Information issues including system resilience, security concerns, and public confidence in data security (see also C5)		- Regular patching cycle of service infrastructure			
			- Monitoring of industry trends and knowledge			
	• Reversion to more costly channels of customer interaction		- Resilience building			
	• Compliance with central government security requirements, including restriction on access to Public Service Network data through a non-council owned device					
	• Refurbishment/reprovision of MVDC offices (see also C1a)					
	• Resilience of service					
	b) Risk of hacking					
	All IT systems contain vulnerabilities.	**High**	- Regular testing of the ICT security perimeter of			**Medium**

	Once exposed there is a danger period where systems are particularly vulnerable to attack.		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 - Implementation of incident response plan				
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, including: • Potential breaches in confidentiality enabling access to confidential data • Loss of data	**High**	- Regular updating of Data Protection Policy and data protection training for new and existing staff - Regular staff updates - Member Training on responsibilities under appropriate Code of Conduct for new and existing Members - Certification obtained on disposal of confidential information - Records Retention Policy and implemented - Data sharing protocols in place and implemented - IT Security and backups systems in place and tested regularly		Angela Griffiths	Simon Ling	**Medium**
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**	- Corporate Organisational Resource Strategy setting out MVDC's strategies for the loss of resources, including; people, premises, technology, information, supplies (power/heating) - Corporate Incident Management Plan that informs MVDC's management response to the initial (acute) phase of a business continuity incident		Angela Griffiths	Simon Ling	**Medium**

135

			- Business Impact analyses undertaken for all services			
			- Service level business continuity plans in place			
			- Annual testing arrangement of Business Continuity Plans			

Risk Management Policy

March 2015

MoleValley
District Council

Last updated	March 2015
Responsible Officer	Policy and Performance Manager
Agreed by	Executive 31 March 2015
Next update due	March 2019

APPENDICES

1. Risk Management Policy

1.1 Introduction

Effective risk management is fundamental to the Council delivering the priorities set out within the Corporate Strategy. The ability to identify, understand and manage risk is a crucial factor in developing partnership arrangements to deliver services with partner organisations.

At a strategic level, good risk management is part of a well run organisation, delivering effective and efficient services and achieving value for money. Mole Valley District Council recognises its responsibility to manage risk as a key component of good corporate governance.

The Council is committed to integrating and embedding risk management into its corporate governance arrangements. To be effective, risk management must be integral to policy, planning and operational management and it must be embedded into the culture of the organisation.

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and 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.

A pro-active corporate approach is important if risks are to be identified and managed systematically and consistently across the organisation. In order to create an integrated risk management culture that is embedded into medium-term planning, a collaborative approach to risk is undertaken. Business plans, budgets and risk registers are developed simultaneously, and these are regularly reviewed.

Applying the risk management process - identifying, assessing, controlling and reviewing risk – will help strategic decision makers and managers make informed decisions about the appropriateness of adopting policy or service delivery options and will help in improving the performance of service delivery.

Risk registers are linked to the achievement of the corporate priorities. There are four levels of risk register. They are:

- **Business risk register** – owned by individual Business Managers
- **Service risk register** – owned by individual SMT lead officers. These are made up of the individual Business Risk Registers that fall with their areas of responsibility.
- **Significant risk register** - owned by individual SMT lead officers. Risks on the significant risk register are those risks that remain red after mitigation.
- **Strategic risk register** – owned by the Chief Executive

All employees and members involved in managing risk should be aware of their risk management responsibilities.

1.2 Policy Statement

Mole Valley District 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 Council is aware that some risks will always exist and will not be totally eliminated. It understands the importance of managing these risks effectively.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

1.3 Risk Management Objectives

The risk management objectives of the Council are to:

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

These objectives will be achieved by having in place:

1. Clear roles and responsibilities
2. Full incorporation of risk management considerations into the Council's performance management system (including project management, financial and service planning)
3. Documented risk assessment and control procedures
4. Appropriate resource allocation
5. Appropriate training and shared learning opportunities on effective risk management for employees and members
6. Contingency plans where risk assessment shows these to be necessary
7. Monitoring and review arrangements

1.4 Policy Review

The Risk Management Policy will be reviewed every four years by the Risk Management Group and submitted to the Executive for approval.

Approval of minor changes are delegated to the Corporate Head of Service with responsibility for risk in consultation with the Risk Management Group and the relevant Executive Member.

2. Risk Management Framework

2.1 Introduction

The Council has arrangements in place to ensure the effective management of risk throughout the organisation.

There are four main elements to the effective management of risk. The Council adopts this approach to ensure risks are properly managed and reduced to an acceptable level.

- **Identification –** what could happen that could prevent the Council from achieving its corporate priorities
- **Evaluation/Assessment –** what is the impact in terms of cost, reputation, service delivery, and what is the likelihood of the risk occurring**.**
- **Management/control –** the techniques applied to manage the risk e.g. tolerate, treat, transfer, terminate**.**
- **Review** – continual review of risk management to ensure that it is effective and making improvements where necessary

This process applies to existing service activities. It also applies when the Council is entering new partnerships or when a new contract or project is being procured.

The roles and responsibilities of all employees, managers and members are set out in Appendix 1.

2.2 Identification of risks

Business Risks

A business risk is defined as the threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its service strategies successfully. It include risks associated with projects or procurement (see below), and risks associated with partnership arrangements. It is also a potential opportunity that enhances and accelerates the achievement of service objectives.

Service Risks
Service risks are the risk to a service area for which individual SMT leads are responsible. These are made up of the individual Business Risk Registers that fall with their areas of responsibility.

Significant risks

Significant risks are defined as those risks contained in the Service Risk Register that remain high (red) after mitigation.

Strategic risks

A strategic risk is defined as the threat that an event or action will adversely affect an organisation's ability to achieve its corporate objectives and execute its strategies

successfully. It is also a potential opportunity that enhances and accelerates the achievement of corporate objectives. It may include risks associated with projects or procurement (see below), and risks associated with partnership arrangements. It is also a potential opportunity that enhances and accelerates the achievement of corporate objectives.

Further information on project/procurement and partnership risk can be found in sections 3 and 4.

2.3 Assessment of risks

Once risks have been identified, they are assessed based on the likelihood that they will happen and the impact on the service if they do.

Risks are prioritised using a scoring system, which measures the probability /likelihood and impact of the risk if it happens. The Council has agreed a Risk Assessment matrix. Risks are assessed before controls are put in place (inherent risk) and subsequently once the controls are in place (residual risk).

Risk Assessment

IMPACT						
Catastrophic 5	5	10	15	20	25
Major 4	4	8	12	16	20
Moderate 3	3	6	9	12	15
Minor 2	2	4	6	8	10
Insignificant 1	1	2	3	4	5
	Remote 1	Possible 2	Likely 3	Probable 4	Highly Probable 5
	PROBABILITY				

Please see Appendix 4 for further details.

Risk Tolerance

The risk tolerance of the Council is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. The level has been agreed by the Executive to be any risk with a residual score of 15 or above. The tolerance level will remain in place for the duration of the policy. If a change is proposed, it will be reported to Executive for approval.

2.4 Management/control of risks
SMT Lead Officers have overall responsibility for managing risks in their service area. This may include refusal to take the risk, controlling the risk as far as

reasonably possible or transferring (via contract etc) the risk to another party e.g. insurance.

To ensure that this is done in the most effective manner, ownership and control of the risk may be delegated to the person (risk owner) directly responsible for managing the business activity specific to the risk. This will usually be a member of the Business Management Group.

Further actions may be identified that will improve resilience. Where this is the case, an action owner will also be identified together with a timeframe for this to be achieved.

2.5 Reviewing risks

The risk registers will be used to report on risk, to prioritise improvement action and to monitor results. They will be reviewed at least quarterly, with new and amended assessments identified and recorded as and when necessary.

Business Managers are required to review and update their service risk registers at least quarterly and at that point:

- Monitor to ensure controls are effective and do not require further planned actions
- Ensure identified risks are still relevant and have not changed over time
- Re-assess risks when change happens e.g. re-organisation, different systems, new equipment etc, or at the start of a new project/procurement
- Review key project/procurement risks and, where risks impact on services, escalate for inclusion in service risk register
- In the case of partnership, actively engage with other organisations/members of the partnership and permit the partnership the opportunity to anticipate and respond to change
- Prevent loss and damage and reduce the cost of risk to all involved
- Use best practice to manage risk

The Strategic Risk Register and assurance documentation is reviewed on a monthly basis by Corporate Board.

To ensure the effectiveness of the risk management process and the achievement of set objectives, a review of the Strategic Risk Register will be carried out during the annual business planning process. This ensures that identified risks are current and relevant to the planned activities for the coming year; controls put in place to mitigate risks are effective and adequate resources and budgets are allocated for the delivery of planned projects.

2.6 Risk Registers

Four key Risk Registers are maintained across the organisation:

Business Risk Register

Each business manager is responsible for maintaining a risk register for their area of responsibility.

Service Risk Register

All identified business risks will be recorded in a Service Risk Register for each member of SMT with controls and the assessment of their impact and probability before and after mitigation.

Significant Risk Register

Significant risks are defined as those risks contained in the Service Risk Register that remain above the risk tolerance level after mitigation.

The appropriate SMT lead officer may escalate a significant risk to the Senior Management Team (SMT) for consideration for inclusion on the Strategic Risk Register.

The Risk Management Group maintain oversight of significant risks and review all on a quarterly basis to ensure they are being appropriately managed.

Strategic Risk Register

The Strategic Risk Register contains corporate risks and those significant risks that have been agreed for inclusion by SMT lead officers. It is reviewed monthly by SMT and quarterly by the Risk Management Group.

Please see Appendix 3 for further information on categories of risk.

2.7 Risk Management Assurance Framework

The Council has a risk management assurance framework in place which ensures that controls put in place for mitigating risks are effective. The framework is applied to risks on the Strategic and Significant Risk Registers.

It aims to give the Council assurance that the controls defined for each of these risks are in place and operate effectively. Please see Appendix 5.

2.8 Reporting risks

Corporate Board: receive a monthly risk management report. This includes an update of the Strategic Risk Register and Assurance framework. An update on service risk is received on a quarterly basis.

Members: the reporting of risk to members occurs through a number of channels including:

- SMT lead officers provide written briefings to Executive Members which include risk. These are made available to all Members

- An annual Risk Management report is presented to Audit Committee

- Each business plan has a section on risk. These are made available to all Members

- Each Committee report has a section on risk

2.9 Incorporating Risk in Reports

Risk management is a fundamental part of the decision making process. It is therefore critical that risks are identified and included in Committee reports, to enable members make informed decisions.

All recommendations in reports to members will be risk assessed to ensure that the potential implications and their impact on the council or community (both positive and negative) are taken into account. The Policy and Performance Team provide observation and challenge to this section of Committee reports.

3. Project or Procurement risk

All major project or procurement exercises will need a risk assessment at the outset and that assessment will need to be reviewed at stages throughout the project.

A risk assessment should be completed for major projects and procurements as it is an important tool in determining whether any new project should go ahead and, if so, how it will to be managed. The controls put in place for identified risks will contribute towards the overall management plan for the project.

Projects and procurements vary considerably but the risk management process is the same as for any other activity. The project template documents, including the Project Initiation Document (PIDs), provide a framework.

For projects or procurement risks, the controls column on the risk register will refer to controls, which will be implemented in the project plan (rather than controls which are already in place)

It is particularly important that the risk identification exercise for projects & procurements is carried out with a team so that a range of experience is shared. Clear reference should be made as to which member of the team or partner has responsibility for individual risks, controls and improvement plans.

Partnership working generally has particular risks due the nature of joint working, and so is considered separately in section 4.

.

4. Partnership Risk

The Council engages in partnership working with a range of other agencies, including community groups. This ensures the delivery of good outcomes, for residents, at lowest cost and the achievement of the Council's priority outcomes.

Partnerships vary considerably, from an informal arrangement with another local authority for mutual assistance to a legal contract with a supplier of a key service. SMT Leads and Business Managers are required to identify partnership and contract arrangements.

Partnerships can bring a lot of benefits, but can also carry significant risks. It is therefore imperative that, as part of the process of setting up partnerships, that relevant risks are identified, shared and a risk management plan agreed.

The process of identifying partnership risk should include a joint exercise with the partners. The basic questions to consider are:

- What are our objectives?
- What will stop us from achieving them?
- What mitigating factors can we apply?

Clear reference should be made as to which partner or member of the team has responsibility for individual risks, controls and improvement plans. In joint working, certain responsibilities are held by the "lead authority". If it is not clear who the lead authority is (e.g. in a consortium) or where the lead may change depending on the activity (e.g. in a Community Safety Partnership) there should be a clear understanding between the partners of who is responsible for what and, ideally, that agreement should be recorded.

To ensure that risks are shared and managed appropriately, the Council's objectives for being involved in the partnership should be made clear and what benefits the partnership working is expected to bring.

The Council's objective for being involved in the partnership can be identified by undertaking it as part of a strategic risk exercise. It should address how the terms of the partnership deal with risk allocation, seek assurance that the partners understand risk management and consider how robust the partnership is.

A joint risk register will be developed by the partners. Some risks will impact differently on each partner, so partners may have a different view on the size of a risk and whether the residual risk is acceptable. All negotiations need to be agreed at the outset.

Individual risks may be incurred by one or more of the partners but usually some controls will be the Council's responsibility and some will be the partner's. Each party must know and agree where the risks fall and how they will be dealt with.

Risk management may have a direct effect on resource requirements and all parties need to agree on the allocation of risk.

The control of some risks will be in the hands of partners and the Council will need to have a means of assurance that the risk is being suitably managed. The choice of

partner at the outset might be the Council's main control but monitoring and break clauses can provide ongoing assurance.

Risk Management arrangements : Roles and Responsibilities   **Appendix 1**

<table>
<tr>
<td rowspan="2">Members</td>
<td>All Members

• Apply principles of risk management in all aspects of their functions/duties

• Ensure that risks have been considered during all decision making</td>
<td>Executive

• Reviews and approves the Risk Management Policy and overall arrangements every four years

• Sets the Council's risk tolerance for the life of the Risk Management Policy</td>
<td>Audit Committee:

• Regularly review the effectiveness of the Council's risk management strategy and overall arrangements

• Oversee the effective management of risks

• Ensure an appropriate challenge is provided to risks identified.</td>
</tr>
<tr>
<td>The Strategic Management Team (SMT)

• Annually carry out a strategic risk assessment

• Review the strategic risk register monthly and the service risk register quarterly

• Set priorities for dealing with unacceptable risk and significant improvable risks

• Support a framework of corporate controls to manage risks arising across the Council's Service.

• Receive reports from the Risk Management Group and consider proposals for additional funding for risk control measures

• Ensure that regular and appropriate risk management briefings are made to Executive Members

• Ensure that risk is an integral element of decision making

• Ensure that an appropriate level of awareness and skills training is available to Officers and Members</td>
<td>Business Management Group (BMG)

• Be responsible for the identification, assessment, management and control of all risks arising out of the activities, assets and resources under their authority

• Document risk assessment and controls i.e. maintain their service risk register

• Ensure that risk, including project and procurement risk, is effectively managed within their department and across the service area as a whole.

• Regularly review and report on risks as part of the business review and monitoring process

• Identify partnership and contract arrangements where the risk is shared and ensure that these are managed appropriately

• Provide information to the Insurance Officer on new assets liabilities, significant risks and other matters on request to enable the insurance programme to be put in place and maintained

• Provide information to the Insurance Officer on risk incidents, accidents and losses so that any insurance claim may be made and post-incident analysis carried out</td>
<td>The Risk Management Group will

• Comprise of the Corporate Head with responsibility for risk as Chair, and include a Corporate Head, Policy & Performance Manager, Insurance Officer, and Emergency Planning and Community Resilience Officer

• Implement and drive policies on risk across the Council

• Encourage a more holistic approach to identifying and management of risks at departmental level

• Monitor and manage strategic and significant risks and ensuring improvement plans are adequate and managed effectively

• Monitor the less significant risks and ensure they are being actively managed with appropriate controls in place and working effectively

• Regularly report and offer appropriate assurance to SMT on management of risks within the Council

• Prompt SMT to set and annually review the Council's risk tolerance

• Ensure the Council's business continuity arrangements are up to date and effective

• Provide written briefings to the Executive Member with responsibility for risk on the work of the Group. These are made available to all Members

• Oversee the schedule of work to implement the Council's Health and Safety policies, arrangements and procedures</td>
</tr>
<tr>
<td>Management Teams</td>
<td colspan="3"></td>
</tr>
</table>

Staff	**Project Managers**: • Identify and assess risks arising from any new or proposed projects in line with the Council's Project Management Approach • Document all risks assessments and put controls in place to eliminate or reduce risks to a manageable level. • Identify partnership or contractual arrangements where the risk is shared and ensure that these are effectively managed • Escalate high project risks, where relevant, for inclusion in the service's risk register **All Staff:** All staff have a responsibility for managing risks effectively within their own work and area of authority	**Insurance** Insurance will sometimes be an appropriate control for financial risks. The deputy Chief Executive, together with the Insurance Officer will: • Consider how insurance should be funded • Manage the operation of any internal insurance fund • Review insurance policies and new exclusions and assess their impact on the internal insurance fund • Review the Council's insurance renewal strategy • Determine the most economic balance between self retention and Insurance purchase	**Policy and Performance Team** • Regularly review the risk management policy and present proposals or changes to the risk management group • Co-ordinate and facilitate the implementation of the risk management process across the council • Consult regularly with SMT lead officers on risk management issues • Monitor risk management development and regularly report progress to the risk management group • Monitor the strategic and services risk registers, reviewing significant risks and ensuring controls in place are adequate and effective

Risk Management Group - Terms of Reference

Introduction

Risk management is the effective management of potential opportunities and threats that might adversely affect the Council's ability to achieve its aims and objectives. The process of risk management needs to be embedded into the culture of the Council.

The risk management group was established to ensure that risk management is embedded across the council. Part of the group's remit is to raise the profile of the management of risk at departmental levels, ensure that appropriate strategic business risks are identified and improvement plans are adequate and actively managed.

Function

The risk management group will be responsible for:

- Implementing and driving policies on risk across the Council

- Encouraging a more holistic approach to identifying and management of risks at departmental level

- Monitoring and management of strategic and significant risks and ensuring improvement plans are adequate and managed effectively.

- Monitoring the less significant risks and ensuring they are being actively managed with appropriate controls in place and working effectively.

- Regularly reporting and offering appropriate assurance to SMT on management of risks within the Council.

- Prompting SMT to set and annually review the Council's risk appetite/tolerance

- Ensuring the Council's business continuity arrangements are up to date and effective

- Oversee the schedule of work to implement the Council's Health and Safety policies, arrangements and procedures.

Membership

Corporate Head of Service (Risk Management Lead)	Environmental Health Manager/ Health and Safety Adviser
Policy and Performance Manager	Insurance Officer
Policy and Performance Officer (Health and Safety Coordinator)	Building Projects and Maintenance Manager
Strategic Parking and Parks Manager	Building Services Surveyor
Environmental Contracts Manager	Emergency Planning and Community Resilience Officer
Community Support Services Business Development Manager	Operations Manager, Dorking Halls
Health and Safety Consultant	Corporate Head of Service

Corporate Heads of Service to be invited when their department's significant risks are being queried/scrutinised.

Frequency of meeting: Group to meet at least quarterly.

Categories of Risks[1]

The categories are neither prescriptive nor exhaustive; they however provide a framework for identifying and categorising a broad range of risks facing each service.

Strategic:

Risks to be taken into account in judgements about medium - to long-term goals and objectives of the Council. These may be

- **Political:** those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments;

- **Economic:** those affecting the Council's ability to meet its financial commitments, including internal budgetary pressures, the failure to purchase adequate insurance, inadequate reserves or the consequence of investment decisions;

- **Social:** those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives;

- **Technological:** those associated with the Council's capacity to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives;

- **Legislative:** those associated with current or potential changes in national or European law (eg TUPE[2] Regulations, Health and Safety Regulations, Human Rights Act, Freedom of Information, Data Protection etc)

- **Environmental:** those relating to the environmental consequences of progressing the Council's strategic objectives (e.g. energy efficiency, pollution, recycling, landfill requirements, biodiversity, emissions etc).

- **Competitive:** those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.

- **Customer/Citizen:** those associated with the failure to meet the current and changing needs and expectations of customers and citizens.

Managing strategic risks is a core responsibility for senior managers in close liaison with elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning process, and as a key element of service reviews. Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT[3] or PESTLE[4] analysis.

---

[1] Audit commission – Worth the Risk: Improving Risk Management in Local Government
[2] Transfer of Undertakings (Protection of Employment) Regulations relating to the possible transfer of staff terms and conditions when in-house work is transferred to an external contractor.
[3] SWOT – Strengths, Weaknesses, Opportunities and Threats.
[4] PESTLE – Political, Economic, Social, Technological, Legislative and Environmental.

Operational:

These are risks that managers and staff will encounter in the daily course of their work. These may be:

• **Professional**: those associated with the particular nature of each profession (for example, social work service concerns over children at risk; housing service concerns as to the welfare of tenants);

• **Financial**: those associated with financial planning and control and the adequacy of insurance cover;

• **Legal**: those related to possible breaches of legislation;

• **Physical**: those related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment, etc);

• **Contractual**: those associated with the failure of contractors to deliver services or products to the agreed cost and specification;

• **Technological**: those relating to a reliance on operational equipment (for example, IT systems or equipment and machinery); or

• **Environmental**: those relating to air, land and water pollution, noise, biodiversity (which includes the protection of habitats and wildlife), or the energy efficiency of ongoing service operations.

Organisation Risk

Organisational risks relate to the reputation and tools of the Authority such as people, information and corporate governance.

Risk Matrix

Impact Assessment

	Service Disruption	Financial Loss	Reputation	Failure to provide statutory service/meet legal obligations	People
Catastrophic 5	Total Service Failure	Over £1m	National publicity more than 3 days. Resignation of leading member or Chief Officer	Multiple civil or criminal suits. Litigation, claim or fine above £1m	Fatality to any person linked to the Council's activities
Major 4	Serious disruption to service	£500k - £1m	National public or press interest	Litigation, claim or fine £500k - £1m	Major injury, permanent disablement of one or more clients/staff
Moderate 3	Disruption to service	£50k - £500k	Local public/press interest	Litigation, claim or fine £50k - £500k	Severe injuries to an individual
Minor 2	Some minor impact on service	£5k - £50k	Contained within department	Litigation, claim or fine £5k - £50k	Minor injuries to several people
Insignificant 1	Annoyance but does not disrupt service	<£5k	Contained within department	Litigation, claim or fine less than £5k	Minor injury to an individual

Probability Classification

5	Highly Probable	Expected to occur in most circumstances (>80%)
4	Probable	Will probably occur in most circumstances (51% - 80%)
3	Likely	Fairly likely to occur (21% - 50%)
2	Possible	Could occur at some time (5% 20%)
1	Remote	May occur only in exceptional circumstances (0 - 5%)

Risk Management Assurance Framework

The Risk Management Assurance Framework aims to give the Council assurances that controls defined for all significant risks and for those risks included in the Strategic Risk Register are in place and operate effectively.

Controls in place will be assessed for their effectiveness by the Policy and Performance Team during the quarterly review of risk registers.

A gap in assurance will be deemed to exist where there is no evidence that there are controls in place, or that they are effective. Whenever a gap in assurance is identified, an action must immediately be put in place and allocated to an owner.

Where controls exist, levels of assurance will be attributed to them during the review process. Levels of assurance to be applied are:

Assurance Level	Details
Level 1: None	There is no evidence to support the effectiveness of the control and/or based on evidence the control is completely ineffective.
Level 2: Limited	The control is appropriately designed, however it is not consistently applied resulting in it being ineffective and inefficient.
Level 3: Adequate	The control is working effectively but there is scope for improvement to make it more efficient to reduce the cost of mitigation
Level 4: Substantial	The control is working effectively and efficiently.

The Council aims to obtain an assurance level 3 in all cases, depending on the severity of the risk in terms of impact on the Council. A substantial level of assurance needs to be obtained for risks with higher impact, as determined by management.