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<b>Date</b>	9 March 2017

<b>Ward (s) affected</b>	N/A	<b>Key Decision</b>	No
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<b>Subject</b>	Risk Management Annual Report 2016-17
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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
- Review the Strategic Risk Register (Appendix A) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive or to the Executive
- Make observations or recommendations to the Executive if appropriate

### EXECUTIVE SUMMARY

This report:

- Summarises the risk management activity since the previous annual report
- Provides an update of the Strategic Risk Register
- 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 A: Strategic Risk Register

### CORPORATE PRIORITIES

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

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

## **1.0 Introduction**

The effective implementation of risk management is a critical success factor in all organisations if they are to achieve their objectives. Effective risk management aids continuous improvement and, as far as possible, safeguards against loss or failure. The management of risk is central to good corporate governance to ensure that direction and control is established and maintained.

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**

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 March 2016. No high or medium rated recommendations were made. The next annual Internal Audit of Risk Management is scheduled to take place during March 2017.

An Internal Audit Strategy is agreed in March each year by the Audit Committee. It is based on an analysis of our corporate objectives, our risk profile and assurance framework as well as other factors that may affect Mole Valley District Council during the year. Internal Audit evaluate our risk management processes to ensure that they can continue to place reliance the Councils risk registers to inform the Internal Audit Strategy. Progress reports are provided to Audit Committee summarising the findings of each internal audit as they are completed.

A report on the outcomes of the 2015-16 Strategy was presented to Audit Committee in September 2016. 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, governance and internal control processes. The Head of Internal Audit Opinion for 2015-16 was stated in the Internal Audit Annual Report 2015/16 and noted that:

'The organisation has an adequate and effective framework for risk management [and governance]'

A progress update on the 2016-17 Strategy and the proposed Internal Audit Strategy 2017-18 are included elsewhere on the agenda.

## **2.3 External Audit**

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 2016. 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 2015-16 provides an unqualified opinion on the financial statements and an unqualified Value for Money conclusion stating:

'On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016'.

## **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 are in place. This is reported bi-monthly to the Senior Management Team.

- Risk management is integrated into corporate and service planning. Strategic risks are assessed to ensure alignment with the Corporate Strategy. Service 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 Service Plans include risk and are signed off by Executive Members.
- The Risk Management Group, chaired by the Policy and Performance Manager, 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 2016-17, there has been a focus on risk management arrangements in relation to major projects, Health and Safety, contract management and in preparation for the implementation of shared service arrangements. Examples include:

- Roll-out of MVDC's Project Management Approach. Risk Management is an integral element of project management, reflecting that projects may involve elements of risk and uncertainty. Risks of major projects are reported to the Senior Management Team as part of the regular risk management updates.
- A continued focus on Health and Safety, with risk based reviews being undertaken throughout the year.
- Development of a contract management toolkit. This is designed to ensure that risks associated with managing contracts are mitigated and that MVDC has risk assessments in place as appropriate.
- Development of joint risk management plans with partners in preparation for the implementation of shared service and joint contract arrangements.

## **2.5 Strategic Risk Register**

The Strategic Risk Register (Appendix A) is owned by the Chief Executive and shows MVDCs strategic risks. The Strategic Risk Register includes both the inherent and residual risk levels for each risk. As a result of actions taken in mitigation, all risks have been reduced from a 'high' inherent risk, to a 'medium' residual risk.

Residual Risk Level	H			
	M			C1 C1a C3 C4b C4c C5 C6
	L			
		L	M	H

Inherent Risk Level (no controls)

C1 MTFS  
C1a Property Projects  
C3 Health and Safety  
C4b IT – hacking  
C4c IT – resilience  
C5 Data Protection/Information Governance  
C6 Business Continuity

Through the proactive management of risks, there have been changes to the Council's risk profile during 2016-17. Since previously reported to Audit Committee in March 2016, there has been one addition to the Strategic Risk Register:

- IT resilience – Mole Valley District Council needs to make sure that its staff and IT systems are available 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. This risk is informed by a number of factors, including the fact that the IT systems and the majority of MVDC staff are based at Pippbrook

One risk has been deleted:

- Pippbrook Civic Offices Refurbishment – this is a time limited project and a key element of the risk was in relation to business continuity during the programmed works.

## 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. The Risk Tolerance Level is included in the Risk Management Policy that was agreed by Executive in March 2015. The level was agreed to be any risk with a residual score of 15 or above. There is no change proposed to the risk tolerance level.

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						

### 3.0 Next steps

An All Members Seminar on Risk Management took place on 23 February 2017. Feedback from this Seminar is being considered and will be actioned as appropriate.

The annual internal audit of risk management arrangements is scheduled to take place during March 2017. Any recommendations made will be considered and actioned as appropriate.

### 4.0 Financial Implications

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

### 5.0 Legal Implications

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

## CORPORATE IMPLICATIONS

### S151 Officer commentary

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

### Monitoring Officer commentary

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

**Risk Implications**

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

**Equalities Implications**

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

**Communication**

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

**BACKGROUND PAPERS**

Risk Management Policy 2015-19.

MVDC Internal Audit of Risk Management - April 2016.

MVDC Internal Audit Annual Report 2015 -16.

Grant Thornton – The Audit Findings for Mole Valley District Council. September 2016.

**Mole Valley District Council Strategic Risk Register : January 2017**

**Appendix A**  
**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><b>Medium Term Financial Strategy</b> 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 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.</p> <p>This risk is informed by a number of factors, including:</p> <ul style="list-style-type: none"> <li>• not achieving savings/income generation targets</li> <li>• additional service demand and/or</li> <li>• changes to funding levels.</li> </ul> <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>	High	<ul style="list-style-type: none"> <li>-Annual financial scene setting report updates assumption underlying MTFS</li> <li>- Asset Investment Strategy in place</li> <li>- 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</li> <li>- Clear management action is reported promptly detailing alternative savings / income if original plans become non-deliverable or funding levels alter in year</li> <li>- Monthly tracking and reporting of income generated compared to monthly projection</li> <li>- Monthly formal budget reports focus on comparing how much we have actually spent to how much we forecast we would spend</li> <li>- The finance team actively look for information on potential funding changes and the financial implications of existing and future government policy changes</li> </ul>	Nick Gray	Lynne Brooks	Medium

C1a	<p><b>Property Projects</b></p> <p>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.</p> <p>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:</p> <ol style="list-style-type: none"> <li>1. Pippbrook Refurbishment (see C1b)</li> <li>2. Pippbrook House</li> <li>3. Dorking Football Ground Meadowbank</li> <li>4. North Leatherhead by-pass</li> <li>5. Transform Leatherhead</li> </ol> <p>This risk is also influenced by:</p> <ul style="list-style-type: none"> <li>- Capacity of the organisation to deliver</li> </ul>	<b>High</b>	<ul style="list-style-type: none"> <li>-Asset Management Plan in place</li> <li>- Robust programme and project management in place</li> <li>- Prioritisation of new/speculative projects takes the needs of the organisation and its capacity to deliver into account</li> <li>- Effective communication within Property Team to ensure efficient and coordinated use of resources</li> <li>- Annual budget and business planning arrangements identify and secure appropriate resources</li> </ul>	Richard Burrows	Charles Yarwood	<b>Medium</b>
C3	<p><b>Corporate Health and Safety</b></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"> <li>• Compliance with Health and Safety at Work Act</li> <li>• Civil Duty</li> <li>• Moral and Public Duty</li> </ul>	<b>High</b>	<ul style="list-style-type: none"> <li>- Corporate Health and Safety Policy, arrangements and procedures in place</li> <li>- Regular reviews of health and safety arrangements by Health and Safety consultant</li> <li>- Health and Safety action plan in place</li> <li>- Employee induction includes focus on Health and Safety and all employees provided with Health and Safety Guidance</li> <li>- Health and Safety risk assessments in place for all service areas</li> <li>- Fire risk assessments in place for relevant Council properties</li> <li>- Arrangements with partner organisations/contractors to ensure appropriate Health and Safety requirements are in place</li> </ul>	Nick Gray	Lynne Brooks	<b>Medium</b>

C4b	<p><b>IT systems</b></p> <p><b>b) Risk of hacking</b> All IT systems contain vulnerabilities. Once exposed there is a danger period where systems are particularly vulnerable to attack.</p>	<b>High</b>	<ul style="list-style-type: none"> <li>- Access to systems and data is strictly controlled and data is held securely in order to ensure it is only available as permitted and not at risk of loss or compromise</li> <li>- Regular testing of the ICT security perimeter of firewalls, monitoring for new vulnerabilities of systems and a cycle of ensuring all system versions are up to date is in place</li> <li>- Regular patching cycle of service infrastructure</li> <li>- Risk assessment on basis on industry knowledge and GovCert of identified threats</li> </ul>	Richard Burrows	Lynne Brooks	<b>Medium</b>
C4c	<p><b>Resilience</b></p> <p><b>c) Resilience</b></p> <p>The Council needs to make sure that its staff and IT systems are available to deliver the services for which it is responsible.</p> <p>If we fail to do this, there could be a major breakdown and disruption of systems that leads to an inability to deliver key services.</p> <p>This risk is informed by a number of factors, including:</p> <ul style="list-style-type: none"> <li>• Majority of MVDC staff based at Pippbrook</li> <li>• IT systems hosted at Pippbrook</li> </ul>	<b>High</b>	<ul style="list-style-type: none"> <li>- Automated centralised back-up of data and systems is in place should a systems or data recovery be needed</li> <li>- Progress on-site arrangements to increase resilience</li> <li>- Alternative working arrangements in place for staff</li> </ul>	Richard Burrows	Lynne Brooks	<b>Medium</b>
C5	<p><b>Data Protection/Information Governance</b></p> <p>The Council needs to make sure that personal data is secure and that an individual's right to privacy is protected.</p> <p>If we fail to effectively act on and embed standards and procedures that enable us to do this, this could lead to a loss of public trust and financial penalties to the organisation.</p>	<b>High</b>	<ul style="list-style-type: none"> <li>- Periodic updating of Data Protection Policy</li> <li>- Data protection training and updates for new and existing staff</li> <li>- Member Training on responsibilities under appropriate Code of Conduct for new and existing Members</li> <li>- Certification obtained on disposal of confidential information</li> <li>- Records Retention Policy in place and implemented</li> <li>- Data sharing protocols in place and implemented</li> </ul>	Nick Gray	Lynne Brooks	<b>Medium</b>

	<p>This risk is informed by a number of issues, including:</p> <ul style="list-style-type: none"> <li>• Potential breaches in confidentiality enabling access to confidential data</li> <li>• Loss of data</li> </ul>					
C6	<p><b>Business Continuity</b></p> <p>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.</p>	<b>High</b>	<ul style="list-style-type: none"> <li>- 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)</li> <li>- Priority Activities Document in place that defines the critical functions to be restored in an emergency situation and within which timescales</li> <li>- Combined Service level Business Continuity Plans and Business Impact Analyses in place</li> </ul>	Nick Gray	Corinna Osborne-Patterson	<b>Medium</b>

Additions / deletions:

C1b Pippbrook refurbishment : added November 2015. Deleted February 2017.

C2 Welfare Reform : deleted November 2015

C4a IT systems General : deleted November 2015

C4c IT systems Resilience – added November 2016