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Ward (s) affected	N/A	Key Decision	No

Subject	Risk Management arrangements

RECOMMENDATIONS

That the Audit Committee:

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

2. 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

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 Background

1.1 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.

1.2 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

1.3 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.

1.4 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.

1.5 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

Risk Management Policy

2.1 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'.

2.2 The Policy also sets out the Council's risk management objectives as follows. They are to:

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

2.3 Since previously reported to Audit Committee (March and June 2017) the agreed updates to the Policy have been made.

2.4 The section on Partnership Risk has also been updated to reflect recent developments, in particular shared service arrangements for Environmental Health and for Building Control services. In this context the term partnership working involves achieving objectives by cooperation. Partnership working can bring many benefits, but can also carry significant risks. It is therefore important that, as part of the process of setting up partnerships, that relevant risks are identified, shared and a risk management plan agreed.

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

Summary of key activity

2.5 The following arrangements are in place:

i. Regular 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.

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

iii. Risk management is integrated into corporate and service planning. Strategic risks are assessed to ensure alignment with achievement of priorities in the Corporate Strategy. Service Plans include a section where risks and opportunities are highlighted.

iv. Facilitated challenge of risks is held with Corporate Heads of Service on a quarterly basis, and with all service managers on a rolling three monthly programme. New and emerging risks are reported to the Senior Management Team as appropriate. This ensures that the risk profile of the Council is up to date and consistent.

v. Reporting to Members through a number of channels. A section on risk is included in Business and Budget monitoring reports to Executive, with the Strategic Risk Register included as an appendix. Each Committee report has a section on risk. 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. All Service Plans include risk and are signed off by Executive Members.

vi. The Risk Management Group, chaired by the Risk Management 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.

vii. MVDC's project management approach has been augmented with an updated Project Management Toolkit based on Prince2 principles which includes the requirement to have a risk register for each project and for Project Managers to report progress to their Project Sponsors using Highlight Reports (the template includes a section on risk). A programme of awareness raising with the Business Management Team is ongoing to ensure that use of the toolkit is widespread across the Council.

viii. Corporate projects are managed using the Project Management approach, for example, a risk register is kept under review for the General Data Protection Regulations implementation project. The General Data Protection Regulation (GDPR) will apply in the UK from 25 May 2018 and is very much integral to our overall arrangements for data

protection and information, which is one of our strategic risks. The overall objective of the project is to ensure that MVDC is well prepared for and compliant with the new regulations.

ix. An Assets Programme of 12 property projects is monitored by the Assets Programme Network which includes officers from Property, Planning, Housing, Finance, Risk Management & Performance and Investment & Regeneration and is chaired by the Deputy Chief Executive. The role of the Network is to review upcoming milestones/activities, live risks and issues relating to these projects individually and across the whole programme, and to escalate any issues requiring attention from the Senior Management Team.

x. Programme Management arrangements for the Transform Leatherhead Programme have been reviewed in line with Managing Successful Programmes (MSP) so that the correct documentation is in place including a Programme Schedule, Dependency Network and Programme Risk Register which are regularly reviewed. Further work is also underway to review the risk management arrangements for each of the Programme's individual projects.

xi. Work is progressing to develop joint risk registers for the Environmental Health shared service, the Building Control shared service and the Joint Waste Contract.

xii. Risk management arrangements around the Asset Investment Strategy have been continually developing. Failure to deliver the Asset Investment Strategy has been identified as a strategic risk for the Council and is being managed accordingly.

Strategic Risk Register

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

2.7 The Strategic Risk Register is owned by the Chief Executive and shows MVDC's strategic risks. The Strategic Risk Register includes both the inherent and residual risk levels for each risk. The Register has been enhanced with the inclusion of scoring of impact and probability and is reported to the Executive on a regular basis as part of the Business and Budget monitoring reports.

2.8 The Senior Management Team has a responsibility to undertake a thorough review of the Strategic Risks on an annual basis. This review took place in January 2018. Following this review, SMT approved:

i. The removal of Risk C1b, Funding Streams; the impact of changes in funding streams have been analysed and built into future budget arrangements

ii. The addition of Risk C7, Organisational Capacity to deliver; this recognises the importance of having resources in place across the organisation to ensure corporate priorities are achieved and effective services are delivered.

2.9 The risks are set out in the table below. Each has been scored against a five by five risk matrix to enable a more sensitive risk analysis. The updated Strategic Risk Register is attached as Appendix A.

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

IMPACT	Remote 1	Possible 2	Likely 3	Probable 4	Highly Probable 5
Catastrophic 5					
Major 4		C1c, C3, C4b			
Moderate 3		C5, C4c	C7		
Minor 2					
Insignificant 1					

PROBABILITY

C1c Asset Investment Strategy
C3 Health and Safety
C4b IT – hacking
C4c IT – resilience
C5 Data Protection/Information Governance
C7 Organisational Capacity to Deliver

Risk tolerance level

2.11 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. The tolerance level is reviewed annually by the Risk Management Group and by the Senior Management Team. This review took place in January 2018. There is no change proposed to the risk tolerance level.

Risk Assessment

| IMPACT	Remote 1	Possible 2	Likely 3	Probable 4	Highly Probable 5
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

PROBABILITY

Internal Audit

2.12 Each year, internal audit carries out a risk maturity and compliance update to determine the progress made by the Council since the previous audit. The most recent internal audit was undertaken in February 2018. A copy of the full report has been provided to Members of the Audit Committee and a summary is included elsewhere on the agenda as part of the Internal Audit Progress Report papers.

2.13 The opinion stated in the Internal Audit Risk Management Report 2017/18 is that:

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

No assurance | Partial assurance | Reasonable assurance | **Substantial assurance**
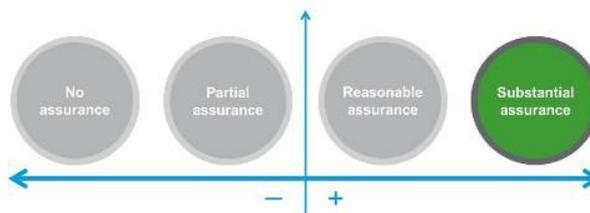
2.14 Two recommendations were made. The first is in relation to the joint Environmental Shared Service, and reflects the need to ensure that a joint risk register is in place to ensure that emerging risks are documented to evidence effective management and mitigation going forward. This recommendation is being progressed by the Partnership Manager responsible for the Shared Service.

2.15 The second relates to project risk. MVDCs Project Management Approach is being rolled out across the organisation and there is a need to ensure that each project has a risk register containing information on identified threats and opportunities. This recommendation is being taken forward by the Risk Management and Performance Team, and will advise project managers of the need to develop a risk register as part of the project arrangements.

2.16 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.

2.17 A report on the outcomes of the 2016-17 Strategy was presented to Audit Committee in June 2017. 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 2016-17 was stated in the Internal Audit Annual Report 2016-17 and noted that:

'The organisation has an adequate and effective framework for risk management, governance and internal control'.

2.18 The Head of Internal Audit opinion in relation to 2017-18 is due to be reported in the Internal Audit Annual Report 2017-18 to the Audit Committee, as per the workplan for 2018/19 which will be agreed at a future meeting of the Audit Committee.

2.19 A progress update on the 2017-18 Strategy and the proposed Internal Audit Strategy 2018-21 are included elsewhere on the agenda.

External Audit

2.20 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 2017. 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 2016-17 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 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017'.

3.0 Financial Implications

3.1 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.

4.0 Legal Implications

4.1 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

Grant Thornton. The Audit Findings for Mole Value District Council. Year ended 31 March 2017.
September 2017
Risk Management Policy 2015-19 (Updated 2017)
MVDC Internal Audit of Risk Management – February 2018

MOLE VALLEY DISTRICT COUNCIL

Strategic Risk Register

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

Corporate Priorities

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

Summary Matrix – key strategic risks after mitigation

IMPACT	Catastrophic 5					
	Major 4		C1c, C3, C4b			
	Moderate 3		C5, C4c	C7		
	Minor 2					
	Insignificant 1					
		Remote 1	Possible 2	Likely 3	Probable 4	Highly Probable 5
			PROBABILITY			

C1c Asset Investment Strategy
C3 Health and Safety
C4b IT – hacking
C4c IT – resilience
C5 Data Protection/Information Governance
C7 Organisational capacity to deliver

February 2018

Mole Valley District Council Strategic Risk Register

Ref	Description of the risk	Inherent risk level (no controls)			Controls in place at MVDC	Risk owner – Member	Risk owner – Officer	Residual risk level (after existing controls)			Movement of Residual Risk [1]
C1c	**Asset Investment Strategy** If MVDC fails to deliver the Asset Investment Strategy by March 2020 we will not secure adequate funding streams through returns on property investment. This could lead to a lack of financial resilience and a failure to deliver statutory and essential services This risk is informed by a number of factors including: • Availability of and access to cheap borrowing • Increase in property prices due to increased local government interest activity • Capacity of the organisation to deliver • The need for a dynamic and responsive approach to maximise outcomes	Probability 4	Impact 4	**Rating 16**	-Rigour and due diligence applied through regular review of approach and criteria for investment by Executive -Consideration of alternative forms of property investment -Use of expert consultants -Annual targets set - Regular monitoring by Executive through Business and Budgeting monitoring reports -Active assessment of the market for access to cheap borrowing, such as through the Public Works Loan Board	Executive Member (Finance and Corporate Services)	Finance Director (Deputy Chief Executive)	Probability 2	Impact 4	**Rating 8**	⇔
C3	**Corporate Health and Safety** MVDC needs to provide services in a safe manner that protects the health and safety not just of its employees but also members of the public, trainees, contractors and Members. 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	Probability 5	Impact 5	25	- Corporate Health and Safety Policy, arrangements and procedures in place - Regular review of Health and Safety at Staff and Members Consultative Forum - Regular reviews of health and safety arrangements by Health and Safety consultant - Health and Safety action plan	Executive Member (Finance and Corporate Services)	Finance Director (Deputy Chief Executive)	Probability 2	Impact 4	8	

[1] Within previous 6 months.

February 2018

Ref	Description of the risk	Inherent risk level (no controls)			Controls in place at MVDC	Risk owner – Member	Risk owner – Officer	Residual risk level (after existing controls)			Movement of Residual Risk [1]
	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				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						⇔
C4 b	**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. ⇔	Probability 4	Impact 4	16	-IT Security Policy in place and updated regularly - Regular communication and awareness in place for all staff -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 of industry knowledge and government information provided by the National Cyber Security Centre.	Executive Member (Finance and Corporate Services)	Finance Director (Deputy Chief Executive)	Probability 2	Impact 4	8	⇔

Ref	Description of the risk	Inherent risk level (no controls)			Controls in place at MVDC	Risk owner – Member	Risk owner – Officer	Residual risk level (after existing controls)			Movement of Residual Risk [1]
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.	Probability 5	Impact 4	20	-IT Security Policy in place and updated regularly -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	Executive Member (Finance and Corporate Services)	Finance Director (Deputy Chief Executive)	Probability 4	Impact 2	8	⇔
C4c	**IT Systems** **c) Operational Resilience** MVDC 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:	Probability 4	Impact 4	16	- IT Strategy in place and updated regularly - Automated centralised back-up of data and systems is in place should a systems or data recovery be needed - Improved on-site arrangements for physical environment (e.g. air con) - Alternative working arrangements in place for staff	Executive Member (Finance and Corporate Services)	Finance Director (Deputy Chief Executive)	Probability 2	Impact 3	6	⇔

February 2018

Ref	Description of the risk	Inherent risk level (no controls)			Controls in place at MVDC	Risk owner – Member	Risk owner – Officer	Residual risk level (after existing controls)			Movement of Residual Risk [1]
	• Majority of MVDC staff based at Pippbrook • IT systems hosted at Pippbrook			(red)						(green)	
C5	**Data Protection/Information Governance** MVDC 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	Probability 3	Impact 3	9	- Data Protection Policy approved by Council and updated periodically - 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 - Information Asset Register in place - Records Retention Policy in place and implemented - Data sharing protocols in place and implemented	Executive Member (Finance and Corporate Services)	Interim Corporate Head of Service (with responsibility for legal services)	Probability 2	Impact 3	6	⇔
C7	**Organisational capacity to deliver** MVDC needs to ensure that the organisation has the capacity to achieve the priorities in the Corporate Strategy and to ensure the effective delivery of services. If the organisation ceases to have capacity to deliver services this could have serious implications particularly in relation to statutory services ultimately leading to service failure. Capacity problems increase turnover and	Probability 4	Impact 4	16	A workforce planning approach which ensures the right number of people with the right skills and behaviours are employed in the right place at the right time to deliver the organisation's short and long-term objectives. There are a number of controls in place including: - Flexible working practices that attract and retain high quality employees with the right skills and behaviours	SMT (Head of Paid service has delegated responsibility in the constitution for staffing matters)	Chief Executive	Probability 3	Impact 3	9	N/a (new risk Feb 2018)

Ref	Description of the risk	Inherent risk level (no controls)			Controls in place at MVDC	Risk owner – Member	Risk owner – Officer	Residual risk level (after existing controls)			Movement of Residual Risk [1]
	absence and adversely affect wellbeing and productivity levels. This sets up a negative cycle, further reducing resources, damaging service levels and increasing financial cost to the Council. If there is a significant gap between demands on employees and what they can realistically deliver, the risk of hidden problems causing damage (once discovered) increases. This risk is informed by a number of issues including: • Ability to recruit and retain talented staff • Effective prioritisation of key workstreams • Ability to respond to additional priorities • Managing public expectations of service delivery			🟥	- Robust, streamlined recruitment and retention process - Performance and Development Review process linked to assessment of overall team performance - Succession planning and talent management informed by a robust evidence base - Maximising our usage of the Apprenticeship scheme to increase development opportunities particularly in hard to recruit areas. - Two way communication arrangements in place to enable positive engagement across the organisation - Business and budget planning process aligned with the capacity of the organisation					🟧	