

Committee: Standards and General Purposes Committee

Date: 3 November 2016

Wards: All

Subject: Progress Report on Risk Management

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison, Deputy Leader of the Council and Cabinet Member for Finance

Contact officer: Zoe Church, Head of Business Planning, 020 8545 3451

Recommendations:

- A. That the Standards and General Purposes Committee reviews the adequacy of the risk management framework and the associated control environment
 - B. To consider the Key Strategic Risks and Issues faced by the council, and determine whether these are being actively managed
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide a progress report on risk management within Merton, including details of the Key Strategic Risks (KSRs) faced by the council.
- 1.2 The risk management strategy was revised by the Business Planning Team in early January, taking account of the recommendations within the 2015 Internal Audit report. The strategy was then approved by Cabinet on 18 January 2016 and approved by Council on 2 March 2016 as part of the 2016-20 Business Plan.
- 1.3 The procedure for identifying and monitoring risks is that each department manages their risks through their risk registers, and these are reviewed quarterly by DMTs. Any significant risks which may have a strategic impact are escalated by the Corporate Risk Management Group (CRMG) to CMT for inclusion on the Key Strategic Risk Register (KSRR) to ensure that risks which affect the council are being effectively monitored and managed.
- 1.4 Strategic oversight is provided by Cabinet and the Standards and General Purposes Committee.

2 DETAILS

- 2.1. The risk management strategy emphasises the benefits of effective risk management, particularly in the context of budget savings. The strategy includes clear guidance for defining the likelihood and impact of risks, and the appropriate matrices for assessing these. This results in consistency

across the council when it comes to scoring and monitoring risk. Where risks which might affect the Council as a whole are concerned, the strategy clearly sets out the process for escalating risks onto the KSRR.

- 2.2. The risk management strategy was subjected to an internal audit during the first quarter of 2015-16 (final report June 2015). The internal audit identified that the strategy embodied all the essential elements of a model risk management system, and that there was a robust system of reviewing risks at service, departmental and corporate level. The internal audit further identified the Council's risk scoring system as consistent with good practice.
- 2.3. However, the internal audit found that, although all key controls were in place, there was evidence of some minor controls not operating such as controls in place to ensure adherence to the risk reporting cycle, training for departmental risk champions, and reviewing the risk management pages on the intranet.
- 2.4. All the internal audit recommendations have now been implemented in accordance with the Internal Audit Action Plan timetable; and the revision of the Risk Management Strategy in early 2016 incorporated all recommended improvements. This is attached at Appendix I.
- 2.5. The procedure for managing risk is laid out clearly in the strategy. Departmental risks are reviewed quarterly by the relevant risk champions and DMTs, to ensure that they have been assessed accurately and in a manner consistent with risk assessment across the organisation.
- 2.6. Risks rated as High (Red) risks must be supported by an action plan to mitigate against the risk. Where possible, the risks are linked to an existing action plan such as a service or project plan, and up-to-date management commentary is supplied to demonstrate progress with mitigation actions.
- 2.7. CRMG meets quarterly within two weeks of the DMT risk review meetings, and subjects the departmental risk registers and the KSRR to thorough scrutiny and challenge. Proposed amendments to KSRs, including the addition or deletion of risks, are escalated to CMT via a quarterly risk report. Any urgent decisions regarding KSRs can be escalated to CMT via the monthly finance and performance report.
- 2.8. In accordance with the risk reporting cycle, the last quarterly review of the KSRR took place during September 2016. This was scrutinised at CRMG on 5 October 2016, and a report on the status of the KSRR was subsequently presented to CMT on 25 October 2016.
- 2.9. There are currently 19 Key Strategic Risks and Issues on the KSRR.
 - A Risk is defined as an event which may happen in the future
 - An Issue is something that is happening now.

There are thirteen Key Strategic risks, of which four are scored as red risks:

- KSR21/RE03: Failure to adhere to Public Contract Regulations
- KSR61/RE16: Failure to deliver the multi-year Savings Programme
- KSR49/RE02: Developing corporate Business Plan & setting a balanced budget for 17/21 & beyond
- KSR77/ASC21: Deprivation of Liberty Safeguards (DOLS)

There are six Key Strategic Issues on the KSRR of which two are scored as red issues:

- KSR55/CSF04: Changing Borough Demographics
- KSR56/CSF6: CS&F funding changes, budget savings and resource management

- 2.10. The latest KSRR, containing full details of all strategic risks and issues together with their associated action plans and management commentary, can be found at Appendix II.
- 2.11. Corporate Risk Management Group also reviews the level of insurance claims against the council on a quarterly basis. At its meeting on 5 October 2016, CRMG noted its expectation of a decrease in motor claims due to implementation of the Phase C contract.
- 2.12. The next quarterly review of the departmental risk registers will be undertaken during December 2016, and the results will be scrutinised by CRMG in early January 2017 and included in the 2017/21 Business Plan.
- 2.13. Cabinet receives reports on the risk management strategy in order to determine whether corporate risks are being actively managed, and is also responsible for agreeing the risk management strategy on an annual basis. The Standards and General Purposes Committee provides an independent oversight of the adequacy of the risk management framework and the associated control environment; and must be satisfied that the council's strategic risks are being actively managed.
- 2.14. The risk management strategy is included within the dedicated risk management pages on the Intranet, and informs and underpins all risk management processes. The risk management pages on the intranet have been reviewed and all information is up to date. All departmental risk registers and the KSRR are published on the intranet, along with guidance and information to assist officers who are responsible for managing and monitoring risks.
- 2.15. All internal audit report recommendations are reviewed by the departmental risk champions to ensure all relevant risk issues are addressed, supporting the internal control process.

3 ALTERNATIVE OPTIONS

- 3.1. Not applicable.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The Corporate Risk Management Group significantly contributed to consultations for the Internal Audit of the Risk Management Strategy during 2015, and the subsequent revision of this Strategy which is attached at Appendix I. CRMG will be consulted on the annual revision of the Risk Management Strategy to be undertaken in January 2017.

5 TIMETABLE

- 5.1. Not applicable.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Improved risk management can potentially benefit all these areas.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Risk management is a requirement of regulation 4(a) (iii) of the Accounts and Audit Regulations 2015.

7.2. Responses to FOI and other statutory enquiries relating to the Council's risks are based upon the published Key Strategic Risk Register within the Council's annual Business Plan. Should departmental risk registers form the subject of FOIs, these are redacted as and when appropriate.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. There is a specific key strategic risk on equalities, KSR 53 - Failure to comply with equalities duties, currently rated as an Amber issue.

9 CRIME AND DISORDER IMPLICATIONS

9.1. There are no key strategic risks with specific crime and disorder implications.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. Risk management issues are detailed in this report. There is currently one key strategic risk relating to the health and safety of staff and customers:

- KSR 35 – Safeguarding children, currently rated as an Amber risk

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix I – Risk Management Strategy (January 2016)
- Appendix II - Key Strategic Risk Register

12 BACKGROUND PAPERS

12.1. Relevant papers held within the Resources Division



London Borough of Merton

Risk Management Strategy

Revised January 2016

Policy Statement

Merton's policy is to manage our risks by identifying, assessing and controlling them, with the aim of eliminating or reducing them to acceptable levels whilst being mindful that some risks will always exist and will never be eliminated.

The council recognises its responsibility to risk management by supporting a structured, systematic and focussed approach to risk management through the approval of our risk management strategy.

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans.

Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Merton's aims and objectives in relation to risk management are to:

- Establish and maintain a robust framework and procedures for the identification, analysis, assessment and management of risk, including reporting and recording.
- Minimise the council's exposure to unacceptable levels of risk, minimise injury, damage, loss and inconvenience to staff, residents and service users.
- Integrate risk management into the day to day activities of staff and the culture of the organisation, raising awareness of the importance and need for risk management.
- Assign clear roles and responsibilities for councillors and officers responsible for risk management
- Ensure consistent application of our methodology across all of our activities, including partnerships and projects.
- Effectively manage the total cost of risk.

We will achieve this by:

- Having a clear and concise risk management strategy which underpins our approach and responsibilities to risk
- Incorporating risk management into business planning, project management and service delivery
- Monitoring risk on a regular basis through the Corporate Risk Management Group (CRMG)
- Reporting on risk on a regular basis to the Corporate Management Team (CMT), Cabinet and General Purposes Committee

Risk Management Strategy

The process of identifying and evaluating risks is known as risk assessment. By understanding the risks we face, we are better able to actively recognise where uncertainty surrounding events or outcomes exists, and identify measures which can be taken to protect the council, its staff, residents, customers and assets from these risks.

This strategy provides a structured approach to identifying emerging risks as well as assessing and managing current risks. It also incorporates a process for regularly reviewing and updating identified risks.

This strategy will be reviewed on an annual basis, and updated where required.

What is risk?

Risk is the threat that an event or action may adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. A risk can be a threat, obstacle, barrier, concern, problem or event that may prevent us fulfilling our objectives.

Our risk management processes also include the assessment of Issues. Issues are current problems, questions, outstanding items, tasks or a request that exists in the immediate present. There is a strong element of fact surrounding it. An issue becomes a risk when the issue cannot be addressed and could continue or get worse.

Definition of Risk Management

Organisations exist to achieve their ambitions, aims and objectives. Risk Management is the process by which organisations methodically address and identify the risks that may prevent them from achieving these ambitions, aims and objectives. The intention is to achieve sustained benefit within each of their activities, and across the portfolio of all their activities.

Ultimately, risk management is about creating a better understanding of the most important problems facing organisations.

Risk is also implicit in the decisions all organisations take; how those decisions are taken will affect how successful they are in achieving their objectives. Decision making is, in turn, an integral part of the day to day existence and is particularly significant in times of change. Risk management therefore is a key component in the management of change and helps to support effective decision making.

We endeavour to identify all risks facing the council and to monitor, manage and mitigate (where possible) all those risks which are deemed to be high (scored Amber or Red). Risks are monitored via Departmental Risk Registers, and key crosscutting risks to the council are also placed on the Key Strategic Risk Register (KSRR).

The benefits of risk management

In addition to the business and service benefits of our approach, we are required to undertake risk management because it forms part of the Annual Governance Statement. We must, therefore, demonstrate that we have a systematic strategy, framework and process for managing risk.

However, the council recognises that the benefits of risk management far outweigh the requirement to undertake the activity and such benefits include:

- Stronger ability to achieve our ambitions, aims and objectives as key risks are managed.
- Better decision making as we are more aware of risk.
- Ability to take advantage of opportunities because we understand the risks attached to them.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in our ability to adapt to change
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

Organisational awareness of risk and risk management

Ensuring that there is a strong organisational awareness of risk management will be achieved through training sessions, reviews, departmental meetings, briefings and staff bulletins which will take place on a regular basis. Each department has an assigned Risk Champion who will offer guidance to staff where required. The [risk management intranet page](#) will be regularly reviewed and staff will be signposted to the information they need to pro-actively identify and manage risk ie the Risk Management Toolkit and other guidance.

Risk Appetite

The council recognises that its risk appetite to achieve the corporate priorities identified within its business plan could be described in general as an “informed and cautious” approach. Where significant risk arises, we will take effective control action to reduce these risks to an acceptable level.

It is also recognised that a higher level of risk may need to be accepted, for example to support innovation in service delivery. To offset this there are areas where the council will maintain a very cautious approach for example in matters of compliance with the law, and public confidence in the council, supporting the overall “informed and cautious” position on risk.

How does risk management integrate with other policies?

Risk management links closely with Health and Safety, Business Continuity, Emergency Planning and Insurance; by ensuring close links we can enhance our resilience. Generally, a single issue or risk will fall into only one of these categories; however some may fall into two or more. As Business Continuity is a way of mitigating risk, its link with risk management is key to ensuring the continuous delivery of services which are important to the community.



Risk management in projects

Risk management is a key part of the ongoing management of projects and partnerships and is clearly defined in [Merton's Approach to Projects \(MAP\)](#).

Risk management in partnerships

The council is involved in a wide range of partnerships to achieve our ambitions, aims and objectives. It is vital we assess the risks to achievement within our key partnerships, and ensure that they are monitored regularly.

Our methodology for assessing and monitoring risks has been adopted by our key partnerships in order to ensure consistent scoring, and effective integration into our risk management system.

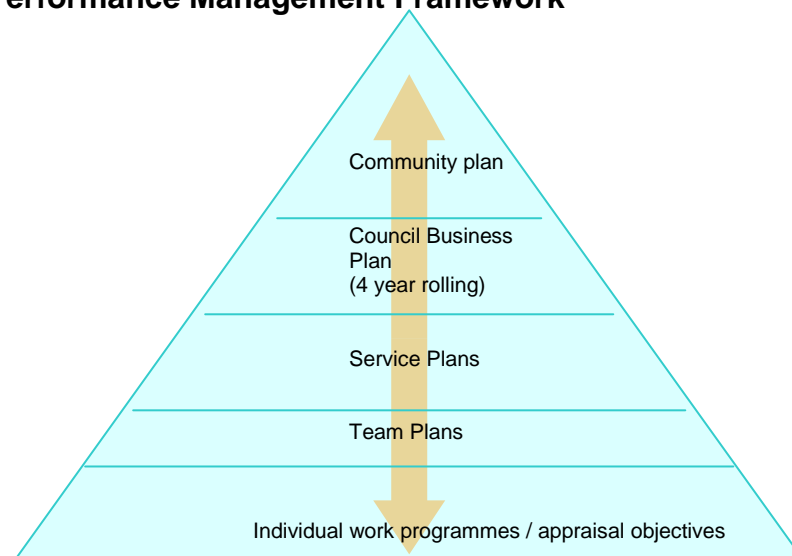
Risk management and financial planning

Risk management is an important part of financial planning. As part of the budget setting process a robust risk assessment is completed, and then reviewed on a regular basis.

Corporate approach to risk management

In order to formalise and structure risk management, it is recognised there is an obvious and clear link with the business planning process and therefore risk management sits within the Business Planning team. The overall council Business Plan, incorporating the individual service plans, sets out what a team, division, department, or the council as a whole, want to achieve within a specific time frame, as shown below.

Merton Performance Management Framework



- CMT is ultimately accountable for delivering the council's Business Plan therefore they are responsible for monitoring and reviewing the KSRR.
- DMTs are responsible for their own services' risk registers.
- Divisions or teams are responsible for their own risk registers, if applicable.

It is important that risks identified and assessed at an operational level can be escalated to a departmental or corporate level. However, because a risk may have a great impact on a team it does not necessarily follow that it may have the same impact on the department, or the organisation as a whole.

Ultimately, it is the respective management team which decides if a risk is an appropriate inclusion on its risk register.

Scoring Risk

In conjunction with this strategy, more detailed guidance will be issued to assist officers in identifying risks and issues, and the scoring, managing and reporting of those risks identified.

When determining a score for service level risks, definitions of likelihood and impact of risk (Service Level) should be used in conjunction with the matrix below. Therefore, if the likelihood of a risk is 4, significant, (occurs or likely to occur more than 25%, and up to 50% of the time) and the impact is 3, critical, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

Defining the Likelihood of Risk

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
5 - High	Occurs or likely to occur more than 50%, and up to 90% of the time
4 - Significant	Occurs or likely to occur more than 25%, and up to 50% of the time
3 - Possible	Occurs or likely to occur more than 5% and up to 25% of the time
2 - Low	Occurs or likely to occur more than 1% and up to 5% of the time
1 - Almost Impossible	Occurs or likely to occur up to 1% of the time

Defining the Impact of Risk (Service Level)

Categories	1 Marginal	2 Significant	3 Critical	4 Catastrophic
Financial Impact - FI	Up to 15% gross budget or turnover	Over 15% and up to 50% of gross budget or turnover	Over 50% and up to 75% of gross budget or turnover	Over 75% of gross budget or turnover
Service Provision - SP	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
Health and Safety - HS	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
Objectives - O	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
Reputation - R	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

Risk Matrix

	Likelihood		Impact																																		
6 = Very High 5 = High 4 = Significant 3 = Possible 2 = Low 1 = Almost Impossible	<table border="1" style="border-collapse: collapse; text-align: center;"> <tr><td style="padding: 2px;">6</td><td style="padding: 2px;">6</td><td style="padding: 2px;">12</td><td style="padding: 2px;">18</td><td style="padding: 2px;">24</td></tr> <tr><td style="padding: 2px;">5</td><td style="padding: 2px;">5</td><td style="padding: 2px;">10</td><td style="padding: 2px;">15</td><td style="padding: 2px;">20</td></tr> <tr><td style="padding: 2px;">4</td><td style="padding: 2px;">4</td><td style="padding: 2px;">8</td><td style="padding: 2px;">12</td><td style="padding: 2px;">16</td></tr> <tr><td style="padding: 2px;">3</td><td style="padding: 2px;">3</td><td style="padding: 2px;">6</td><td style="padding: 2px;">9</td><td style="padding: 2px;">12</td></tr> <tr><td style="padding: 2px;">2</td><td style="padding: 2px;">2</td><td style="padding: 2px;">4</td><td style="padding: 2px;">6</td><td style="padding: 2px;">8</td></tr> <tr><td style="padding: 2px;">1</td><td style="padding: 2px;">1</td><td style="padding: 2px;">2</td><td style="padding: 2px;">3</td><td style="padding: 2px;">4</td></tr> <tr><td style="padding: 2px;"></td><td style="padding: 2px;">1</td><td style="padding: 2px;">2</td><td style="padding: 2px;">3</td><td style="padding: 2px;">4</td></tr> </table>	6	6	12	18	24	5	5	10	15	20	4	4	8	12	16	3	3	6	9	12	2	2	4	6	8	1	1	2	3	4		1	2	3	4	4 = Catastrophic 3 = Critical 2 = Significant 1 = Marginal
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Reporting and escalating risks

All risks on individual service risk registers are reviewed at Departmental Managers Team (DMT) meetings with particular attention given to red or increasing amber risks.

Risks are also checked for any cross cutting implications. If the risk is high scoring and/or could have an impact across the organisation, then it must be rescored using the Defining the Impact of Risk (corporate level) criteria below, prior to inclusion on the Key Strategic Risk Register.

Defining the Impact of Risk (Corporate Level)

Categories	1 Marginal	2 Significant	3 Critical	4 Catastrophic
Financial Impact - FI	Up to £2.5m per annum or up to £10m one off	£2.5m up to £5m per annum or up to £20m one off	£5m up to £7.5m per annum or up to £30m one off	£7.5m up to £10m per annum or above £30m one off
Service Provision - SP	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
Health and Safety - HS	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
Objectives - O	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
Reputation - R	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

Monitoring and Managing

During the year, new risks will arise that have not previously been considered and there may be changes to existing risks. Therefore the risk registers need to be regularly managed, with risk owners re-assessing their risks, re-scoring them if appropriate, and providing sufficient narrative in respect of the Control Measures they have in place (ie the actions which they are taking to mitigate against the risk). The reviews of risk registers should be managed by exception. The reporting cycle as detailed below, takes place during April, July, October and January.

1 st week	2 nd week	4 th week
DMT – review operational service risks and propose KSRs as per the definitions of likelihood and impact for crosscutting risks	Corporate Risk Management Group (CRMG) – review service risks and proposed KSRs	CMT – identify and review KSRs

All risks are reviewed according to the quarterly cycle shown above, with a particular focus upon red risks, and also upon amber risks which have increased their risk score since the previous quarterly review.

There are no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. Removal of any risks from the registers must be approved by DMTs and then CRMG. A decision is sometimes taken to keep a low-scoring risk in view on the basis that its status might change over a short period, or so that those with an assurance role can be confident that mitigation against a risk can be sustained.

A flowchart showing how service, departmental, corporate and partnership risks are escalated and reported is shown on the final page of this Strategy.

Roles, Responsibilities and Governance

Councillors

Elected councillors are responsible for governing the delivery of services to the local community. Councillors have a responsibility to understand the key risks the council faces and will be made aware of how these risks are being managed through the annual business planning process. All Councillors will have a responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the plans and reports submitted to them.

Chief Executive and CMT

The Chief Executive and CMT are ultimately accountable in ensuring that risk management is fully embedded in the council's business planning and monitoring processes as well as having overall accountability and responsibility for leading the delivery of the council's Risk Management Strategy and Framework. CMT will take a leading role in the risk management process, ensuring that risk management is communicated, understood and implemented by Councillors, managers and staff. CMT will also play an important role in establishing a supportive culture.

CMT will submit an annual report on risk to the General Purposes Committee and Cabinet.

Directors

Each Director is accountable for proper monitoring of their departmental risk register, action plans and the embedding of risk management into the business planning process of their directorate. They will need to be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department. Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective Directorate.

Section 151 Officer / Internal Audit

The Section 151 officer and Internal Audit will be responsible for carrying out independent reviews of the risk management strategy and processes. They will provide assurance and give an independent and objective opinion to the council on the adequacy of its risk management strategy, control procedures and governance.

An annual Audit Plan, based on a reasonable evaluation of risk, will be carried out and an annual assurance statement will be provided to the council based upon work undertaken in the previous year. The section 151 officer will chair the CRMG group.

Risk Champions

Risk champions will work with their Director, Heads of Service, Managers and Team Leaders to ensure the RM Strategy and Framework is embedded in the Directorate and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their directorate at CRMG meetings.

Risk Champions will ensure that risks are identified, assessed and scored correctly by the Risk Owners, offering advice and guidance where appropriate. They will also challenge risk scores where they do not appear to be reasonable, or where they contradict the Control Measures narrative or the corporate Risk Scoring Guidance.

All Risk Champions will receive appropriate training to ensure that they can perform their role effectively. Training needs will be regularly evaluated.

Service Managers

Managers have a responsibility not only for the risks for which they are the risk owner, but are also accountable for those risks, within their service, which are owned / managed by others.

They are required to maintain an awareness of risk and ensure that any risks they identify are captured by the risk management process, understanding and responding to the key risks which could significantly impact on the achievement of their service and/or team objectives. Managers should encourage staff to be open about risk so that appropriate mitigation actions and control measures can be agreed.

Risk Owners

Risk owners are responsible for identifying and implementing appropriate actions which will mitigate against risks they own and reduce these risks to an level acceptable to the organisation. They are required to regularly review the effectiveness of their control measures and provide a formal update to DMTs and CRMG on a quarterly basis as part of the risk review cycle.

Individual Employees

Individual employees need to have an understanding of risks and consider risk management as part of their everyday activities, identifying risks deriving from their everyday work, processes and environment. Risks which could impact on service delivery, the achievement of objectives, or their own or others' wellbeing must be identified and actively managed, with mitigating actions in place where appropriate.

Business Planning team

The business planning team is responsible for ensuring that risk management is embedded throughout the council, as well facilitating and supporting the risk management process and supporting risk owners.

The team will ensure risk management documentation and intranet pages remain up to date and relevant, as well as updating the KSRR with emerging risks, new risks and updating existing risks.

In addition the Business Planning team will ensure risk is part of the annual service planning process, facilitate the CRMG meetings, and submit strategic updates and reports on risk management to CMT, Cabinet, Audit and Assurance Committee etc. as required.

Corporate Risk Management Group

The Corporate Risk Management Group will provide strategic direction and leadership to ensure our risk strategy is maintained and updated and that risks are appropriately identified and managed within the organisation. It will provide a forum for the detailed discussion and monitoring of organisational risks for the benefit of the council, its staff and the wider community.

CRMG will strive to ensure that the risk management framework is embedded within the council's overall strategic and operational policies, practices and processes in a consistent and standardised manner.

In addition it will provide assurance that all risk systems and processes are operating effectively to minimise the Council's overall exposure to risk. The headline departmental risks and planned mitigation activity reported by each department will be discussed by CRMG on a quarterly basis. CRMG will then report its conclusions and recommendations for discussion at CMT.

Cabinet

Cabinet will receive reports on the risk management strategy to determine whether corporate risks are being actively managed. They are responsible for agreeing the strategy on an annual basis, or when significant changes are made, and to report to full Council on the adequacy of the risk management framework.

General Purposes Committee

To provide an independent oversight of the adequacy of the risk management framework and the associated control environment. The committee will receive an annual review of internal controls and be satisfied it properly reflects the risk environment and any actions required to improve it. Reports will also be provided regarding the KSRR in order that the committee can determine whether strategic risks are being actively managed.

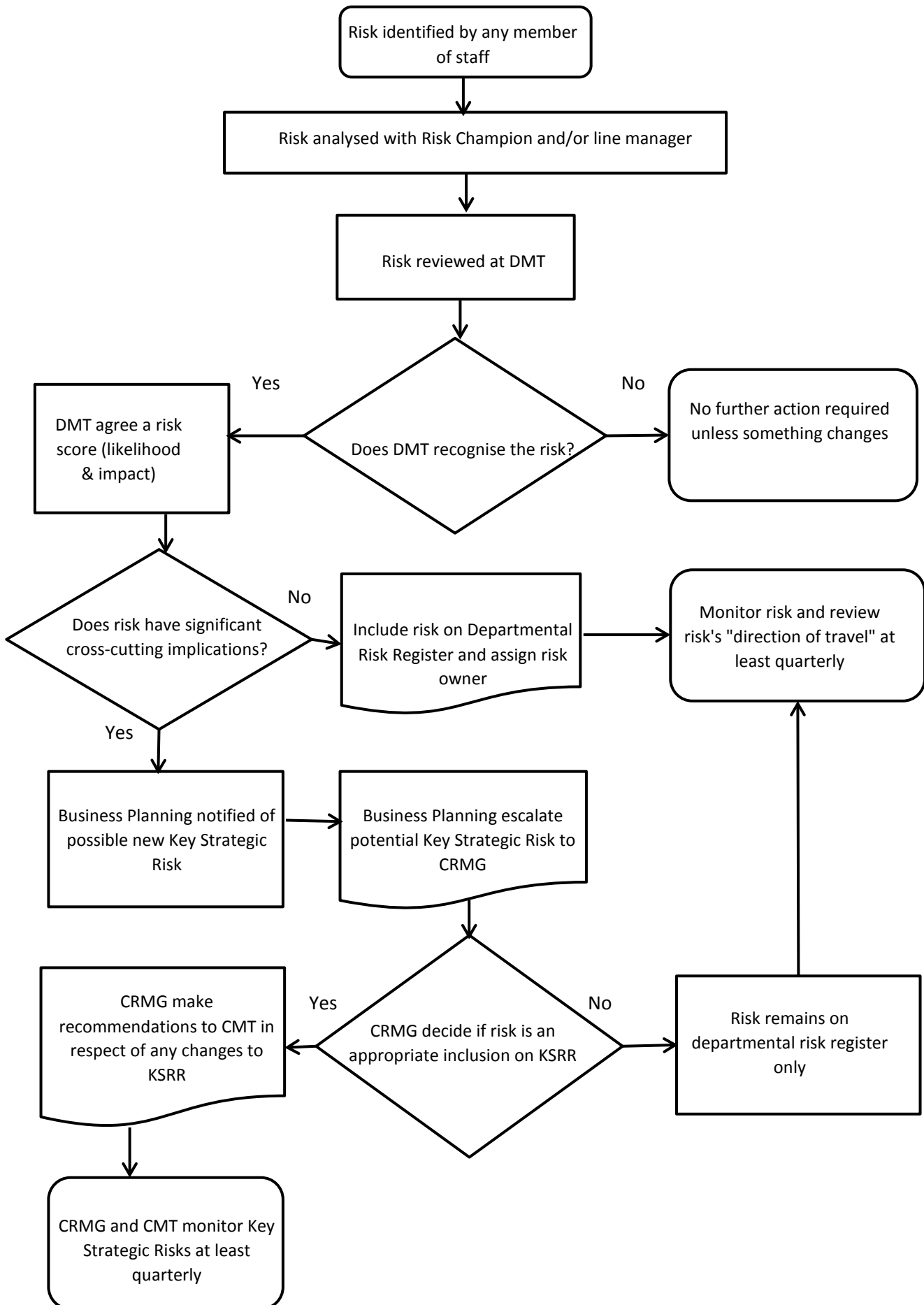
On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

Risk management in committee reports

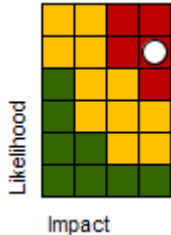




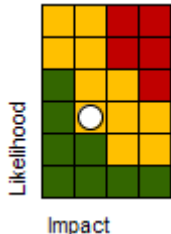




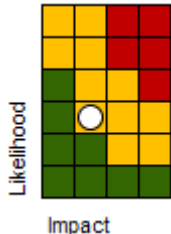




When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course of action. The risk assessment should follow the corporate risk management procedures and be scored using the risk matrix. The report should also give details of any control measures (either proposed or existing) to manage any significant risks identified. Where appropriate, reference should be made to any existing risk(s).

Report authors are advised to consult with the Business Planning team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

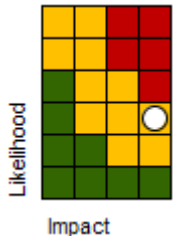




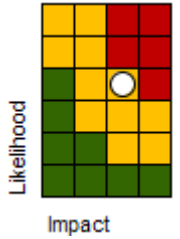




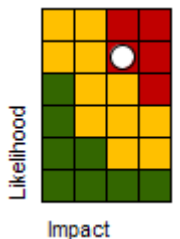




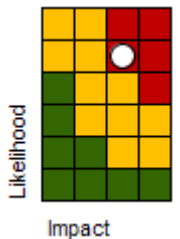




London Borough of Merton Risk Management Process

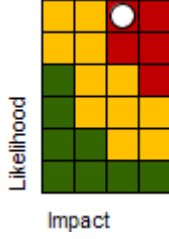




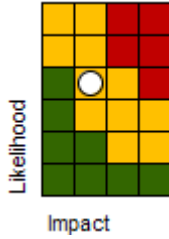




Key Strategic Risk Register – Risks

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
Melba Gomes	ASC21 / KSR77 Deprivation of Liberty Safeguards (DOLS)	Key Strategic Risk	A recent court ruling widens the criteria for people that can be defined as being subject to a DoL,	Government have not made any additional resources available for this new burden, so there is a cost pressure in relation to the cost of health assessments. Current levels of trained staff to conduct assessments and reassessments are not adequate to cope with the additional workload, resulting in the potential of challenge if clients have been detained unlawfully. This affects all authorities with social care responsibilities and Merton is not out of kilter with other authorities' positions.		20  12-Oct-2016	FI / SP	Cllr Tobin Byers	There have been a total of 367 applications between April to September 2016. Applications are expected to be 738 for 2016/17 financial year. A budget overspend is forecast. The budget is being contained by only using internal BIA's. ADASS has issued guidance to try to bridge the gap between the judgement, Government's stated intent, and resources whilst we await legislation to rectify the position. Under this guidance only high priority cases are being actioned which has created a current backlog of 96 cases. Merton is following this guidance and dealing with the high priority cases.
						20  27-Sep-2016			
						20  29-Jun-2016			
						20  01-Apr-2016			
Sophie Ellis	BI18 / KSR68 Inability to deliver TOM's across the organisation	Key Strategic Risk	Inadequate delivery planning for TOM's across the organisation. Unanticipated changes in delivery context, including additional financial reductions.	Ambition set out in TOM is not achieved.		6  15-Sep-2016	O	Cllr Mark Allison	NO CHANGE - September MIB to review delivering/ management arrangements for DMTs.
						6  10-Jun-2016			
						4  11-Mar-2016			
						4  14-Dec-2015			
Kris Witherington	BI39 / KSR74 Failure to consult in general (formerly CS17/KSR74)	Key Strategic Risk	Failure to adequately consult over changes to Council services and policies, and/or the design and implementation of projects etc	Inadequate consultation carries the risk of increasingly robust scrutiny and challenge, including Judicial Reviews.		6  05-Sep-2016	R, FI	Cllr Edith Macauley	The standards expected for consultation are described in the Community Engagement Strategy ("Get Involved") which was agreed by the Merton Partnership in 2010 and refreshed in 2014. All Council consultations should be listed on the Council's online consultation database, having been approved by the Consultation and Community Engagement Team. Support for services is available including training around the need for consultation, design, and legal obligations.
						6  06-Jun-2016			
						6  16-Mar-2016			
						6  21-Jan-2016			

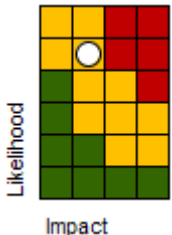




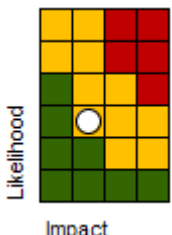




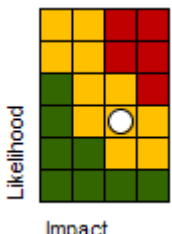




Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
Yvette Stanley	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	Potential for less effective inter-agency working. Changing expectations & updated regulatory framework. Ongoing budget pressures across all agencies could undermine Merton Model.	Child protection & safeguarding issues including possible child death or serious harm. Possible increase for high cost interventions.		12 25-Oct-2016	R	Cllr Katy Neep	LSCB Business Plan & refreshed CYPP. Reconstituted CYP partnership board. Strengthened MSCB governance. Launched refresh of the Merton Health and Well-Being Model to be implemented by April 2017. Task and finish group to be set up Oct 2016. Ongoing rigour in conversations with partner agencies and third sector to improve understanding and responsibility of safeguarding.
						16 04-Jul-2016			
						16 30-Mar-2016			
						12 21-Dec-2015			
Page 114 Charles Baker; Cormac Stokes	ER112 / KSR73 KSR - Waste disposal overarching risk (sub risks ER 113 to ER 117)	Key Strategic Risk	1. Increase in waste disposal costs 2. Increase of waste to landfill 3. Construction work at Beddington Lane Sub-risks ER113 to ER117 provide additional detail to this overarching risk	1. Increased costs for waste disposal 2. Operational difficulties 3. Performance may be affected (more landfill, less recycling and more missed bins) 4. Political fallout		12 26-Sep-2016	FI/R/O	Cllr Ross Garrod	Indexation for 2016/17 has been agreed and communicated. Fuel indices have gone down for a second year. Landfill costs are capped in line with interim arrangements. This will be increased in line with Phase B contractual agreements in 2017. Waste flows continued to be monitored monthly and forecast amended accordingly
						12 30-Jun-2016			
						12 21-Mar-2016			
						12 11-Jan-2016			
Paul McGarry; James McGinlay	ER118 / KSR75 Impact of Crossrail 2	Key Strategic Risk	Impact on councils income, commercial activity in Wimbledon Town centre and Weir Road	1. Financial impact on council and services 2. Economic impact on Wimbledon Town Centre and the borough (potential loss of businesses and jobs) 3. Council reputation		12 26-Sep-2016	FI	Cllr Martin Whelton	3 alternative options for Wimbledon station have been received from Crossrail. The different options are currently being assessed and a report is being written which will then be presented to full council in November.
						12 15-Jun-2016			
						12 21-Mar-2016			
						12 08-Jan-2016			
Kim Brown	HR09 / KSR42 Single status	Key Strategic Risk	Post single status challenge	Cost of settlement; cost of litigation & resources to contest; impact on staff morale; reputational & political impact		4 19-Sep-2016	R	Cllr Mark Allison	Single status issues are nearly all resolved with negotiations having taken place with the TUs. In view of the reduction of outstanding issues the risk has decreased but three cases remain to be resolved/completed.
						6 16-Jun-2016			
						6 22-Mar-2016			
						6 15-Dec-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
Mark Humphries	IT03 /KSR48 IT Systems	Key Strategic Risk	Major disruption in the civic centre causing 6th floor data centre to become unusable	IT failure leading to unavailability of IT services impacting on organisational service delivery.		12  19-Sep-2016	SP	Cllr Mark Allison	Current IT Disaster Recovery network architecture now provides limited functionality, but following recent equipment failure a further review is now being undertaken in order to improve resilience of systems. This will be completed by March 2017.
						8  09-Jun-2016			
						8  09-Mar-2016			
						8  08-Dec-2015			
Caroline Holland	MPF11 / KSR72 Failure to procure investment managers in good time and so not improving Fund performance	Key Strategic Risk	Failure to review investment strategy and investment management arrangement within appropriate timescales resulting in failure to improve performance of investments.	Investment mandates incompatible with incumbent fund managers to the detriment of investment performance, fund may fail to meet its investment and funding objectives in the short and medium term.		12  19-Sep-2016	FI, R	Cllr Mark Allison	Review of Pension Fund investment strategy in progress. Ideas for new/revised mandates and investment management arrangement to be presented to PFAC on 1 December 2016. New/revised suite of managers anticipated in early/mid 2017/18 giving regard to the London CIV. Engage manager with complementing strategies. Appropriate balance between passive and active investment styles. Review IMAs and ensure fund managers adhere to the mandate. Comprehensive ongoing monitoring of investment guidelines, benchmarks and performance. Monitor developments at London CIV.
						12  04-Jul-2016			
						12  11-Dec-2015			
						12  02-Oct-2015			
Paul Dale; Caroline Holland	RE02 / KSR49 Developing corporate Business Plan & setting a balanced budget for 17/21 & beyond	Key Strategic Risk	Reduced budgets may impact negatively on service delivery levels	Impact on service provision, reputation, staff morale & internal & external customers satisfaction		15  22-Sep-2016	FI	Cllr Mark Allison	Risk has been updated to reflect the fact that extending the period to 2021 is likely to increase anticipated shortfalls, especially given receipt of any revenue support grant will cease and the details of retained Business Rates are unclear. Risk score increased as a result of discussion at DMT on 21-09-16.
						12  12-Sep-2016			
						12  17-Jun-2016			
						9  04-Apr-2016			
Caroline Holland	RE03 / KSR21 Failure to adhere to Public Contract Regulations 2015 and Contract Standing Orders	Key Strategic Risk	Lack of awareness in some areas that procurement is a tightly regulated area of council activity.	Impact on strategy and time for procurement exercises. Adverse budget and service implications if not carried out correctly in accordance with regulations and standing orders such as legal challenges and slower identification, capture and delivery of savings.		15  12-Sep-2016	R	Cllr Mark Allison	New EU Procurement Regulations came into force in Feb 2015 and while these affect social care areas primarily, there are implications for all Council procurement. Training and guidance for all officers engaged in procurement has been provided. Comprehensive departmental procurement plans are in place and reviewed regularly by Operational Procurement Groups.
						15  20-Jun-2016			
						15  04-Apr-2016			
						15  14-Dec-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
Caroline Holland	RE16 / KSR61 Failure to deliver the multi-year Savings Programme	Key Strategic Risk	Savings of £30m have been agreed for the period 2016/17 to 2019/20, the period of budget decisions required by this council. There is a budget gap of £3.5m after this.	Non achievement of any significant saving would adversely impact on the authorities ability to balance its budget in the medium to long term if larger than the contingency and could require reserves to be reinstated.		18  03-Oct-2016	F	Cllr Mark Allison	The monthly monitoring report for the financial year 2016/17 will continue to monitor the delivery of 16/17 savings and projections of out-turn spending. Progress on 14/15 and 15/16 savings unachieved will be reported to Cabinet. A series of remedial measures have been put in place with departments to compensate for non-delivery of savings. Central measures will also be taken.
						18  17-Jun-2016			
						18  04-Apr-2016			
						15  14-Dec-2015			
Corporate Management Team	RE20 / KSR76 Inability to respond effectively to post-Brexit changes	Key Strategic Risk	Inefficient response to the inevitable changes brought about by Brexit ie inability to demonstrate flexibility, organisational resilience, or ability to capitalise on potential opportunities.	Inadequate budget management and planning in a period of rapid change, negative impact upon service delivery across all areas of the council's work, failure to identify and respond to positive opportunities arising from Brexit.		8  16-Sep-2016	FI, R, P, SD	Cllr Mark Allison	Members of the Finance and Pensions team continue to meet every Monday morning to discuss the latest events and their implications and to identify key actions.
						8  14-Jul-2016			

Key Strategic Risk Register - Issues

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
Yvette Stanley	CSF04 / KSR55 Changing Borough Demographics	Key Strategic Issue	Increases in both the total population in the borough, including in particular families with young children, & also in the mix of the population with respect to ethnicity, disability & deprivation.	Additional demand for services for children with special educational needs & disabilities, as well as pressure for growth in children's social care & child protection interventions including support for families with no recourse to public funds.	 Likelihood Impact	15 30-Sep-2016	O	Cllr Katy Neep	CSF Service Plans identify current control measures, these include reviewing eligibility criteria and consistently managing demand. Specifically to address this there is SENDIS Improvement plan in place which is regularly reviewed with clear actions set out to strengthen the service delivery.
						15 04-Jul-2016			
						15 30-Mar-2016			
						12 21-Dec-2015			
Paul Ballatt; Yvette Stanley	CSF05 / KSR34 School places	Key Strategic Issue	Although primary numbers are now expected to plateau, the increase in birth-rate & numbers of children reaching secondary age puts continued pressure on special school places.	Lack of land availability for secondary expansion prevents LA delivering in the major growth years, resulting in insufficient capacity to meet demand.	 Likelihood Impact	9 30-Sep-2016	R	Cllr Caroline Cooper-Marbiah	CSP Service Plan and recent council paper outlines recommendations to address this. Secondary and special school places strategy in place - working with EFA.
						9 04-Jul-2016			
						9 30-Mar-2016			
						9 21-Dec-2015			
Children, Schools & Families	CSF06 / KSR56 CS&F funding changes, budget savings & resource management	Key Strategic Issue	Continued uncertainty regarding changes to funding regimes & external grants, & concurrent additional statutory duties & demographic pressures. Move to national funding formula for DSG expected from 2017/18 onwards, & the impact of maintained schools becoming academies through to 2022. Insufficient funding for new burdens: C&F Act; NRTPF; Leaving Care. Requirement to make significant savings over the next 3-4 years.	Impact on ability to provide statutory services, possibility of undermining the Merton Model, causing additional spend pressures in targeted services. Low staff morale, difficulties in managing the impact of the Workforce Management Strategy. Time & effort required to manage change & meet expectations of members & central government may lead to failures in the management of ongoing operational work.	 Likelihood Impact	20 30-Sep-2016	FI	Cllr Katy Neep, Cllr Caroline Cooper-Marbiah	Monitor Government proposals, consultation response & implications fed into budget & MTFS. Budget savings identified & analysed for impact including equality assessments, TOM & Service Planning work. All CSF Divisional Service Plans, School Improvement Strategy, NRTPF Working Group Strategy Plan, and Children and Family Act Implementation Plan. NRTPF demand management plan in place. TOMS and MTFS savings all progressing.
						20 04-Jul-2016			
						20 30-Mar-2016			
						15 21-Dec-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Portfolio Owners	Control Measures in place
			Need to balance competing & increasing demands at a time of contracting resources & extensive change.						
Paul Ballatt	CSF09 / KSR62 Recommissioning Early Intervention and Prevention (Partnership)	Key Strategic Issue	Likely reduction in contracting with local third sector leads to reputational & political risk.	Destabilisation of the Local Strategic Partnership & Children's Trust Board partnership arrangements.		10  30-Sep-2016	R	Cllr Katy Neep	CSP Service Plan highlights area of high risk and continuation of commissioned services.
						10  04-Jul-2016			
						10  30-Mar-2016			
						10  21-Dec-2015			
Kim Brown	HR13 / KSR44 Change to staff terms & conditions	Key Strategic Issue	Impact of review of T&Cs & ongoing staffing reductions	Impact on staff morale, recruitment & sickness - this will also lead to more financial implications.		6  19-Sep-2016	SP	Cllr Mark Allison	T & C's to be reviewed as part of the new workforce strategy and options to be considered in line with the TOM refresh. Support for staff and services going through change is available as part of the ongoing learning and development offer. The work currently being undertaken to support Merton becoming London's Best Council is vital to staff engagement so will have a positive impact on staff morale. Significant progress made against the above since June so the risk score has decreased.
						8  16-Jun-2016			
						8  22-Mar-2016			
						8  15-Dec-2015			
John Dimmer; Yvette Stanley	RE11 / KSR53 Failure to comply with equalities duties	Key Strategic Issue	Failure to evidence how equalities implications have been considered in developing new policy, designing services & decision making	Reputational impact for council, risk of judicial review & litigation, negative impact on service users and loss of savings.		9  15-Sep-2016	O/R/FI/SP	Cllr Edith Macauley	Equality Analysis has been incorporated into the budget process and the equalities impact assessment of savings proposals are systematically undertaken. The Equality Strategy is being refreshed and the new version will be introduced in the new financial year.
						9  06-Jun-2016			
						9  18-Mar-2016			
						9  14-Dec-2015			