

Committee: Standards and General Purposes Committee

Date: 8th November 2018

Wards:

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

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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 2018 taking account of recommendations made by the Corporate Risk Management Group on 10 January 2018, notably revision of the protocol for removal of risks from our risk registers. The strategy was then approved by Cabinet on 19 February 2018 and approved by Council on 28 February 2018 as part of the 2018/22 Business Plan. The current Risk Management Strategy is at Appendix I.
- 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 monitored and managed effectively.
- 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 these risks onto the KSRR.

- 2.2. The procedure for managing risk is also 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.
- 2.3. Risks scored at 16 or over (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 how the Control Actions are being progressed.
- 2.4. 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.
- 2.5. In accordance with the risk reporting cycle, the most recent quarterly review of departmental risks was undertaken by DMTs during September 2018. These reviews were scrutinised at CRMG on 8 October 2018, and a report on the final Quarter Two status of the KSRR was subsequently presented to CMT on 23 October 2018.
- 2.6. There are currently 18 Key Strategic Risks and Issues on the KSRR.
 - A Risk is defined as an event which might occur in the future
 - An Issue is something which is happening right now.

We have 13 Key Strategic Risks, of which three are scored as red risks:

- KSR21/IT24: Public Contract Regulations/Contract Standing Orders
- KSR49/RE02: Corporate Business Plan and balanced budget
- KSR61/RE16: Annual Savings Programme

We have five Key Strategic Issues, of which one is scored as a red risk:

- KSR62/CSF09: Intervention/prevention commissioning

- 2.7. The latest KSRR, containing full details of all strategic risks and issues together with their associated Control Actions and management commentary, can be found at Appendix II.
- 2.8. Corporate Risk Management Group also reviews the level of insurance claims against the council on a quarterly basis. At its meeting on 8 October 2018, CRMG noted continuing cross-departmental efforts to reduce the level of claims for damage caused by trees.
- 2.9. During the course of the past year, a number of other risk-related activities have been undertaken including a full review of our Financial Impact

definitions which were approved by CMT in April 2018 (these can be viewed at Appendix III).

- 2.10. Officers also visited Croydon to meet with their Risk Officer and compare risk management procedures. This proved to be a productive and helpful visit, and provided reassurance that our procedures are comparably effective.
- 2.11. Officers have also benefitted from training delivered by the Institute of Risk Management, and following this a number of improvements have been made to the way our risks are articulated.
- 2.12. The next quarterly review of the departmental risk registers will be undertaken throughout December 2018, and the results will be scrutinised by CRMG in early January 2019 and included in the 2019/23 Business Plan.
- 2.13. Cabinet receives reports on the risk management strategy in order to determine whether corporate risks are being actively managed. Cabinet 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 Merton Hub 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 contributed to consultations for the revision of the Risk Management Strategy which is attached at Appendix I. CRMG and CMT will also be consulted on the annual revision of the Risk Management Strategy to be undertaken in January 2019. This will incorporate the revised Financial Impact definitions which were approved by CRMG and CMT in April 2018

5 TIMETABLE

- 5.1. Not applicable.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Over the past 7 financial years, Merton along with all other local authorities have faced continued financial pressure from reductions in central

government funding and increased demand from vulnerable people and children. The harsh reality of this situation is that more and more local authorities are now showing signs of financial stress such as overspending on services coupled with depleting reserves.

- 6.2. The Chartered Institute for Public Finance and Accountancy are:
- a) developing measures to indicate the financial resilience of local authorities to provide early warnings of financial difficulty, and
 - b) reviewing the contents of capital and treasury management strategies to ensure investment activity is underpinned by sound business cases.

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

There is one specific Key Strategic Issue around equalities currently rated as amber:

- KSR 53: Equalities Duties

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. There are no Key Strategic Risks which focus on 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 currently rated as amber:
- KSR35/CSF01: Safeguarding children

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

- Appendix I – Risk Management Strategy (January 2018)
- Appendix II - Key Strategic Risk Register (Status as at Q2, 2018/19)
- Appendix III – Revised Financial Impact definitions (agreed April 2018)

12 BACKGROUND PAPERS

- 12.1. Relevant papers held within the Resources Division