

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

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 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



London Borough of Merton

Risk Management Strategy

Revised January 2018

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.

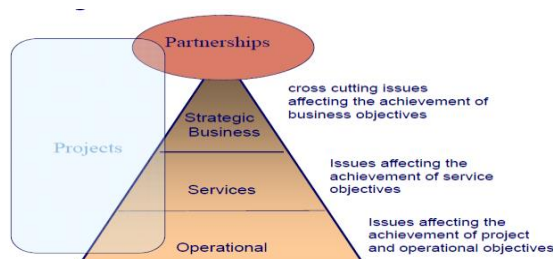
Risk Appetite

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.

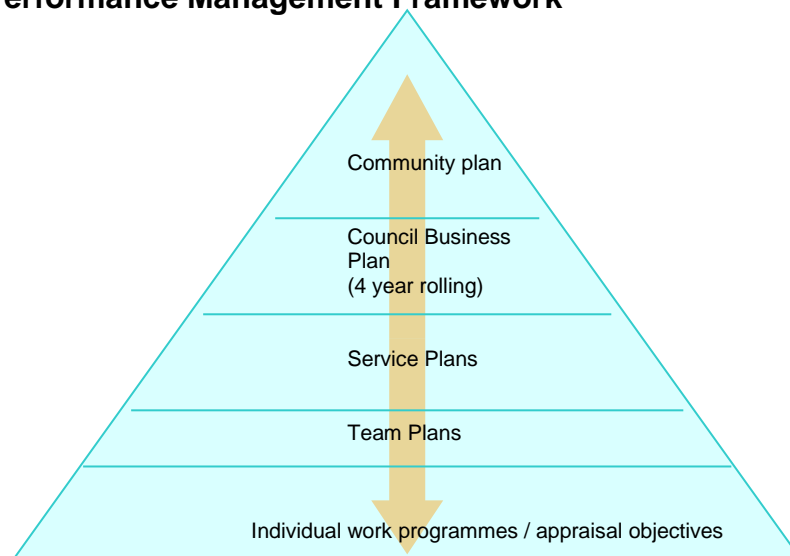
Risk management and financial planning

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

<p>Likelihood</p> <p>6 = Very High</p> <p>5 = High</p> <p>4 = Significant</p> <p>3 = Possible</p> <p>2 = Low</p> <p>1 = Almost Impossible</p>	<table border="1" style="border-collapse: collapse; width: 100%; height: 100%;"> <tr><td style="width: 12.5%; text-align: center;">6</td><td style="width: 12.5%; text-align: center;">6</td><td style="width: 12.5%; text-align: center;">12</td><td style="width: 12.5%; text-align: center;">18</td><td style="width: 12.5%; text-align: center;">24</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: center;">5</td><td style="text-align: center;">10</td><td style="text-align: center;">15</td><td style="text-align: center;">20</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: center;">4</td><td style="text-align: center;">8</td><td style="text-align: center;">12</td><td style="text-align: center;">16</td></tr> <tr><td style="text-align: center;">3</td><td style="text-align: center;">3</td><td style="text-align: center;">6</td><td style="text-align: center;">9</td><td style="text-align: center;">12</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: center;">2</td><td style="text-align: center;">4</td><td style="text-align: center;">6</td><td style="text-align: center;">8</td></tr> <tr><td style="text-align: center;">1</td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">4</td></tr> <tr><td></td><td style="text-align: center;">1</td><td style="text-align: center;">2</td><td style="text-align: center;">3</td><td style="text-align: center;">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	<p>Impact</p> <p>4 = Catastrophic</p> <p>3 = Critical</p> <p>2 = Significant</p> <p>1 = Marginal</p>
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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 £40m 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)
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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.

Removal of any risks from the registers must be approved by DMTs and CRMG prior to being presented to CMT. CRMG will only approve removal of a risk if it is scored green for a minimum of two consecutive reporting cycles (ie two quarters). There are otherwise no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. 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 those with an assurance role can be confident 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 Standards and 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.

Standards and 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.

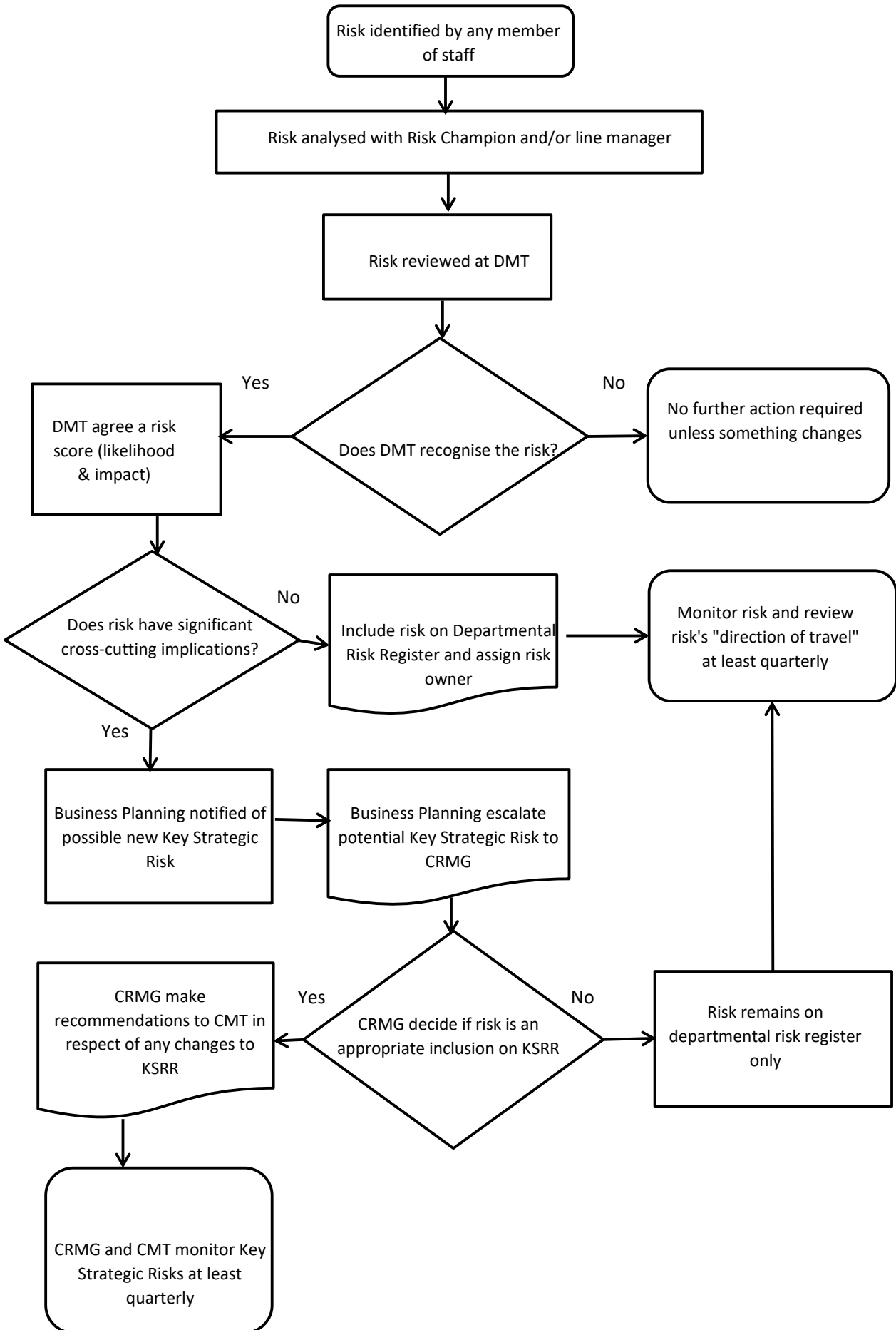
On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

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).

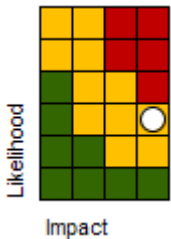




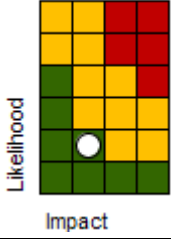




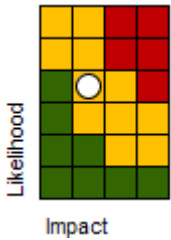




Report authors are advised to consult with the Business Planning team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

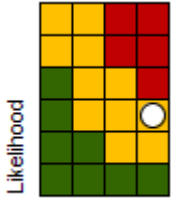




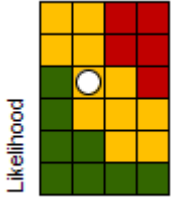




London Borough of Merton Risk Management Process

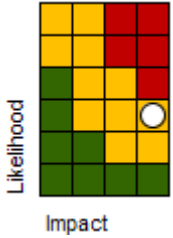




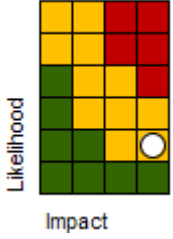






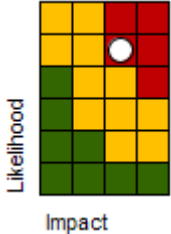




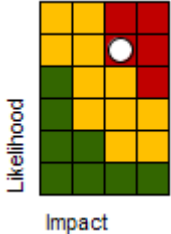




Key Strategic Risks ~ Quarter Two, 2018-19

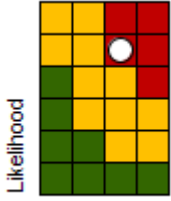




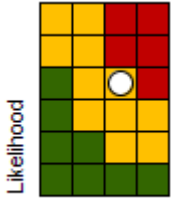



Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
John Morgan	ASC06 / KSR78 Legal challenge ASC Placements	Key Strategic Risk	Some of our Adult Social Care placements might result in legal challenges	<ul style="list-style-type: none"> - shortage of suitable placements in Merton - budgetary constraints - people placed further from their support networks. 	<ul style="list-style-type: none"> - increased costs of placements - prevention of other developments - increased staff time - additional legal costs - damage to reputation 	R		9 26-Sep-2018	We are targeting the market to fill the gap in complex placements- we try to utilise homes within the borough but at times due to availability we need to look further afield.	01 Oct 2018
								9 27-Jun-2018		
								9 29-Mar-2018		
								12 22-Jan-2018		
Lorraine Henry	ASC21 / KSR77 Increase in number of DoLS and Community DoL	Key Strategic Risk	We may not be able to manage the rise in Deprivation of Liberty Safeguards (DOLS) and Community DOL effectively	<ul style="list-style-type: none"> - A recent court ruling known as 'Cheshire West' widens the criteria for people that can be subject to a DoLS or Community DoLS (CDoLS) - The Government has not made any additional resources available 	<ul style="list-style-type: none"> - Existing backlog of assessments awaiting completion - Cost pressure in relation to DoLS assessments which need to be undertaken - Potential of legal challenge if DoLS authorisation requests are not completed 	FI		9 26-Sep-2018	<ul style="list-style-type: none"> - Following a paper to DMT a robust system is now in place to manage current Dols and historic cases. This is being monitored at DMT level. - The backlog has reduced from 500 in Sept 17 to 380 in January 18 to 210 in September 18. - Community DoL- A system is in place to screen and prioritise Community DoL and this will also be reported to DMT. - Training is being organised, and a RAG system is being developed to identify clients that pose the most risk to the Local Authority - External training has been commissioned for the Best Interest Assessors (BIAs) 	15 Oct 2018
								9 15-Jun-2018		
								12 03-Apr-2018		
								12 02-Jan-2018		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Paul Evans	CG25 / KSR79 GDPR	Key Strategic Risk	LB Merton may not be compliant with the General Data Protection Regulation (GDPR) or Data Protection Act 2018 that came into effect on 25th May 2018	<ul style="list-style-type: none"> - insufficient time or resources to fully comply - Weaknesses in some existing and legacy IT systems - technical barriers to compliance - reliance on external suppliers 	<ul style="list-style-type: none"> - LB Merton is fined by the Information Commissioner's Office - reputational damage - key stakeholders lose confidence & may not share information / work with the Council. 	FI		12  17-Sep-2018	GDPR / DPA 2018 action plan in place and progress reported at CSDMT Information Board weekly.	17 Sep 2018
								12  11-Jun-2018		
								15  23-Mar-2018		
								15  31-Jan-2018		
Sophie Ellis	CPI18 / KSR68 TOMs delivery	Key Strategic Risk	We may not be able to deliver our TOMs across the organisation in the way we have planned	<ul style="list-style-type: none"> - Inadequate delivery planning for TOM's across the organisation - Unanticipated changes in delivery context - additional financial reductions. 	<ul style="list-style-type: none"> - Ambition set out in TOM is not achieved - Our objectives are not met 	O		4  17-Sep-2018	Impact and likelihood remain low as the TOM refresh progresses with a focus on planning for the subsequent 5 year period and delivery of previous TOMs draws to a close. MIB and CMT oversight mitigates this risk.	17 Sep 2018
								4  14-Jun-2018		
								4  20-Mar-2018		
								4  12-Dec-2017		
Page 48 Sophie Ellis; Kris Witherington	CPI39 / KSR74 Inadequate consultation	Key Strategic Risk	We may fail to adequately consult over changes to Council services and policies, and/or the design and implementation of projects (formerly CS17/KSR74)	<ul style="list-style-type: none"> - inadequate consultation - not meeting expected standards - insufficient training 	<ul style="list-style-type: none"> - increasingly robust scrutiny and challenge - possibility of Judicial Reviews 	R, FI		8  19-Sep-2018	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. The Community Engagement Strategy will be reviewed by March 2019 to ensure it complies with current best practice.	17 Oct 2018
								8  13-Jul-2018		
								6  14-Jun-2018		
								6  20-Mar-2018		

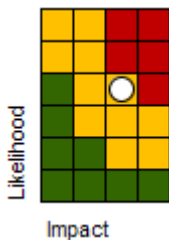




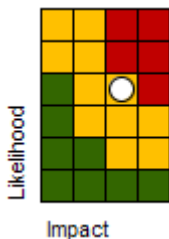




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									In the meantime work is underway with key stakeholders to determine whether any lessons are to be learned from a recent challenge and on the basis of this the risk score and control measures will be reviewed.	
Page 49 Rachael Wardell	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	We may fail to adequately safeguard children	Because of: - Less effective inter-agency working - Changing expectations & updated regulatory framework - Ongoing budget pressures across all agencies	Resulting in: - Child protection & safeguarding consequences including possible child death or serious harm. - increasing costs of "high cost" interventions - undermining of the Merton Model	R		12  30-Sep-2018	Strengthened MSCB governance and development of new partnership arrangements. Refreshed the Merton CYP and Family Wellbeing Model. Ongoing rigour in conversations with partner agencies and third sector to improve understanding and responsibility of safeguarding. Launched consultation on CSC Practice Model. Signs of Safety and Think Family approaches being rolled-out. Post-Ofsted action plan fully implemented. Refresh of CYPP for 2019-22 underway ensuring effective partner buy-in and engagement.	01 Oct 2018
								12  23-Aug-2018		
								12  21-Jun-2018		
								12  29-Mar-2018		
Charles Baker; Anita Cacchioli	ER112 / KSR73 Waste disposal budget (Viridor)	Key Strategic Risk	We may be unable to meet financial budget for waste disposal	- Waste may not be adequately disposed of - Delays in moving over to ERF - Increase in waste forecasted - Reduction in recycling - Insufficient budget to cover disposal costs	- increased costs for waste disposal - operational difficulties - performance may be affected (more landfill, less recycling and more missed bins) - political and reputational impact	FI/R/O		8  25-Sep-2018	The commissioning phase of the new ERF facility has started. We are monitoring the level of general waste used as part of the commissioning phase which we anticipate will generate a significant reduction in our landfill disposal cost (c£450k)	25 Sep 2018
								8  13-Sep-2018		
								8  26-Jun-2018		
								8  21-Mar-2018		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									The new waste collection service is due to be rolled out in Oct 2018 which is designed to increase the take up of the food waste collection and increase recycling. This will have a positive impact on our disposal cost. Full year effect will be delivered in 2019 / 2020. Risk to be reviewed once the impact of the service change can be measured.	
Paul McGarry; James McGinlay	ER118 / KSR75 Crossrail 2	Key Strategic Risk	We may fail to minimise the negative impact of Crossrail2 on the Council's income and/or commercial activity in Wimbledon Town Centre and Weir Road	- inadequate preparation and planning on our part	- financial impact on council and services - economic impact on Wimbledon Town Centre and the borough (potential loss of businesses and jobs) - Council reputation	FI	 Likelihood Impact	12  13-Sep-2018	Consultation has been delayed because the Treasury is reviewing the Crossrail 2 business case before this project can proceed any further. No further progress at Quarter Two (20th September 2018)	20 Sep 2018
								12  04-Jul-2018		
								12  21-Mar-2018		
								12  19-Dec-2017		
Mark Humphries	IT03 /KSR48 IT Systems	Key Strategic Risk	The 6th floor data centre may be rendered unusable	- major disruption in the civic centre	- IT failure - unavailability of IT services - negative impact on organisational service delivery.	SP	 Likelihood Impact	8  12-Sep-2018	- Upgrading works completed and operationally tested to confirm that the infrastructure now provides the required functionality. - A further review of the Council's DR and BC arrangements is being undertaken to ensure that agreed list of business critical systems reflects recent changes (i.e.) hosting of some of the previous on premise business systems. - Interim report being presented to CMT in second week of October 2018	01 Oct 2018
								8  13-Jun-2018		
								8  05-Mar-2018		
								8  04-Dec-2017		

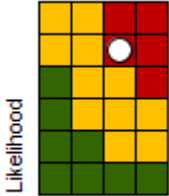




Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Caroline Holland; Mark Humphries	IT24 / KSR21 Public Contract Regulations/Contract Standing Orders	Key Strategic Risk	We might breach Public Contract Regulations 2015 and Contract Standing Orders (previously risk RE03)	<ul style="list-style-type: none"> - incorrect procurement (despite this being a tightly regulated area of council activity) - Lack of staff awareness - insufficient training and guidance 	<ul style="list-style-type: none"> - procurement exercises impacting on strategy and time - adverse budget and service implications if not carried out correctly - legal challenges - slower identification, capture and delivery of savings - reputational risk. 	R		15  12-Sep-2018	An online procurement 'toolkit' was formally launched in September 2018. This will be supported by staff training sessions in order to promote use of the Councils procurement portal and the suite of new documents and templates. This will promote and embed good practice across the organisation and significantly reduce the risk of a legal challenge due to a failure to meet the requirements of the Public Contract Regulation or Contract Standing Orders.	24 Sep 2018
								15  13-Jun-2018		
								15  05-Mar-2018		
								15  07-Dec-2017		
Page 51 Zoe Church; Caroline Holland	RE02 / KSR49 Corporate Business Plan & balanced budget	Key Strategic Risk	We may fail to develop a corporate Business Plan & set a balanced budget for 19/23 & beyond	<ul style="list-style-type: none"> - Reduction in Government Grant - challenges of making accurate projections of Business Rate Retention due to lack of clarity over future of London Pilot Pool 	<ul style="list-style-type: none"> - negative impact on service provision - damage to council reputation - negative impact on staff morale - dissatisfaction of internal & external customers 	FI		15  08-Oct-2018	Officers have completed the Business Planning Process for 2018-22 and preparing to commence the process for 2019-23. An initial report to Cabinet on 17/9 rolled forward the MTFS to 19-23 and updated the forecast with latest information and net savings targets for service departments to achieve a balanced budget over the MTFS 19-23. Currently there is a gap of £0.8 million in 2019-20 rising to £18.7m in 2022-23 (the cumulative difference over the 4 year planning period) – work will continue in line with the approved Business Plan Timetable to achieve a balanced budget for 19/20. The likelihood has been increased in light of the significant shortfall in future years.	08 Oct 2018
								12  21-Sep-2018		
								12  13-Jun-2018		
								12  06-Mar-2018		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Caroline Holland	RE16 / KSR61 Annual Savings Programme	Key Strategic Risk	We might fail to deliver the savings of £30m which have been agreed for the period 2016/17 to 2019/20 (the period of budget decisions required by this council)	- we are unable to achieve planned and/or anticipated savings - projected outturns do not match actuality	- adverse impact on the authorities ability to balance its budget in the medium to long term - gap is larger than the contingency - we are required to reinstate reserves	FI		15  20-Sep-2018	The monthly monitoring report is forecasting a shortfall in savings in 18/19 of £1.5m (22% of savings target). In 17/18 savings of £2.6m were unachieved and £01.3m are an ongoing pressure and not expected to be achieved in 18/19. The projected outturn position for 18/19 is £2.7m overspend. Delivery of savings will continue to be monitored and reported in 18/19 as they are critical to balance the budget.	20 Sep 2018
								15  28-Jun-2018		
								15  19-Mar-2018		
								15  14-Dec-2017		
Page 52 Corporate Management Team	RE24 / KSR80 Impact of Brexit	Key Strategic Risk	We might be unable to respond effectively to the changes brought about by Brexit	<ul style="list-style-type: none"> - A challenging withdrawal process - Changes to procurement frameworks - Other regulatory/statutory changes - Loss of regional aid funding - Changing eligibility of EU nationals to live &/or work in UK - potential impact on staff recruitment and retention - security of supplier network - short to medium term impact on LBM's pension investments - community cohesion 	<ul style="list-style-type: none"> - Financial uncertainty - Impact on local economy, investment & growth - Employment & skills gaps - Strain on resources - Impact on services esp. social care - Difficulty complying with statutory requirements - inability to capitalise on post-Brexit opportunities <p>The risk profile assumes a Brexit deal. If no deal, the risk profile will significantly increase as a consequence of the uncertainty created</p>			12  18-Oct-2018	Officers are closely monitoring developments on the Brexit negotiations and the potential impact for the council, citizens and businesses. This includes reviewing the Technical Notices, guidance from the LGA and other sector related assessments of possible implications. A session has been held with Collective DMT to identify risks. This has been reviewed by CMT and a task group of officers from across the council has been established to monitor developments and how the Council responds. Cabinet will be considering the implications of Brexit in November and the Overview and Scrutiny Commission are reviewing the implications for citizens.	18 Oct 2018
								9  30-Aug-2018		
								9  13-Jul-2018		

Key Strategic Issues ~ Quarter Two, 2018-19

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Sophie Ellis; Rachael Wardell	CPI41 / KSR53 Equalities duties	Key Strategic Issue	We may be in breach of Equalities legislation regarding new policy development, designing services and decision making (formerly RE11)	- insufficient evidence to demonstrate how equalities implications have been considered	- reputational impact for council - risk of judicial review & litigation - negative impact on service users - loss of savings.	R		12  31-Aug-2018	Implementation of the new Equality Strategy is going well. DMTs, CMT and OSC have all noted the good progress made on the revised outcomes. Given the financial pressures on the Council and the implementation of funding reductions there continues to be in our view an increased risk of scrutiny and challenge to these decisions (reflected in last quarter's increase in risk score) – as is evidenced by the recent JR. This was discussed at Collective DMT and follow up work is planned with DMTs and through the MTFS process to further mitigate this risk.	17 Oct 2018
								12  13-Jun-2018		
								9  13-Mar-2018		
								9  13-Dec-2017		
Rachael Wardell	CSF04 / KSR55 Demographic changes	Key Strategic Issue	We may fail to respond adequately to changing children's social care demands	Due to changing borough demographics including: - an increase in the total population in the borough - a particular increase in families with young children - a change in the mix of the population with respect to ethnicity, disability & deprivation - an increase in children with special educational needs and disabilities	This will lead to: - Additional demand for services for children with special educational needs & disabilities - pressure for growth in children's social care & child protection interventions - increasing level of support for families with no recourse to public funds.	SP		12  01-Oct-2018	Right size budgets in areas with demand pressure that cannot be met. CSF Service Plans identify current control measures, including: reviewing and strengthening the eligibility criteria; step up step down process; and consistently managing demand. A project is in train to try to improve prediction of future demand.	01 Oct 2018
								12  21-Jun-2018		
								12  29-Mar-2018		
								12  30-Dec-2017		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Jane McSherry	CSF05 / KSR34 Insufficient school places	Key Strategic Issue	We may fail to meet the demand for school places	This is because: - we are expecting 200-250 additional admissions applications for pupils to start secondary school in September 2018 - we have only 150 spare places in our current year 7, at schools to the far west and east of the borough where there is less demand	Insufficient school places provided by Sept 2018 will result in: - failure to meet statutory duty - increased scrutiny - reputational damage	R		6 01-Oct-2018 6 05-Jul-2018 3 21-Jun-2018 12 29-Mar-2018	Harris Wimbledon (Free School) opened in September 2018. Work in hand to deliver new school site for 2020. Increased classes allow surplus in secondary places. Primary role currently falling so able to cope with increased demand. Planning permission for new school to be applied for.	01 Oct 2018
Children, Schools & Families	CSF06 / KSR56 CSF funding & statutory services	Key Strategic Issue	CSF funding changes, budget savings & resource management may impact on our ability to provide statutory services.	Causes include: - Move to national funding formula for DSG expected from 2017/18 onwards and implications for overspends - continued uncertainty regarding changes to funding regimes & external grants - concurrent additional statutory duties - demographic pressures - 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 - Need to balance competing & increasing demands at a time of contracting resources & extensive change.	Leading to: - DSG overspend would impact on council general fund budget - Negative impact on our ability to provide statutory services - undermining of 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.	FI		12 01-Oct-2018 12 21-Jun-2018 9 29-Mar-2018 9 30-Dec-2017	Assessment of likely impact of changes through Government funding proposals. Additional burdens reported on monthly and demographic pressures identified. Feeds into the MTFS, TOM, Service Planning work and relevant strategies to deliver the required savings without adversely impacting on performance. Early help and prevention a key theme of our TOM coupled with our continued focus on our statutory services. Right sizing of budgets to enable unfunded service demands to be met. Changes to rules on DSG overspend increase potential impact.	01 Oct 2018

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Rachael Wardell	CSF09 / KSR62 Intervention/ prevention commissioning	Key Strategic Issue	We may fail to recommission appropriate intervention and prevention services	Due to: - reduction in contracting with local third sector - change in delivery reports of CSF	Resulting in: - Destabilisation of the Local Strategic Partnership & Children's Trust Board partnership arrangements - reduced service delivery - an increase in reactive, rather than pro-active, services - adverse reputational impact - political impact	R		<p>15  30-Sep-2018</p> <p>15  21-Jun-2018</p> <p>10  29-Mar-2018</p> <p>10  30-Dec-2017</p>	Better understanding of totality of commissioned / short breaks services. Regular review of commissioned services. Opportunities identified to commission differently focusing on early help, prevention and reducing the escalation of cases. SIB and FDAC implemented with high take up, further enhancing our preventative work. Understand impact on / implications for preventative services.	01 Oct 2018

Definition of 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 over 50% of the time
4 - Significant	Occurs or likely to occur over a 25% of the time
3 - Possible	Occurs or likely to occur less than a 25% of the time
2 - Low	Occurs or likely to occur less than 5% of the time
1 - Almost Impossible	Occurs or likely to occur less than 1% of the time

Definition of the Impact of Risk

Categories	1 - Marginal	2 – Moderate	3 - Serious	4 - Very serious
Financial Impact – FI	£100k - £500k per annum	£500k - £1m per annum	£1m - £5m per annum	Over £5m per annum
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

These revised Impact Category descriptions and Financial Impact definitions were approved by CMT on 24 April 2018.