

## **Committee: Standards and General Purposes Committee**

**Date: 11<sup>th</sup> March 2021**

### **Subject: Progress Report on Risk Management**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: [Councillor Tobin Byers](#), **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
  - C. To consider the Covid 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 approved by Cabinet on 22<sup>nd</sup> February 2021 and approved by Council on 3<sup>rd</sup> March 2021 as part of the 2021/25 Business Plan.  
  
The current Risk Management Strategy is at Appendix I.
- 1.3 All departments review their risks each quarter at their respective DMTs, followed by a review of all risks by the Corporate Risk Management Group (CRMG). The final report in the quarterly cycle is presented to CMT to review the risks that are on the Key Strategic Risk Register (KSRR); these are significant risks, which may have a strategic impact on the council as a whole.
- 1.4 The report also summarises the approach taken to monitoring COVID 19
- 1.5 Strategic oversight is provided annually by Cabinet, and the Standards and General Purposes Committee.

## **2 DETAILS**

- 2.1. Our risk management strategy emphasises the benefits and importance of having effective risk management and provides a concise and structured approach for managing our risks.

It includes clear guidance for defining the likelihood and impact of risks, in order to ensure a consistency in risk scores across the council. Our risks are scored using a Red, Amber or Green status, with scores ranging from one (Green) to a maximum of 24 (Red)

The strategy also includes the process for identifying and raising new risks, the removing of risks from our registers and for escalating any risks, which might affect the Council as a whole, onto the KSRR.

Guidance in relation to financial risk management, particularly in the context of budget setting and monitoring, is detailed in the strategy.

- 2.2. 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 and that effective Control Actions to mitigate the risk are in place and updated.
- 2.3. CRMG meets quarterly, within two weeks of the DMT risk review meetings, and subjects the departmental risk registers, the KSRR and risk registers for Pensions, Merton & Sutton Joint Cemetery Board and CHAS, to a thorough scrutiny and challenge.

This includes reducing or increasing risk scores, where applicable and ensuring that Control Actions are effective and current. CRMG also agrees the removal of any existing risks once they are no longer deemed to be a risk and the introduction of any new risks.

- 2.4. After each CRMG meeting details of all our Key Strategic Risks, including proposed amendments such as increased or reduced scores and the addition of new or deletion of risks, are reported to CMT. Any urgent decisions regarding KSRs outside of this quarterly cycle 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 December 2020, following which all risks were scrutinised at CRMG on 13<sup>th</sup> January 2021.

A report on Quarter Three status of the KSRR was subsequently presented to CMT 2<sup>nd</sup> February 2021.

2.6. There are currently 14 Key Strategic Risks and 5 Key Strategic Issues on the KSRR.

- A Risk is defined as an event which might occur in the future
- An Issue is something which is happening now.

Of these Risks and Issues seven are scored as red:

- One red Issue is scored at 20 - Likelihood High (5) / Impact Very Serious (4)
  - CSF04/ KSR55 Demographic Changes
- Two red risks are scored at 18 - Likelihood Very High (6) / Impact Serious (3)
  - RE02 / KSR49 Corporate Business Plan & balanced budget
  - RE16 / KSR61 Annual Savings Programme
- Three red risks/ issues are scored at 16 - Likelihood Significant (4) / Impact Very Serious (4)
  - ER154 / KSR 82 Bishopsford Road Bridge
  - CSF05 / KSR34 Insufficient School Places
  - CSF06 / KSR56 CSF Funding & Statutory Services
- One red risk is scored at 15 - Likelihood High (5) / Impact Serious (3)
  - IT24 / KSR21 Public Contract Regulations/Contract Standing Orders

2.7. The latest KSRR, containing full details of all strategic risks and issues together with their associated Control Actions, can be found at Appendix II.

2.8. CRMG also reviews the level of insurance claims against the council on a quarterly basis. Cross-departmental efforts are discussed to try to resolve any identified issues.

2.9. An Internal Audit Report into Risk Management compared risk management practices between Kingston, Sutton and Merton and concluded that Merton's practices and systems provided substantial assurance.

2.10. This report was produced just before the advent of Covid 19 and since this time considerable officer time has been utilised maintaining an accurate Covid Risk Register. Review and response to the above recommendations have been put on hold until Spring 2021.

2.11. The quarterly review of the departmental risk registers was undertaken throughout December 2020, and the results scrutinised by CRMG in early January 2021 and included in the 2021/25 Business Plan for approval by Cabinet and Council.

- 2.12. Cabinet is responsible for agreeing the risk management strategy on an annual basis. The Standards and General Purposes Committee provides an annual 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.
- 2.13. The risk management strategy is included within the dedicated risk management pages on the Merton Hub, and informs and underpins all risk management processes. This includes a wide range of areas, including project management, procurement and savings delivery. 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.
- 2.14. 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.
- 2.15. Since March 2020 the Authority has maintained a separate risk register to monitor the impact of Covid 19, this register has been updated fortnightly and reviewed by DMTs and CMT regularly. Given the pace of change caused by Covid 19 it has been necessary to monitor and respond to risks more frequently than those identified as part of normal activity. This register has provided key service level information to inform decision making. This register is attached as Appendix III (Exempt).

### **3 ALTERNATIVE OPTIONS**

- 3.1. Not applicable.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. CRMG contributed to consultations for the revision of the Risk Management Strategy which is attached at Appendix I.

### **5 TIMETABLE**

- 5.1. Not applicable.

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. Merton, along with all other local authorities are facing continued financial pressure from impact of Covid 19, BREXIT, 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. Merton closely monitors its financial position providing regular updates to CMT, Cabinet, Scrutiny and Council.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

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

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 will be redacted as and where appropriate.

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

There is one specific Key Strategic Issue around equalities that is contained within the body of the report.

## **9 CRIME AND DISORDER IMPLICATIONS**

9.1. There are no Key Strategic Risks which focus on specific crime and disorder implications.

## **10 HEALTH AND SAFETY IMPLICATIONS**

10.1. There is one specific Key Strategic Risk with Health and Safety implications that is contained within the body of the report.

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

- Appendix I – Risk Management Strategy (January 2019)
- Appendix II - Key Strategic Risk Register (Status as at Q3, 2021)
- Appendix III – Covid 19 Risk Register (Exempt under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it is likely that exempt information, as defined in paragraph 3 of Part I of Schedule 12A to the Act, would be disclosed and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

## **12 BACKGROUND PAPERS**

12.1. Relevant papers held within the Resources Division

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