

Committee: General Purposes

Date: 4 November 2015

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 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 approved by Cabinet on 19 January 2015 and approved by Council on 4 March 2015 as part of the Business Plan 2015-16. The strategy was also subjected to an internal audit during the first quarter of 2015-16.
- 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 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 embodies all the essential elements of a model risk management system, and that there is a robust system of reviewing risks at service, departmental and corporate level. The internal audit further identified the Council's risk scoring system as being consistent with good practice.
- 2.3. However, the internal audit found that, although all key controls are in place, there is evidence of some minor controls not operating. Resolution of many of these minor deficiencies is already underway, including delivery of further risk management training for departmental risk champions, putting improved controls in place to ensure adherence to the risk reporting cycle, and reviewing the risk management pages on the intranet to ensure all information is current and effective.
- 2.4. The internal audit also recommended that the KSRR be split into its two distinct components ie Risks (events which may happen in the future) and Issues (things which are happening now). This has now been implemented.
- 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 corporate 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 in October 2015, which has resulted in a streamlining of the KSRR ensuring that it is more corporately focused. A report on the status of the KSRR was subsequently presented to CMT on 27 October 2015.
- 2.9. At October 2015, there were 10 risks on the KSRR, of which two were scored as red risks:
- Red Strategic Risks:
 - KSR21/RE03: Failure to adhere to EU procurement regulations
 - KSR61/RE16: Delivery of savings programme 2014-19

At October 2015, there were six issues on the KSRR of which one was scored as a red issue:

- KSR56 Children Schools & Families funding changes, budget savings & resource management.

- 2.10. The October 2015 KSRR, containing full details of all strategic risks together with their associated action plans and management commentary, can be found at Appendix 1.
- 2.11. The results of the next quarterly review of the departmental risk registers and the KSRR will be scrutinised by CRMG in early January 2016.
- 2.12. 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.
- 2.13. 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. 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.

3 ALTERNATIVE OPTIONS

- 3.1. Not applicable.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. CRMG members served as key consultees for the risk management strategy's internal audit report, and also the revision of the risk management strategy during 2013-14.

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. As at October 2015 there was 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 - Key Strategic Risk Register October 2015

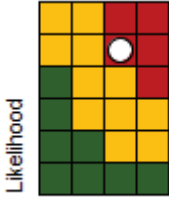




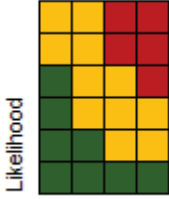
12 BACKGROUND PAPERS

12.1. Relevant papers held within the Resources Division

Risks & Issues Register ~ Key Strategic Risks ~ October 2015

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Cabinet Member(s)	Control Measures in place
Sophie Ellis	BI18 / KSR68 Inability to deliver TOM's across the organisation	Key Strategic Risk	Inadequate delivery planning for TOM's across the organisation.	Ambition set out in TOM is not achieved.	 Likelihood Impact	4 17-Sep-2015	O	Cllr Mark Allison	1. Delivery planning coordinated through Programme Office and M2015. Likelihood reduced as delivery arrangements now embedded. 2. Business Partners leading on departmental delivery assurance. 3. Savings proposals for 17/9 to articulate TOM impact.
						6 24-Jun-2015			
						6 26-Mar-2015			
						9 05-Jan-2015			
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.	 Likelihood Impact	12 08-Oct-2015	R	Cllr Maxi Martin	LSCB Business Plan & refreshed CYPP. Reconstituted CYP partnership board. Strengthened MSCB governance.
						12 06-Jul-2015			
						12 10-Apr-2015			
						12 30-Mar-2015			
Charles Baker; Cormac Stokes	ER112 / KSR73 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	 Likelihood Impact	12 06-Oct-2015	Fi/Rep/P/O p	Cllr Andrew Judge	This covers ER 113 - residual waste closure of landfill site, ER 114 residual waste out of contract, ER 115 Reduced recycling due to contaminated wet paper, ER 116 restricted access to disposal facility, ER 117 insufficient budget allocation to cover disposal costs.
Dean Shoesmith	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	 Likelihood Impact	6 17-Sep-2015	R	Cllr Mark Allison	Discussions are currently being undertaken with the unions to finalise any outstanding allowances and mitigate any further risk. Risks are mitigated through COT3 signings with staff concerned. Some further work outstanding on allowances in C&H and E&R in particular. An equality impact assessment will also be conducted between September and December 2015 in order to manage risk further. The risk rating remains as before.
						6 23-Jun-2015			
						6 14-Apr-2015			
						6 23-Mar-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Cabinet Member(s)	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.		8 17-Sep-2015	SP	Cllr Mark Allison	Testing of new IT Disaster Recovery arrangements were due to be tested in September but unfortunately this was delayed and has now been rescheduled for completion in November 2015.
						8 17-Jun-2015			
						8 23-Mar-2015			
						8 05-Jan-2015			
Paul Audu	MPF11 / KSR72 Failure to procure replacement investment managers in good time and so not improving Fund performance	Key Strategic Risk	Failure to procure replacement investment managers within appropriate timescales resulting in failure to improve performance of investments.	Investment performance does not improve, investment performance falls, fund may fail to meet its investment and funding objectives in the short and medium term.		12 02-Oct-2015	FI, R	Cllr Mark Allison	Corporate Services DMT on 23 September 2015 agreed that there should be an over-arching Pensions risk on the Key Strategic Risk Register centred upon the failure to procure. The wording of the risk description, cause and consequence have been reviewed by the Interim Treasury and Insurance Manager. The scoring of this risk has also been re-assessed. Existing control measures: Engage manager with complementing strategies. Passive investments.
						16 24-Jul-2015			
Paul Dale; Caroline Holland	RE02 / KSR49 Developing corporate Business Plan & setting a balanced budget for 15/19 & beyond	Key Strategic Risk	Reduced budgets may impact negatively on service delivery levels	Impact on service provision, reputation, staff morale & internal & external customers satisfaction		9 21-Sep-2015	FI	Cllr Mark Allison	Risk has been updated to reflect Business Planning Period 16-20, and a timetable is in place.
						9 19-Jun-2015			
						9 07-Apr-2015			
						9 05-Jan-2015			
Simon Williams	RE03 / KSR21 Failure to adhere to Public Contract Regulations 2006 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 21-Sep-2015	R	Cllr Mark Allison	New EU Procurement Regulations came into force in February 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 already begun. Comprehensive departmental procurement plans are in place and reviewed regularly by Procurement Board.
						15 01-Jul-2015			
						12 19-Jun-2015			
						12 10-Apr-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Cabinet Member(s)	Control Measures in place
									The risk rating has increased as there are currently delays in providing a substantial proportion of exemption reports in Community & Housing. However C&H is finalising the development of a commissioning plan, which includes a strategy for processing and prioritising these exemptions. This will be reviewed by the project's board and the Procurement Board.
Caroline Holland	RE16 / KSR61 Failure to deliver 2014-18 Savings Programme	Key Strategic Risk	Savings of £19m have been agreed for the period 2014/15 to 2018/19, the period of budget decisions required by this council. There is a budget gap of £21m 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.		15  21-Sep-2015	F	Cllr Mark Allison	A significant part of the 2014/15 programmed savings were not achieved which had a very detrimental effect upon the savings for the forthcoming year. It is imperative that future years' savings are delivered, and that monitoring is put in place to ensure this. Greater emphasis needs to be placed upon the delivery and monitoring of savings for 2014/15 and 2015/16 as part of the monthly monitoring report.
						15  01-Jul-2015			
						10  19-Jun-2015			
						10  09-Apr-2015			
YET TO BE ASSIGNED	KSR74 NEW KSR Failure to consult in general	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.		YET TO BE SCORED	R, FI	YET TO BE ASSIGNED	CMT agreed on 27 October 2015 that this risk should be added to the Key Strategic Risk Register. The details are currently being refined.

Risks & Issues Register ~ Key Strategic Issues ~ October 2015

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Cabinet Member(s)	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.		12 08-Oct-2015	O	Cllr Maxi Martin; Cllr Martin Whelton	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.
						12 06-Jul-2015			
						12 30-Mar-2015			
						12 05-Jan-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 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.		9 08-Oct-2015	R	Cllr Martin Whelton	CSP Service Plan and recent council paper outlines recommendations to address this. Secondary and special school places strategy in place - working with EFA.
						9 06-Jul-2015			
						9 30-Mar-2015			
						9 05-Jan-2015			
Children, Schools & Families; Resources	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. Changes to national funding formula for DSG expected from 2016/17 onwards, & the impact of any maintained schools becoming academies. Funding associated with C&F Act, & detailed requirements for CYP with SEND remain uncertain, as do youth justice and adoption changes. Demand	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		15 08-Oct-2015	FI	Cllr Maxi Martin; Cllr Martin Whelton	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. Likelihood - still waiting on national changes being announced. NRTPF demand management plan in place. TOMS and MTFS savings all progressing.
						15 06-Jul-2015			
						15 30-Mar-2015			
						15 05-Jan-2015			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Cabinet Member(s)	Control Measures in place
			on "no recourse to public funds" cases is increasing. Requirement to make significant savings over the next 3-4 years. Need to balance competing & increasing demands at a time of contracting resources & major change.	management of ongoing operational work.					
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.	 Likelihood Impact	10 08-Oct-2015	R	Cllr Maxi Martin	CSP Service Plan highlights area of high risk and continuation of commissioned services.
						10 06-Jul-2015			
						10 30-Mar-2015			
						10 05-Jan-2015			
Dean Shoesmith	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.	 Likelihood Impact	8 17-Sep-2015	SP	Cllr Mark Allison	A paper with options covering pay and rewards is being developed for CMT through the Workforce Strategy Board.
						8 23-Jun-2015			
						8 23-Mar-2015			
						8 06-Jan-2015			
Yvette Stanley; Evereth Willis	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.	 Likelihood Impact	9 21-Sep-2015	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.
						9 01-Jul-2015			
						9 19-Jun-2015			
						9 08-Apr-2015			

Definition of the Likelihood of Risk for *Service Area* use

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 for *Service Area* use

Categories	1 - Marginal	2 - Significant	3 - Critical	4 - Catastrophic
Financial Impact - FI	Up to 15% of 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

Definition of the Likelihood of Risk for *Key Strategic Risk Register (KSRR)*

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
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1 - Almost Impossible	Occurs or likely to occur less than 1% of the time

Definition of the Impact of Risk for *Key Strategic Risk Register (KSRR)*

Categories	1 - Marginal	2 - Significant	3 - Critical	4 - Catastrophic
Financial Impact - FI	£2.5 million per annum £10 million one off	£5 million per annum £20 million one off	£7.5 million per annum £30 million one off	£10 million per annum £40 million 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