

Committee: Standards and General Purposes Committee

Date: 9th November 2019

Wards:

Subject: Progress Report on Risk Management

Lead officer: Caroline Holland, Director of Corporate Services

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

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Recommendations:

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

- 1.1 The purpose of this report is to provide a progress report on risk management within Merton, including details of the Key Strategic Risks (KSRs) faced by the council.
- 1.2 The risk management strategy was reviewed and updated by the Business Planning Team in January 2019 with CMT agreeing the revised strategy on 29 January 2019.
The updates included refining our definition of “financial risk impact” and, in response to the events at Northampton County Council during 2018, the content relating to financial risk management was strengthened.
The strategy was then approved by Cabinet on 18 February 2019 and approved by Council on 6 March 2019 as part of the 2019/23 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 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 September 2019, following which all risks were scrutinised at CRMG on 2 October 2019.

A report on the final Quarter Two status of the KSRR was subsequently presented to CMT on 22 October 2019.

2.6. There are currently 13 Key Strategic Risks and five 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 24 - Likelihood Very High (6) / Impact Very Serious (4)
 - CSF06 / KSR56: CSF Funding & Statutory Services
- One red risk is scored at 16 - Likelihood Significant (4) / Impact Very Serious (4)
 - ER154 / KSR 82 Bishopford Road Bridge
- Five red risks / issues are scored at 15 - Likelihood High (5) / Impact Serious (3)
 - IT24 / KSR21: Public Contract Regulations / Standing Orders (Risk)
 - RE02 / KSR49 Corporate Business Plan & balanced budget (Risk)
 - CSF04 / KSR55: Demographic Changes (Issue)
 - RE16 / KSR61: Annual Savings Programme (Risk)
 - ER132 / KSR81: Waste Services Contractor (Risk)

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. At its meeting on 2 October 2019, CRMG noted that a major issue continues to be that of the high level of claims still being received for damage caused by trees; the amount of claims currently outstanding being £511,000.

Cross-departmental efforts continue to try to resolve this issue and an audit of our tree management arrangements is currently underway.

2.9. At present Internal Audit are reviewing the councils risk management arrangements to ensure that strategic and operational risks are effectively managed so that the councils risk exposure is reduced to an acceptable level. This includes reviewing the strategy and procedures to ensure responsibilities for risk management are clearly defined and fully documented and there are adequate processes for the identification of new risks, evaluation of risks and identification of mitigating controls.

This audit will also compare the risk management arrangements and processes of four other boroughs (Kingston, Richmond, Sutton and Wandsworth) with a view to identifying best practices.

2.10. The next quarterly review of the departmental risk registers will be undertaken throughout December 2019, and the results will be scrutinised by CRMG in early January 2020 and included in the 2020/24 Business Plan for approval by Cabinet and Council.

2.11. 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 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.

- 2.12. 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.
- 2.13. 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. CRMG 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 2020.

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 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.

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.
- 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 will be redacted as and where appropriate.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

There is one specific Key Strategic Issue around equalities:

- ASC21 / KSR77 - Increase in number of DoLS and Community DoL.: We may not be able to manage the rise in Deprivation of Liberty Safeguards (DOLS) and Community DOL effectively.

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:
- 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 2019)
- Appendix II - Key Strategic Risk Register (Status as at Q2, 2019/20)

12 BACKGROUND PAPERS

- 12.1. Relevant papers held within the Resources Division

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