

Committee: Standards and General Purposes Committee

Date: 28 November 2022

Wards:

Subject: Progress Report on Risk Management

Lead officer: Roger Kershaw, Interim Director of Corporate Services

Lead member: Billy Christie, **Cabinet Member for Finance and Corporate Services**

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
-

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 7th February 2022 and approved by Council on 2nd March 2022 as part of the 2022/26 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 Zurich risk training of CMT to drive a review of risks throughout the authority.

1.5 Strategic oversight is provided annually by Cabinet, and assessment of governance arrangements are considered as part of the annual report to the Standards and General Purposes Committee.

2 DETAILS

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 Key Strategic Risk Register (KSRR).

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

2.1. Departments are continuing to monitor their risks following the Zurich training. 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.

2.2. Corporate Risk Management Group (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.

2.3. 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.

2.4. In accordance with the risk reporting cycle, the most recent quarterly review of departmental risks was undertaken by DMTs during September 2022, following which all risks were scrutinised at CRMG on 5th October 2022.

2.5. There are currently 13 Key Strategic Risks and 2 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 or has already happened.

Of these Risks and Issues, seven are scored as red:

5 Strategic Risks and 2 Strategic Issues are red.

One red risk and one red issue are scored at 18 (Likelihood: 6 Very High/ Impact: 3 Serious)

- RE02/ KSR49 Corporate Business Plan & Balanced Budget (Risk)
- RE16/ KSR61 Annual Savings Programme (Issue)

Three red risks and one red issue is scored at 16 (Likelihood: 4 Significant/ Impact: 4 Very Serious)

- ASC39/ KSR89 Charging Reform including Fair Cost of Care – Care Act Reforms (Risk)
- CSF24/ KSR85 Supporting Children with Additional Needs (Issue)
- ER153/ KSR84 Implementation of the Climate Action Plan (Risk)
- IT30/ KSR83 Risk of Cyber Attack on the Council's Infrastructure and Systems (Risk)

One red risk is scored at 15 (Likelihood: 5 High/ Impact: 3 Serious)

- ASC37/ KSR87 Fulfilling Statutory ASC Duties within Budget (Risk)

- 2.6. The KSRR Q2, containing full details of all strategic risks and issues together with their associated Control Actions, can be found at Appendix II.
- 2.7. 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.
- 2.8. The last report to Standards and General Purposes Committee was on 4th November 2021. Since this report officers have reviewed the Covid-19 risk log and migrated long-term Covid-19 related risks on to the risk register.
- 2.9. Our insurance provider Zurich provided training on risk management to Merton Council directors. Following this, each department underwent a thorough review of their risk registers ensuring the risks and issues capture the current conditions. An internal risk management training programme is currently being created to provide training to risk leads/ teams allowing greater understanding of how we manage our risks and issues at Merton Council.
- 2.10. The quarterly review of the departmental risk registers was undertaken throughout September 2022, and the results scrutinised by CRMG in early October 2022 will be included in the 2023/27 Draft Business Plan. The proposed final Business Plan will be updated with January 2023 review information before being approved by February Cabinet and March Council.
- 2.11. 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.

- 2.12. 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.

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 as a result of inflation, the increased cost of living pressures, 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.
- 7.2. With regards to responses to requests made under the Freedom of Information Act 2000 (FOIA) and other statutory enquiries relating to Council's risk these are based upon the published Key Strategic Risk Register within the Council's annual Business Plan. Requests in relation to disclosure of departmental risk registers under FOI (or under other legislation) will be responded to by the provision of the departmental registers but redacted as and where appropriate.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. There is one specific Key Strategic risk 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 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 2022)
- Appendix II - Key Strategic Risk Register
- Appendix III – Key Strategic Issue Register

12 BACKGROUND PAPERS

12.1. Relevant papers held within the Resources Division

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Date: 28 November 2022

Wards:

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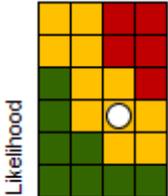
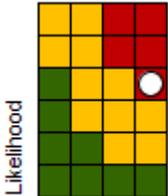
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Risk Register ~ Key Strategic Risks

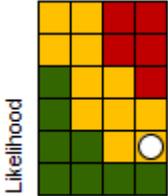
Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Phil Howell	ASC37/ KSR87 NEW Fulfilling Statutory ASC Duties within Budget	Key Strategic Risk	Rising demand and cost creates financial pressures that cannot be contained within agreed budget control totals.	<p>We are expecting high fee uplift demands as a result of increases in NWL, increases in NIC, heating and other costs. Current estimate £1.34m pa for Home Care and other community based services. Residential and nursing care is likely to be at least another £1m</p> <p>The complexity of care packages often means 'usual' rates do not effectively cover all individual needs.</p> <p>Demand for services continues to increase.</p>	<p>Providers deciding to leave the market -increased costs of placements.</p> <p>Unfunded in-year budget pressures</p> <p>Additional legal costs</p> <p>Damage to reputation</p> <p>Increase in complaints-</p>			15 30-Sep-2022	<p>Close liaison with provider market locally to get early warning of any financial distress.</p> <p>Continued robust operation of Outcomes Forum.</p> <p>Case File Audit programme to include review of decision making in respect of care packages.</p> <p>Using additional short term resource to undertake scheduled annual reviews in order to give confidence that packages continue to be 'right-sized'.</p> <p>Continuing investment in prevention activities.</p>	30 Sep 2022
								15 02-Aug-2022		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Keith Burns; Phil Howell	ASC38/ KSR88 NEW Integration of Health and Social Care at Place	Key Strategic Risk	Integration of Health and Social Care at Place is ineffective, reducing the quality of service to our residents and increasing the risk of cost shifting from health to the LA	Integrated Care Systems (ICS) are newly constituted NHS bodies under the Health & Social Care Act. The ICS is responsible for delegation of NHS funding to Place Based Boards and there is an expectation the LA delegates ASC budgets to place to support better integration. There is risk that the place based delegation of budgets, financially constrains integration at a local level. There is also relational risk between LA and local health partners	Break down in relationship between LA and health with the consequence that integration is ineffective, stalls or breaks down. Delegation of ICS budgets to Merton a place are negatively disproportionate in comparison to the rest of SWL and therefore having a negative impact on the ability to integrate effectively			9  28-Sep-2022	Continued proactive engagement with senior leadership team at ICS. Strengthening relationships with place based senior leaders. Robust presentation of LBM position (financial and quality) in all relevant conversations with ICS colleagues. SWL DASS working to influence ICS for the broader good of Adult Social Care across the boroughs.	02 Aug 2022
								9  02-Aug-2022		
Keith Burns	ASC39/ KSR89 NEW Charging Reform, including Fair Cost of Care - Care Act Reforms	Key Strategic Risk	Charging Reform, including the development of a Fair Cost of Care, for implementation from October 2023 leads to a shortfall between the additional funding provided by Government and the actual additional cost generated as a result of the revised capital thresholds and other adjustments.	This element of national charging reforms does not lead to 'cost neutralisation' between the cost of care to the local authority and the equivalent cost to self funding residents. Leaving a significant gap in costs faced versus what counts towards the lifetime cap. Insufficient central government funding of the reforms to effectively 'close the	De-stabilising the market and leading to providers leaving the market or remaining but exclusive to self funders or the Local Authority Challenges to LA decision making/process when an individual reaches the lifetime cap and transitions to LA funded support Significant budget pressures.			16  28-Sep-2022	Analysis of potential costs / risks commissioned from specialist 3rd party organisation. Continued lobbying of Government via ADASS / LGA / Society of London Treasurers regarding funding.	02 Aug 2022
								16  02-Aug-2022		

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				gap' Leading to unsustainable funding situation either for providers or for the local authority						
Page 347 Lisa Hewitt; Claire Migale; Gill Moore	ASC41/ KSR90 NEW Adult Safeguarding	Key Strategic Risk	Serious safeguarding incident leading to serious injury or loss of life creates significant legal / reputational consequences for the Council.	Serious failing in safeguarding duties resulting in harm to vulnerable people and/or a notable, high profile or systemic safeguarding incident or Serious Case Review that draws significant reputational harm to the borough Resulting from system failings in safeguarding duties under the Care Act and associated legislation e.g. Mental Capacity, Mental Health Act or Deprivation of Liberty Safeguards (and subsequently Liberty Protection safeguards)	Serious incidents of harm/abuse of vulnerable adults, including deaths or multiple deaths. Reputational damage to LBM and it's ASC department. SoS intervention in department CQC intervention			9 28-Sep-2022	Ongoing training and development for social care staff, including new and interim staff. Continued robust implementation of, and compliance with, London Multi-Agency Safeguarding Policy and Procedures Case File Audit programme to review current practice and areas for improvement. Robust SAB Chairing and support arrangements.	08 Aug 2022
								9 02-Aug-2022		
Louise Round	CG05 / KSR79 Data Protection Compliance	Key Strategic Risk	We may fail to comply with the requirements of Data Protection legislation	- inappropriate processing, use, retention, access or inaccuracy of data - staff insufficiently aware of requirements of Act and other legislation	Harm to service users, through breach of privacy (could result in physical harm); loss of services; damage to reputation; financial impact on council through ICO fines; key stakeholders lose confidence & may not share data with the	FI & R		12 28-Jun-2022	The council is in the process of reviewing all data protection policies to ensure they are fully compliant with the relevant legislation; The DPIA template has been reviewed to ensure that privacy risks are more effectively captured and managed in the	28 Jun 2022
								12 28-Mar-2022		
								12 13-Dec-2021		
								12 16-Sep-2021		

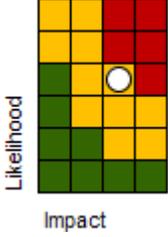
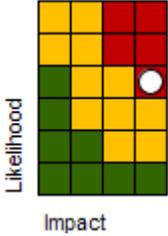
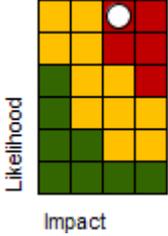
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					council				procurement and project management process.. Robust security incident policy & reporting with quarterly security breach report submitted to IG Board & learning from incidents cascaded through weekly data security tip in the staff bulletin; Information Asset Register template has been reviewed and updated and DMTs to review quarterly to ensure compliance & identify gaps; Updates made to Privacy Notice;. New IG / Cyber security training has been commissioned and will be rolled out in July 22. Audit been asked to review SharePoint permissions. New email retention policy agreed. IG board agreed resource for wider retention schedule project. together.	
John Dimmer; Jane McSherry	CPI41 / KSR53 Equalities duties	Key Strategic Risk	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		9 16-Sep-2022	The key concerns still relate to service changes as a result of budget reductions. We continue to need to reduce or reconfigure services which could impact on vulnerable people.	16 Sep 2022
								12 24-Jun-2022		
								12 16-Mar-2022		
								12 20-Dec-2021		

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									<p>The BAME Voice research into the lived experience of COVID-19 on BAME communities has produced a final report.</p> <p>A detailed action plan responding to each recommendation has been developed. The council's response to the recommendations was presented to the Joint Consultative Committee (JCC) with Ethnic Minorities on 14 June.</p> <p>The findings of all the impact research have contributed to developing the Equality Objectives for the refreshed Equality Diversity and Inclusion strategy going to Cabinet in October.</p> <p>Black Lives Matter is a project within the Recovery and Modernisation Programme. The monthly highlight report to the board has shown good progress being made to implement measures that address the issues raised and the council's commitment to promote Equality Diversity and</p>	

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									<p>Inclusion.</p> <p>A suite of L&D EDI training resources is being procured to improve managers and staff knowledge and understanding of EDI considerations.</p> <p>The Workforce Race Equality Standard (WRES) in Social Care pilot started in April 2021. The first data submission to the Dept. Health and Social Care was made on 8 October 2021 and an action plan has been developed. The final data submission is April 2023.</p> <p>With the above mitigations in place we have reduced the overall score down to 3 (Likelihood 3, impact 3)</p>													
Jane McSherry	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	We fail to assess risk, recognise need and to deliver effective interventions	<p>Because of:</p> <ul style="list-style-type: none"> - Rise in demand - Lack of capacity at front door at meet rising demand - Recruitment issues to attract new social workers - Partners not referring into MASH 	<p>Resulting in:</p> <ul style="list-style-type: none"> - Child protection & safeguarding consequences including possible child death or serious harm. - increasing costs due to "high cost" interventions - undermining of the Merton Model 	R		<table border="1"> <tr> <td>8</td> <td></td> <td>28-Sep-2022</td> </tr> <tr> <td>8</td> <td></td> <td>24-Jun-2022</td> </tr> <tr> <td>8</td> <td></td> <td>01-Apr-2022</td> </tr> <tr> <td>8</td> <td></td> <td>18-Jan-2022</td> </tr> </table>	8		28-Sep-2022	8		24-Jun-2022	8		01-Apr-2022	8		18-Jan-2022	<p>Robust supervision, regular review of performance information and audit processes in place to ensure effective safeguarding practice.</p> <p>Recruitment of additional resource at times of acute demand increases</p>	28 Sep 2022
8		28-Sep-2022																				
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Charles Baker; John Bosley	ER112 / KSR73 Waste disposal budget (Viridor)	Key Strategic Risk	We may be unable to meet financial budget for waste disposal	<ul style="list-style-type: none"> - 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 COVID19/Brexit - recycling and RDF facilities may become harder to access in Europe 	<ul style="list-style-type: none"> - 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		6 29-Sep-2022	New procurement completed for the processing and disposal of garden and food waste . this will see reduced gate fees for each of these waste streams. These two contracts went live in sept 2022 and no operational issues reported. Note in excess of £600k has been taken in savings over the last 5 years in regard to reduced disposal cost.	29 Sep 2022
								6 27-Jun-2022		
								6 23-Mar-2022		
								6 14-Dec-2021		
Page 351 Charles Baker; John Bosley	ER132 / KSR 81 Waste services contractor	Key Strategic Risk	Veolia may fail to deliver the street cleaning and/or waste collection services to the standard required by their contract	<ul style="list-style-type: none"> - insufficient capacity (Veolia) - disputed areas of responsibility - financial impact of recycling market changes which adversely affect Veolia - lack of ICT integration and real time information - poor management by Veolia 	<ul style="list-style-type: none"> - reputational damage to the Council - negative environmental impacts - negative public health impacts 	R		9 29-Sep-2022	A Service Improvement Notice has been served on the contractor especially regarding street cleansing standards. Governance structure in place with Fortnightly Board meeting chaired by the CEO NEW EMERGING RISK confirmation issued to Veolia that we will not be seeking an extension to the contract.	29 Sep 2022
								9 27-Jun-2022		
								9 23-Mar-2022		
								9 14-Dec-2021		

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 McGarry	ER153/ KSR84 Implementation of the Climate Action Plan	Key Strategic Risk	May be unable to implement a fit for purpose action plan	Due to the complexities and uncertainties of achieving decarbonisation, there are a number of potential causes: (a) National policy framework is uncondusive to local action (either through an ineffective policy framework of through lack of finance) (b) Lack of robust evidence/ expertise to assess greenhouse gas emissions and track progress (c) The estimated costs of implementing the actions are very high or very uncertain (d) Lack of control over the majority of emissions and therefore a reliance on behaviour change of Merton's residence and businesses (e) Lack of commitment/ resources of key Officers in all departments who would need to commit to actions and subsequently implement them	Failure to get an action plan which was fit for purpose may result in Merton not playing its part in mitigating the dangerous effects of climate change – as set out in the declaration of a climate emergency that was unanimously passed at Council. It would also mean not delivering against commitments set out in the (revised) Climate Change Act and the Mayor's 1.5 degree compatible climate action plan. This may result in a loss of public confidence and reputation damage for Merton council.	FI/ R		16 17-Oct-2022	<p>Recruitment severely affecting capacity to deliver climate strategy and action plan. Despite full funding and posts and attempts via permanent and agency recruitment all through 2022, the following posts remain vacant:</p> <ul style="list-style-type: none"> • 3 out of 5 posts in Future Merton climate change team, including those for resident and business retrofit support • Facilities Management buildings surveyor post. • Fleet management carbon reduction post 	17 Oct 2022
								16 27-Jun-2022		
								16 23-Mar-2022		
								16 14-Dec-2021		

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)	- incorrect procurement (despite this being a tightly regulated area of council activity) - Lack of staff awareness - insufficient training and guidance	- 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		12  11-Oct-2022	This risk was peer reviewed by CS DMT on 14th September 2022 and agreed that the current risk rating is still appropriate.	11 Oct 2022
								12  28-Jun-2022		
								12  17-Mar-2022		
								12  07-Dec-2021		
Mark Humphries; Richard Warren	IT30/ KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems	Key Strategic Risk		Cyber attack	Financial, Reputational, Loss of Service – All of these areas would potentially be very severely impacted and affected.	R		16  11-Oct-2022	This risk was peer reviewed by CS DMT on 14th September 2022 and agreed that the current risk rating was still appropriate.	11 Oct 2022
								16  11-Oct-2022		
								16  17-Mar-2022		
								16  07-Dec-2021		
Caroline Holland; Roger Kershaw	RE02 / KSR49 Corporate Business Plan & Balanced Budget	Key Strategic Risk	We may fail to develop a corporate Business Plan & set a balanced budget for 23/24 & beyond	- Reduction in Government Grant - possible ongoing effect of COVID; - high level of inflation and utilities costs - ensuring DSG deficit is cleared	- negative impact on service provision - damage to council reputation - negative impact on staff morale - dissatisfaction of internal & external customers	FI		18  16-Sep-2022	An overall balanced budget forecast in 2022/23 was reported to Cabinet in December 2021 but the gap in the MTFS in 2025/26 is still in excess of £16m. Council agreed a balanced budget on 2 March 2022 for 2022/23 but over the MTFS period the gap is forecast to increase to c. £22m by 2025/26. Whilst the impact of the pandemic is slowly coming under control the possibility of new variants remains. There	16 Sep 2022
								18  24-Jun-2022		
								18  08-Mar-2022		
								18  04-Jan-2022		

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Page 354									<p>has been progress towards resolving the DSG deficit but there are increasing concerns about the increasing level of inflation and the impact this may have on service cost, income collection and bad debt levels. Therefore, it is considered that the risk remains at a high level</p> <p>Current indications are that the DSG deficit at outturn 21/22 had increased and inflation projections continue to be of concern. Risk levels remain high.</p> <p>Current inflation levels remain high and there is uncertainty about how the government's support for the cost of living crisis and utilities costs will be implemented. An initial report on the Business Plan 2023-27 will go to Cabinet in October. Risk levels remain high.</p>	

Issues Register ~ Key Strategic Issues

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Elizabeth Fitzpatrick	CSF24/ KSR85 Supporting Children with additional needs	Key Strategic Issue	Lack of places for children & young people with EHC Plans leading to an over reliance on non-maintained and independent schools and settings.	-Increase in demand for our services across Children's Social Care and Education (SEND) Insufficient funding from central government leading to a cumulative deficit of circa. £25m.	DSG deficit of £25m is preventing investment in other council services. The budget deficit is growing as the council continues to provide statutory services.	R		16 28-Sep-2022	Focussed cross-council activity to develop suite of proposals to re-balance budget and create a sustainable high-needs system. We have opened new special school places in borough in Sept 2022 with 40 places filled and a further 40 for future need. We have in principle agreement from DfE to fund a new special school in borough.	28 Sep 2022
								16 24-Jun-2022		
								16 01-Apr-2022		
								16 18-Jan-2022		
Caroline Holland; Ellis Kelly	RE16 / KSR61 Annual Savings Programme	Key Strategic Issue	Failure to deliver savings of £6.903m which have been agreed for the financial year 2021/22	We are unable to achieve planned savings due to the impact of Covid-19 and various service specific issues	- adverse impact on the authority's ability to balance its budget in the medium to long term - gap is larger than the contingency - we are required to reinstate reserves	FI		18 30-Aug-2022	No change to risk score	14 Sep 2022
								18 15-Jun-2022		
								18 08-Mar-2022		
								18 13-Dec-2021		



London Borough of Merton

Risk Management Strategy

Revised January 2022

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.

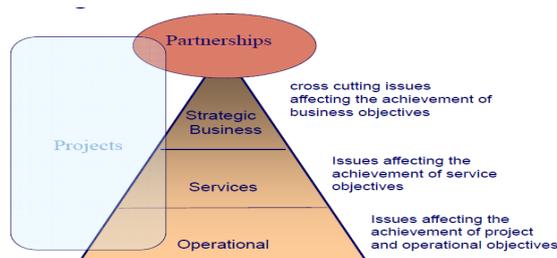
Risk Appetite

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.

Financial Risk Management

Local government has faced unprecedented financial challenges in recent years that are likely to remain well into the next decade. The harsh financial economy faced by local authorities has led Central Government and the public sector accounting body CIPFA to start to consider how best to minimise the chance of further Section 114 notices being released and providing early warnings of authorities being unable to balance their budgets. Within Merton the following activity is already undertaken:

Budget Setting

- Financial pressures caused by demographic pressures in Special Educational Needs, Placements and Adult Social Care have been monitored closely –ongoing demands have received some additional funding
- Financial modelling within the Medium Term Financial Strategy and Capital has been developed
- Horizon spotting is used to improve response times to changes in Central Government funding.
- Financial Risk thresholds have been reviewed and reduced appropriately
- Impact of Brexit and Covid

Budget Monitoring:

- All budgets are monitored monthly, and reviewed with outturn, current spend and commitments
- Monthly review of progress on delivery of savings with management action
- Monitoring resources are targeted at high risk areas

Year End Accounting

- Reviewing closing issues to minimise the chance of the issues occurring again
- A greater emphasis on quality control of working papers
- More emphasis on reconciliation work within the financial year.

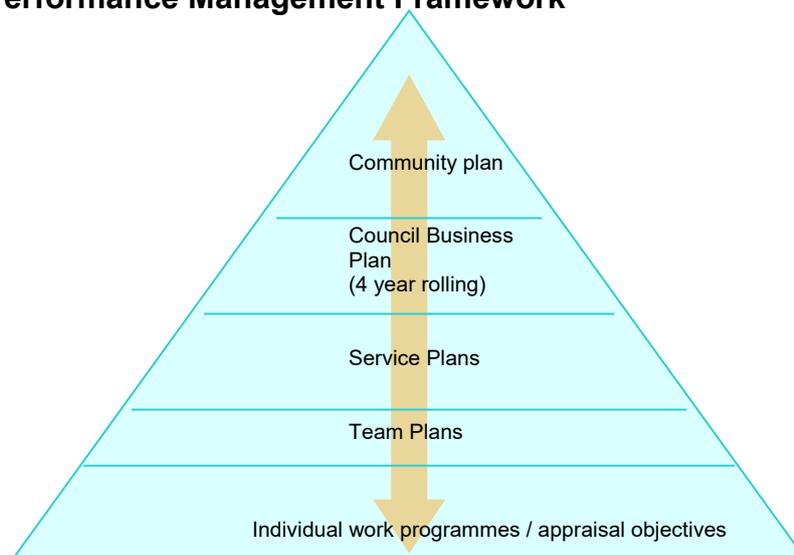
There is also a financial impact element to the authorities risk matrix which has been reviewed and simplified. Officers will continue to review activity and adopt best practice etc. where appropriate.

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 Financial Strategy and Capital 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

When determining a score for service level risks, definitions of likelihood and impact of risk 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, serious, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

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

Risk Matrix

Likelihood	6	6	12	18	24	Likelihood 6. Very high 5. High 4. Significant 3. Possible 2. Low 1. Almost impossible	Impact 4. Very Serious 3. Serious 2. Moderate 1. Marginal
	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			

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 included in Key Strategic Risk Register, which contains risks which could have a detrimental impact across the whole organisation should they occur.

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 (i.e. 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.

Financial Strategy and Capital team

The financial strategy and capital 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

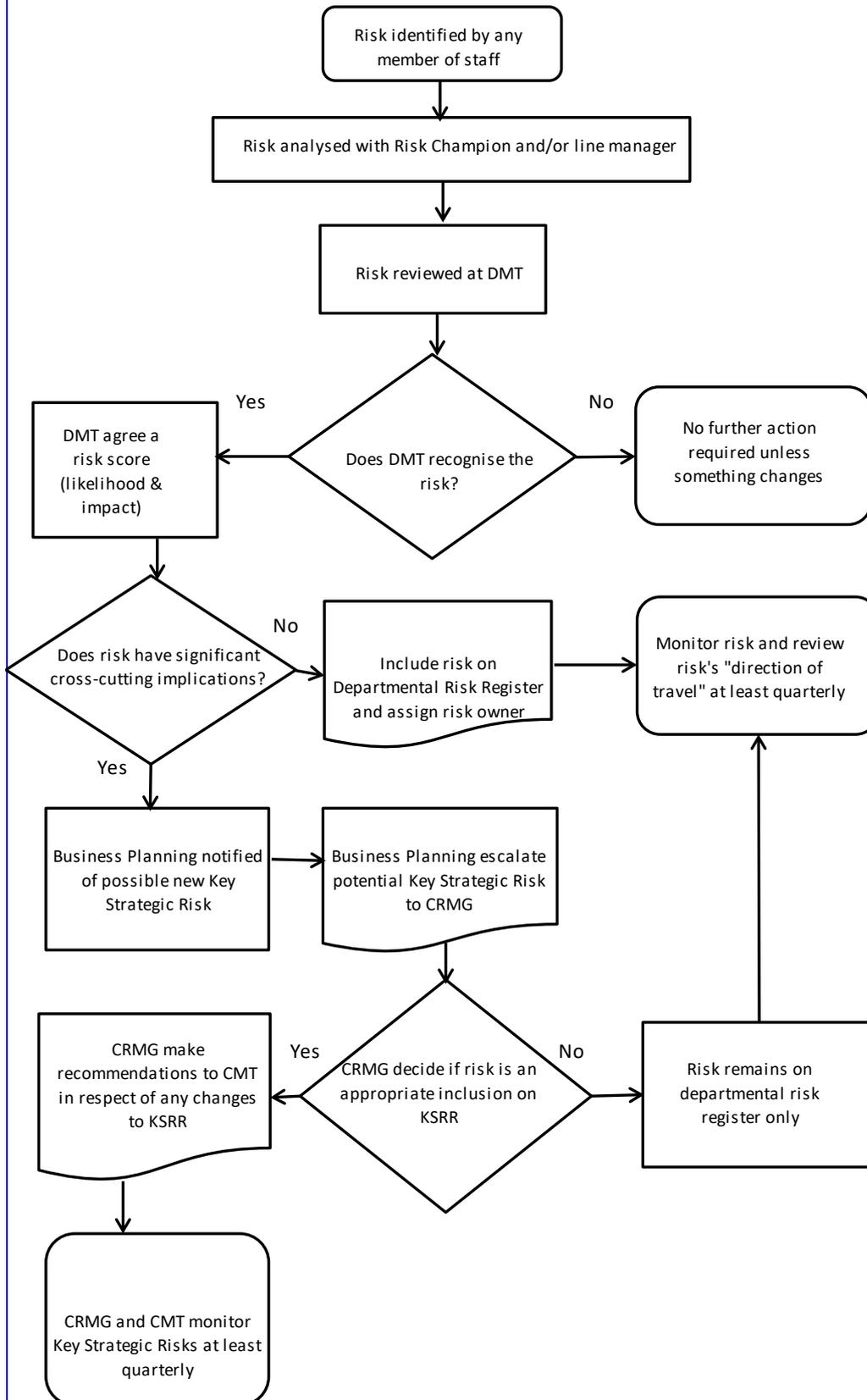
When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course 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 Financial Strategy and Capital team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

Risk Management Practice during Extraordinary Events

It is envisaged that the velocity of change during such an occurrence (i.e. Covid) will require the authority to maintain a separate risks and issues register to ensure an adaptable, flexible and frequent review to accurately track the movement of items. During these periods an additional risk log will be established, where by managers submit and update their risks directly via a secured, interactive shared portal (currently SharePoint). This information will then be reviewed and amended appropriately by senior management, DMTs, CMT and Members.

London Borough of Merton Risk Management Process



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