

Agenda Item 7

Name of decision-maker Standards & General Purposes Committee	DATE 18 th July 2024
REPORT/DECISION TITLE Key Strategic Risks Report	WARD(S) All
CHIEF OFFICER Asad Mushtaq Signed Date: 27/06/24	CABINET/LEAD MEMBER Councillor Billy Christie Signed Date: 27/06/24
DECISION CLASSIFICATION Non Key Non-exempt	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes

1 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

2 Purpose of Report and Executive Summary

- 2.1 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 since the report presented on 9 November 2023.
- 2.2 The attached risk management strategy was approved by Council in March 2024 (Appendix A).
- 2.3 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/issues, which may have a strategic impact on the council as a whole. (Attached as Appendix B)

- 2.4 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.

3 Links to the Merton Priorities (Borough of Sport/Civic Pride/Sustainable Futures)

- 3.1. Not Applicable

4. Introduction and Background

- 4.1 The Council's Constitution sets out the roles and responsibilities of Members and senior officers. The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, (Chief Executive) and the Section 151 officer, as well as the Monitoring Officer, is to support Members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous, lawful and risk based.
- 4.2 The Council has a risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy, and corporate and departmental risk registers. Departmental Risk Registers are reviewed quarterly by officers and these and the Key Strategic Risk Register is reviewed quarterly by the Corporate Risk Management Group and CMT and annually by the Standards and General Purposes Committee.
- 4.3 Merton's 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. Risks are scored using a 6 (likelihood) by 4 (impact) matrix. Our risks are scored using a Red, Amber or Green status, with scores ranging from one (Green) to a maximum of 24 (Red).
- 4.4 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.
- 4.5 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.
- 4.6 The 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 and Merton & Sutton Joint Cemetery Board, to a thorough scrutiny and challenge.

- 4.7 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. 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.
- 4.8 After each CRMG meeting details of all Key Strategic Risks and Issues, including proposed amendments such as increased or reduced scores and the addition of new or deletion of risks, are reported to CMT.
- 4.9 Any urgent decisions regarding KSRs outside of this quarterly cycle can be escalated to CMT via the monthly financial monitoring report.
- 4.10 In accordance with the risk reporting cycle, the most recent quarterly review of departmental risks was undertaken by DMTs during March 2024, following which all risks were scrutinised at CRMG on 17 April 2024.
- 4.11 There are currently 9 Key Strategic Risks and 3 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.
- 4.12 Of these Risks and Issues, six are scored as red:
- One red issue is scored at 18 (Likelihood: 6 Very High / Impact: 3 Serious):
 - o FIN02 / KSR61 Annual Savings Programme (Issue)
 - Two red risks / issues are scored at 16 (Likelihood: 4 Significant / Impact: 4 Very Serious):
 - o CC01 / KSR84 Implementation of the Climate Action Plan (risk)
 - o DIG02 / KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems (risk)
 - o LL03 / KSR95 DSG Safety Valve (risk)
 - One red risk is scored at 15 (Likelihood: 5 Significant / Impact: 3 Very Serious):
 - o FIN01 / KSR49 Corporate Business Plan & Balanced Budget (risk)
 - o HOU04 / KSR93 Housing Supply (risk)
- 4.13 The KSRR Q4 2023-24, containing full details of all strategic risks and issues together with their associated Control Actions, can be found at Appendix B. Risks on the KSRR include two scores- current risk score and the risk score without any mitigating actions.
- 4.14 The risks reports have been redesigned to have one risk per page and emphasise risk mitigation actions. The reports also include risk /issue score prior to mitigation actions.

4.16 The risk management strategy will be included in 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 intranet also includes guidance and information to assist officers who are responsible for managing and monitoring risks.

4.17 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.

5. Available Options & Preferred Option

5.1 Good corporate governance requires mechanisms to be in place for the identification and management of risk.

6. Reasons for Recommendations

6.1 In line with the progress of Risk Management within Merton.

7. Consultation Results

7.1 CRMG and CMT contributed to consultations for the revision of the Risk Management Strategy which is attached at Appendix A.

8. Next Steps & Timetable: Communication and Implementation of the Decision

8.1 In line with the progress of Risk Management within Merton.

9. Report Appendices *(please indicate where these are exempt from publication)*

9.1 The following documents are to be published with and form part of the report:

- Appendix A: Risk Management Strategy (June 2023)
- Appendix B: Key Strategic Risk Register (Status as at Q4 2023/24)

10. Background Papers

10.1. Relevant papers held within the Resources Division

11. Cross-Cutting Issues and Implications and Sign-Off

11.1 Cross-cutting issues not applicable

Issue	Implications	Sign-off
Legal including Human Rights Act	Risk management is an essential part of sound corporate governance and good management within any organisation. Good risk management is a key tool in assisting a Council to manage uncertainty in order to enable it to better achieve its corporate	Fabiola Hickson, Head of Law, Procurement and Information Governance Team

Issue	Implications	Sign-off
	objectives. Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the Council.	26/6/2024
Finance and other resources	<p>Two Key Strategic risk/issues are Finance related. These are:</p> <ul style="list-style-type: none"> - FIN01 / KSR49 Corporate Business Plan & Balanced Budget (risk) - FIN02 / KSR61 Annual Savings Programme (issue) <p>The financial consequences of identified mitigated risks and issues are incorporated into financial forecasts and monitoring. Merton closely monitors its financial position providing regular updates to CMT, Cabinet, Scrutiny and Council.</p>	<p>Zoe Church, Head of Financial Strategy and Capital</p> <p>25/06/24</p>
Equalities	<p>There is one specific Key Strategic issue around Equalities that is contained within the body of the report.</p> <p>This risk is:</p> <ul style="list-style-type: none"> - CPI41 / KSR53 Equalities duties 	<p>Keith Burns, Director of Policy, Strategy and Innovation</p> <p>25/06/24</p>
Climate change	<p>There is one specific Key Strategic risk around Climate Change that is contained within the body of the report.</p> <p>The risk is:</p> <ul style="list-style-type: none"> - CC01 / KSR84 Implementation of the Climate Action Plan <p>The decisions recommended in this paper have a remote or low impact on Merton's Climate Strategy & Action Plan adopted by full Council on 18th November 2020.</p>	<p>Ijaz Chuttun, Risk Officer</p> <p>25/06/24</p>
Procurement & Social Value	<p>Effective risk management in procurement is crucial for maintaining supplier relationships, protecting the Council's reputation, ensuring business continuity, and driving value for money.</p> <p>Assessing, evaluating, and proactively mitigating potential risks such as supplier</p>	<p>Dawn Jolley, Head of Commercial Services</p> <p>27 June 2024</p>

Issue	Implications	Sign-off
	<p>reliability, market volatility, and data security are essential.</p> <p>There are a number of specific Key Strategic risks with links to procurement. These are:</p> <ul style="list-style-type: none"> - CC01 / KSR84 Implementation of the Climate Action Plan - CG05 / KSR79 Data Protection Compliance - HOU04 / KSR93 Housing Supply - TWSC08 / KSR94 Waste Services Change of Delivery Model & Mobilisation 	
Digital	<p>There is one specific Key Strategic risk around Digital that is contained within the body of the report.</p> <p>This risk is:</p> <ul style="list-style-type: none"> - DIG02 / KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems 	<p>Richard Warren, Head of IT Service Delivery</p> <p>27/06/24</p>
Information governance	<p>There is one specific Key Strategic risk around Data Protection that is contained within the body of the report.</p> <p>This risk is:</p> <ul style="list-style-type: none"> - CG05 / KSR79 Data Protection Compliance 	<p>Keith Burns, Director of Policy, Strategy and Innovation</p> <p>25/06/24</p>
Staffing establishment	<p>There is one specific Key Strategic issue around Staffing establishment that is contained within the body of the report.</p> <p>This risk is:</p> <ul style="list-style-type: none"> - HR07/ KSR91 Recruitment and Retention of Staff 	<p>Tricia Palmer, HR Consultant</p> <p>27/06/24</p>
Risk management	<p>Contained in the body of the report</p>	<p>Ijaz Chuttun, Risk Officer</p> <p>24/06/24</p>
Executive Director	<p>Clearance/Approval of Report</p>	<p>Asad Mushtaq, Executive</p>

Issue	Implications	Sign-off
		Director Finance & Digital 27/06/24
Cabinet Member/s	Clearance/Approval of Report	Councillor Billy Christie 27/06/24
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