

London Borough of Merton

Risk Management Strategy

Revised June 2024

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 Standards 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 i.e., the Risk Management Toolkit and other guidance.

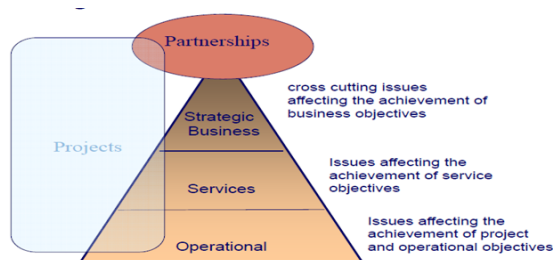
Risk Appetite

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.



Key Strategic Risks

These are the Council's most serious risks and tend to be either broad in impact whereby they have the potential to impact significantly on the capability, vitality, or success of the Authority as a whole or they are deep in impact, that is the effects of the risk event occurring are especially serious. The approach to corporate risks sets the context for decisions at other levels in the council. The number of corporate risks will vary depending on the Council's risk profile. However, generally corporate risks are the top ten to 15 most serious risks faced by the Council. A key strategic risk is likely to have one or more of the following characteristics: -

- Strategic and cross-cutting, with the potential to impact on a range of different areas or functions;
- Related to the Council's ability to successfully deliver one or more corporate objectives;
- Affects the outcomes sought from one of the Council's major programmes;
- Operates over the medium or long-term;
- The potential to impact negatively on the organisation's capacity, for example by limiting, reducing or failing to maximise financial or human resources;
- Linked to the organisation's ability to successfully deliver transformational change and major initiatives, while continuing with business as usual;
- Concerned with the wellbeing of residents, businesses and/or LBM staff; and may impact on the Council's reputation

Corporate risks are captured on the KSRR, which is owned by the Corporate Management Team (CMT) The KSRR is also presented to the Standards and General Purposes Committee meetings each year as this committee is responsible for monitoring the effective development and operation of risk management. Risks from the Departmental Risk Registers can be escalated here as part of the ongoing review process. The KSRR is reviewed on a regular basis.

Service Delivery / Operational Risks

These are risks that relate to the day-to-day delivery of Council services and could relate to a wide variety of different types or sources of risk. Key service risks should be recorded in the Departmental Risk Register. The risks should be owned by the relevant Head of Service (HoS) or Assistant Director and be reviewed on a regular, usually quarterly basis by Departmental Management Teams (DMTs).

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 are kept under review
- 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.

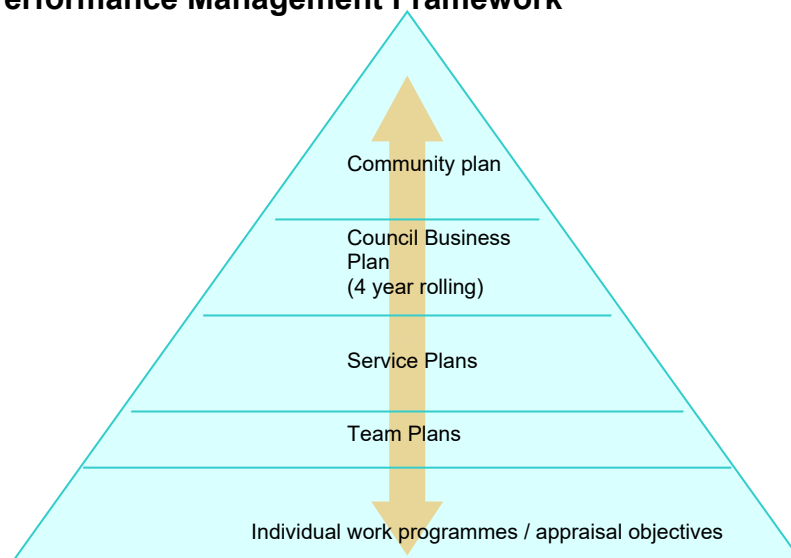
Corporate approach to risk management

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.

Corporate Risks – corporate risks not contained on the KSRR are normally incorporated into either the Innovation and Change or Financial and Digital Directorates (previously Corporate Services) where and appropriate risk owner will be identified.

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.

Quarterly (1 st Week)	Quarterly (2 nd Week)	Quarterly (4 th Week)	Annually	Annually
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	The Strategy is presented to Cabinet (Feb) and Council (March) for Review and Approval as part of the Budget Process	Standards and General Purposes Committee- provide independent oversight of the adequacy of the risk management framework and KSR's

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. They are responsible for reviewing the Key Strategic risks. 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 a annual report on the key strategic risks to the Standards and General Purposes Committee and an annual report to Cabinet.

Executive Directors

Each Executive 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 department. They will be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department. Executive Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective Department. Alongside their DMT colleagues they monitor their Risk Registers on a regular, usually quarterly basis.

Executive Directors will:

- Work with their departmental management team to scan the horizon, put in place early warning mechanisms, and to take an overview of risk within their department
- Use information about risks to inform decisions, develop strategy and implement policy
- Champion and embed proactive, enabling and robust risk management practices within their department, in line with the risk management strategy
- Review and monitor risk appetite for their department
- Lead strategies to address corporate risks within their department
- Ensure risk registers are held for any major programmes and projects
- Assign responsibility for managing and controlling specific risks
- Serve as the primary link between risks emerging at the department level and the key strategic risk register, cascading risks up and action down
- Monitor the implementation and efficacy of risk management within their department

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. The section 151 officer will chair the CRMG group.

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. Internal Audit will: -

- Use risk assessments to inform its annual audit plan;
- Carry out risk-based audits, evaluating controls and providing an opinion of levels of assurance; carry out audits to test the suitability and implementation of the risk management framework; and
- Make recommendations for improving risk management practices

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 Department and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their department 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.

Programme and Project Sponsors and Managers

Programme and Project Sponsors and Managers are responsible for the development and review of the Project and Programme Risk Registers. They will:

- Embed risk management, in line with the Council's risk management framework, within the programme/project lifecycle to support project definition, approval, change control, decision making and delivery
- Agree risk appetite within the programme/project and the overall approach for managing and escalating risk
- Maintain a programme/project risk register and an overview of total risk exposure
- Align risks with programme/project objectives and outcomes
- Assign clear accountabilities for risk, including risk owners and risk action owners
- Put in place early warning mechanisms
- Communicate clearly risks to stakeholders and relevant governance boards, and ensure risk is comprehensively covered in project documentation, escalate risks to directors and senior managers where appropriate, and if the overall risk exposure or a specific risk is particularly serious, to the Key Strategic Risk Register
- Seek out expertise to help effectively identify and control risks
- Maintain records of historic and current risk registers forming an effective audit trail.

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.

Service managers will:-

- Manage operational risk and the risks associated with policy implementation in accordance with the risk management framework;
 - Escalate serious risks to the department and corporate levels as appropriate, as well as advise when operational risk may impact on project delivery;
 - Take account of risk management issues when setting staff performance target
- 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 discussing risk to support the identification of risks at an early stage and ensure that appropriate mitigation actions and control measures can be put in place.

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.

Risk owners will:-

- Seek out relevant expertise to help in the assessment of risk and appropriate control measures
- Review and report on the proximity and status of assigned risks
- Escalate risks to the department or corporate level as and when necessary
- Identify risk action owners for implementing control measures and ensure that they put in place actions to control risks, drawing on the advice of relevant experts; monitor risk and control measures and feedback on the progress in implementing controls and their efficacy.

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.

All staff should

- Understand the Council's approach to risk management
- Make active and effective use of risk management
- Escalate risks to the project, department or corporate level as appropriate
- Provide feedback on the usefulness of the risk management framework.

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 guidance and intranet pages remain up to date and relevant,
- Maintain and administer the Key Strategic risk register and support the Corporate Management Team in ensuring it is comprehensive and accurate
- Keep abreast of best practice and draw on Internal Audit recommendations to review and coordinate improvements to the risk management framework;
- Communicate and promote the risk management framework,
- Be available to provide support to those undertaking risk management;
- Promote, integrate and reinforce risk management within other disciplines, in particular project governance and management and decision making

In addition, the financial strategy and capital 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, Standards and General Purposes 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

The Standards and General Purposes Committee is responsible for monitoring the effective development and operation of risk management. Its role is to provide an independent oversight of the adequacy of the risk management framework and the associated control environment. Annual reports will 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

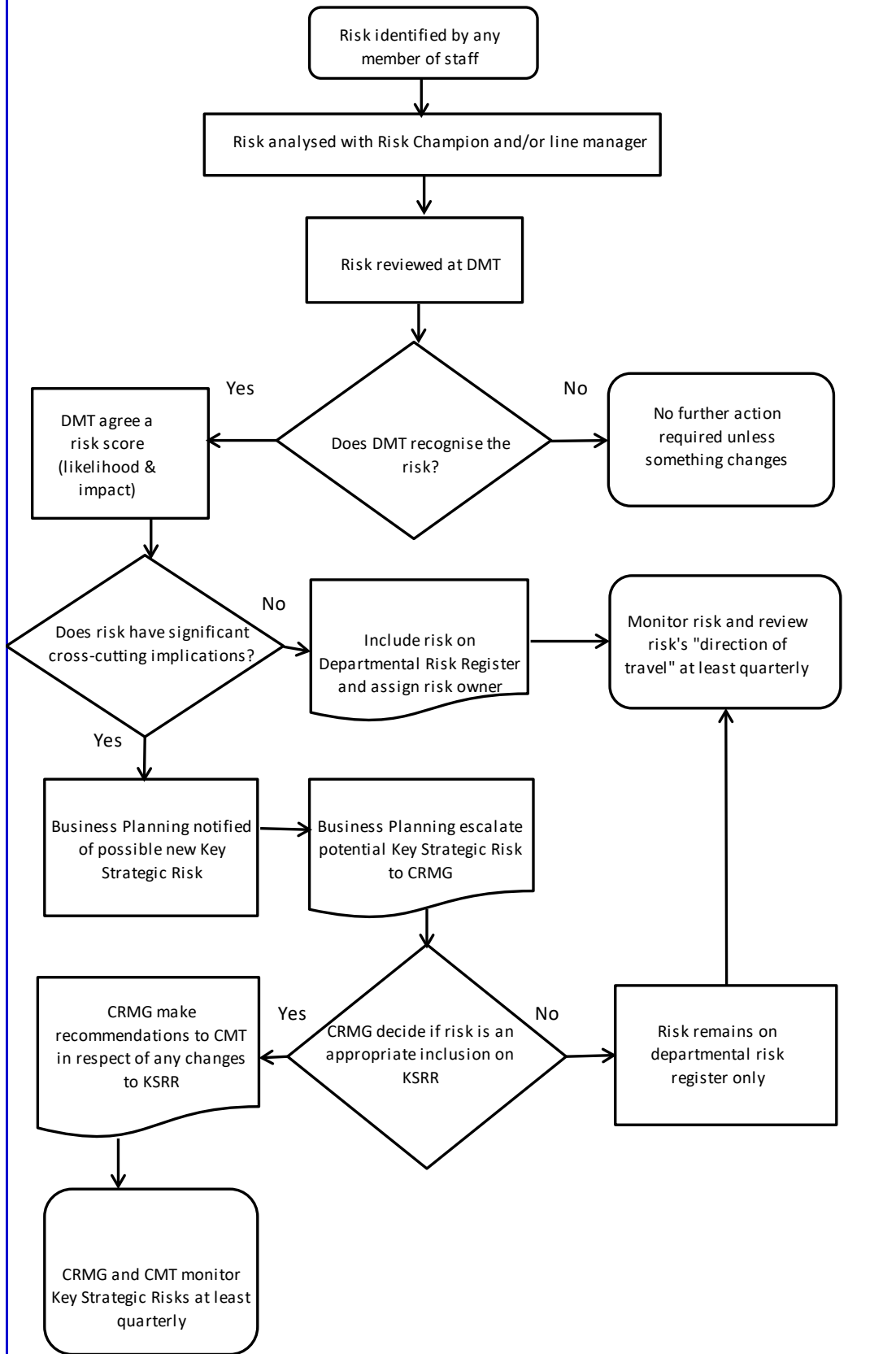
When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course 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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