



# Risk Management Strategy

2023 - 2027



Lewisham

# Policy Statement and Introduction

Risk management is the process we use to identify, evaluate and control the risks we face. By having arrangements in place to identify, report and manage our risks we increase the chances of achieving our objectives, seizing opportunities and reducing the chance of failure. Effective risk management will increase our ability to cope with the continuing changes in local government; helping us anticipate, plan for and react to those changes.

This Risk Management Strategy builds on previous strategies published by the Council (2013-17 and 2017-22) but constitutes a fresh look at how we manage risk.

It aims to reflect the principles of best practice in risk management as set out in the [HM Government Orange Book](#) and by the [Institute of Risk Management](#). However, it also aims to set out a pragmatic and efficient approach to risk management tailored to meet the demands, expectations and capacity of the Council. It aims to work through lean procedures, using process and administration to support insightful and effective analysis of risk to support the Council in making effective and well-governed decisions.

## Objectives

Our objectives for this Risk Management Strategy are in line with the key principles set out in the Orange Book.

- For Risk Management to be an essential part of **governance and leadership** at the Council, part of how it is directed, managed and controlled at all levels.
- To be an **integral** part of supporting decision making in achieving objectives.
- To be **collaborative and informed** by best available information and expertise.
- To be a **structured** process, involving risk identification and evaluation, selection and implementation of appropriate risk treatment options, deliver integrated, insightful and informative monitoring and timely, accurate and useful reporting to enhance the quality of decision-making in governance.
- To be **continually improved** through learning and experience.

## Measures

We intend for this Strategy to grow, evolve and develop during its lifespan. All associated forms and documents will actively seek feedback from users, ranging from operational staff managing and identifying risks to Senior Leaders digesting the reported outputs. We will reflect on this feedback as part of our Annual Governance Statement and may adapt and refine the Strategy and associated procedures over time depending on how well we are fulfilling our risk management objectives.

We will also commission at least once during this Strategy's lifespan an independent internal review on its operational effectiveness. We will also consider the findings of our external auditors as part of their [Value For Money Conclusion](#).

# Risk Management Procedures

Risk management is a continuing process which exists at the heart of successful management. It aims to support continued vigilance on the possible future events that might threaten our ability to achieve objectives. When applied successfully, it will minimise the chances of those events occurring and leave us better placed to deal with the results even if they do.

The Risk Management process contains four basic steps: Identifying Risk, Risk Evaluation, Responding to Risk and Monitoring & Reporting Risk. This guide goes through each in turn. Templates and examples are available to help you as you capture and assess your risk. This procedure guide assumes no prior or expert knowledge of risk management and can be used in full or in part based on experience. We include sources for further help and advice later in the document.

The chart below shows a basic overview of the Risk Management process.



## Identifying Risk

### Clarifying Objectives

A risk is a possible future event that could affect the achievement of your objectives. So, before you can assess what stands in your way you need to know which way you are going. What are your objectives?

What are you seeking to achieve? By when? Who is responsible for achieving them?

Risk management should fit in with and support your objectives everywhere in the Council. Clarifying your objectives will allow a greater understanding of and insight into the events that might impede you from their achievement. Clearly setting objectives will also reveal links to internal and external stakeholders you will need to rely on as well as external factors that might alter your course.

## Risk Identification

The aim of risk identification is to find and articulate the uncertain events that could impact your objective. It may be helpful to think about this periodically, for example during service planning. But the Council’s circumstances are constantly changing so there is never a wrong time to think about what risks you face.

Common techniques for risk identification include horizon scanning, brainstorming, workshops and facilitated discussions. You might also find it helpful to reflect on questions like these:

- If in a year we haven’t achieved the objective, why not? What might have stopped us or slowed our progress?
- What could realistically go wrong?
- What do we need to happen to achieve this objective?
- Do we depend on others to succeed?

We have produced a [web form to help guide you through the process of identifying and evaluating risks](#). The form is reproduced as appendix 1 of this Strategy, and should take around 5 minutes to complete.

Remember that we are thinking about possible future events. Issues that currently consume our time and agenda are not, typically, recorded as risks. The table below gives some examples:

Example Objective	Potential Risk Statement	Is this a risk?
“To provide the best services resources allow”	“We fail to provide the best services resources allow”	This is simply stating the opposite of the objective, rather than describing an event.
	“The public are dissatisfied with Council services”	This is a statement of the potential impact of failure, not a risk event in itself.
	“Reduced numbers of suitably trained and available staff”	This is a risk we can control, for example by a recruitment and training strategy.
	“The Government has reduced our funding”	This has already happened and so is an event being managed. Risks always look ahead, involving at least some uncertainty on if the event happens.
	“The Government sharply reduces future funding”	This is a risk where we have little control but can assess its likelihood and make contingency plans to manage the impact.

When articulating a risk you may find it helpful to use the format: “Because of **[cause]**, **[risk event]** could occur meaning **[consequence]**”. For example: “**Government policy changes** could result in a **sharp reduction in future funding** leading to a **reduced quality of service**”.

## Opportunity Risk

Sometimes the Council might deliberately take a risk to help support its objectives. These risks are often commercial or service transformational risks that we take in expectation of achieving a positive return. These are the type of risk with potential to enhance our achievement of objectives.

As well as thinking about the events that could threaten achievement of objectives you should also consider and articulate where there are opportunities that could accelerate or support success.

In time, we hope to develop this Risk Management Strategy to fully support documenting and managing opportunities, including through parallel reporting. At present, though, we are documenting these events as risks, meaning they will usually be articulated in risk registers as: “failure to achieve opportunity [X]”.

## Risk Ownership

Once identified, it is important that a named officer **owns the risk**. This is the officer who will have principal responsibility for monitoring its course and tracking actions in response. Risk ownership does not mean that individual must personally carry out all actions in response. Rather the role is aimed at ensuring there is appropriate oversight of the risk to help make sure we can monitor its progress and the success of related actions.

Ideally, the risk owner will be someone closely involved in delivering the area of the business where the risk arises.

## Risk Triggers

You should consider what **risk trigger** events or early warning signs might precede the risk happening, or increase its likelihood or impact. This will give you an indication of what circumstances should prompt you to think about the risk. It might include events such as the departure of key staff, changes to regulation or seeing similar but lower-impact events happening elsewhere.

## Risk Consequences

You should also document the **risk consequences**. This is setting out, using a reasonable worst-case mindset, what the most significant effects will be if the risk event happens. Might it cause an identifiable financial loss? Damage to property? Health and safety impact? Reputational damage? You should aim to quantify these potential effects wherever possible, even if only as part of a possible range.

## Current and Planned Controls

Include a brief summary of the major controls currently in place to help manage this risk, and any known or planned changes. We will consider risk response in more detail later in this strategy.

# Risk Evaluation

Once the risk is identified the next step is to understand its relative importance. This section sets out the Council’s approach for evaluating and scoring risks.

## Perspective

First, we must consider from what perspective we are evaluating this risk. An event can pose a substantial, existential threat to an individual project or service while not materially impacting the Council as a whole.

The Council’s risk reporting uses three distinct perspectives to evaluate risk:

- **Corporate:** Risk events that directly and materially threaten the achievement of Corporate objectives. These will usually be significant events that will often impact multiple services across the Council.
- **Service:** Risk events that primarily threaten the achievement of service objectives. These will typically impact individual services or discrete sections of the Council’s business.
- **Project:** Risk events that primarily threaten the success of an individual project or workstream within a service.

## Likelihood

This is a view of how likely it is that the risk will occur. In other words, the probability that it will materialise and become an event that the Council will need to manage.

As this is an exercise in attempting to forecast the future it will fundamentally be a matter of professional and expert judgement. However, you might want to consider evidence such as the frequency of similar occurrences in the past, or elsewhere.

The Council uses a five-point ‘flag’ scale to record likelihood based on a view of the event’s probability. You should select the point in scale that best corresponds to your view of how likely it is the event will happen **in the next 12 months**, bearing in mind the controls currently in place.

Likelihood Rating	Meaning
▣ ▣ ▣ ▣ ▣ (5)	Probable, around a 1 in 2 chance
▣ ▣ ▣ ▣ (4)	Possible, around a 1 in 10 chance
▣ ▣ ▣ (3)	Unlikely, around a 1 in 50 chance
▣ ▣ (2)	Very Unlikely, around a 1 in 250 chance
▣ (1)	Extremely Unlikely, around a 1 in 1,000 chance

## Impact

This is a view of how severe the effects will be if the risk event occurs, bearing in mind the controls currently in place. In other words, if the forecasted event actually happens then what will be the effect?

This is also an exercise in forecasting and we ask people to consider a **reasonable worst-case scenario**. You need not catastrophise and consider everything that could possibly go wrong, but should think about likely impacts. Where you believe the impact range is very large, such as ranging between three or more levels, you might want to consider articulating two or more different risks (e.g. having “Serious accident” as a separate risk to “Minor accident”).

The Council uses a five-point scale to record impact. It is important to judge impact based on the risk perspective identified earlier. For Corporate risks record the impact on the Council, for Service risks the impact on the service and Project risks the impact on the individual project. You should choose the impact level that best corresponds to your view on the reasonable worst-case effects of the risk event materialising.

Impact Rating	Meaning
5	<b>Highest impact</b> , will effectively prevent progress toward objectives until the risk event is resolved.
4	<b>Large impact</b> , will temporarily stall or seriously impair progress towards objectives until resolved.
3	<b>Moderate impact</b> , will allow continued progress toward objectives until resolved.
2	<b>Small impact</b> , will divert resources and provide some limitations but not likely to significantly impact material achievement of objectives.
1	<b>Lowest impact</b> , will temporarily divert resources but likely cause no significant lasting impact on objectives.

## Risk Types

You should consider primarily the size of the effect rather than its nature. That is, the nature of one risk or objective might mean financial consequences are more damaging but for another risk the service impact might be more serious. However, it is useful to reporting to understand something of the types of impacts that a risk materialising might prompt.

The risk reporting form therefore asks you to rank the following risk effects, from the most significant to least significant.

- **Financial Loss:** Where there is a significant financial cost arising from the risk event happening, including instances where the event costs us the opportunity for income.
- **Health & Safety:** Where the impact causes damage to our staff and the residents to whom we owe a duty of care. This would include instances where

the risk event doesn't lead directly to damage but increases its probability or threat (for example where a working environment is made less safe).

- **Reputational Damage:** Where the impact causes the Council to be less well thought of among its stakeholders. This would include residents but also potential partners within and beyond the Borough.
- **Breach of Legal or Contractual Duty:** Where the impact would result in a breach of law or contract, irrespective of whether there are further consequences (e.g. a fine) that would follow.
- **Environmental or Property Damage:** Where the impact is damage to Council buildings or assets or to the environment more generally. This would include both temporary and permanent damage.
- **Reduced Service Quality:** Where the impact is to reduce the quality of services available from the Council, including where the risk happening means we cannot deliver a planned improvement.

## Risk Trajectory

Finally, the form asks for a view on where you see the risk moving beyond the 12-month horizon that is the primary focus of our risk management. In your view, will the likelihood and potential impact rise or fall (or stay the same) as we look into the longer term? This will help guide our risk reporting and review.

## Overall Risk Scores

Having identified and evaluated risk, the scoring will allow for overall placement on a risk register. The Council uses a 5 x 5 format for its risk register as set out below:

Impacts	5 (Highest)	HILL	Moderate	High	Very High	Very High
	4 (Large)	HILL	Low	Moderate	High	Very High
	3 (Moderate)	Very Low	Low	Moderate	High	High
	2 (Small)	Very Low	Very Low	Low	Moderate	Moderate
	1 (Lowest)	Very Low	Very Low	Very Low	Low	Moderate
		☺	☺ ☺	☺ ☺ ☺	☺ ☺ ☺ ☺	☺ ☺ ☺ ☺ ☺
		c. 1 in 1,000	c. 1 in 250	c. 1 in 50	c. 1 in 10	c. 1 in 2
		Likelihoods				

The table below shows what these overall risk scores mean:

Risk Rating	Meaning
<b>Very High</b>	The gravest risks faced. These will likely receive continual monitoring and should be the focus of risk reduction efforts.
<b>High</b>	Significant risks that pose a greater threat than we are typically comfortable bearing. We should have plans in place to reduce these risks where practical.
<b>Moderate</b>	Risks we are generally content to bear as part of our usual operation, depending on context. We should take opportunities to reduce risk if efficient to do so.
<b>Low</b>	Risks we are content to bear. Usually will require no additional action to reduce the risk.
<b>Very Low</b>	Risks we are content to bear. Will not require additional action to reduce the risk.
<b>HILL</b>	High Impact / Low Likelihood risks. Typically large-scale risks managed through business continuity and resilience approaches.

## Responding to Risk

### Risk Appetite and Tolerance

The breadth and diversity of the Council’s operations make a universal risk appetite statement impossible to meaningfully articulate. Exactly what risks we are willing to bear is a fine decision that will also factor in the cost and practicality of mitigation as well as any potential upside we can foresee from the activity driving the risk.

The aim of risk reporting is to clarify what risks we are running and why, enabling an informed understanding of the threats we face. Typically those threats will be most acute at **Very High** and **High** levels and so a reasonable assumption is risks at this level are greater than we are willing to accept – essentially marking the boundary of our **risk tolerance**. Also at **Moderate** levels, you can assume that we will want to consider whether there is opportunity to effectively and efficiently reduce risk.

The Council’s Risk Management team will follow up risks identified at these higher levels to understand more about mitigation strategies and planned actions.

### Target Risk

Especially for **Very High** and **High** level risks it may be helpful to specifically articulate a Target Risk. This would clarify where our actions will focus: on stopping the risk event from happening (likelihood focus) or in softening its effects if it does happen (impact focus). We would set this out as a specific reduction in score that we hope to result from implementing further actions. For example, for a risk rated as **Very High** with a Large (4) impact and 1 in 2 likelihood, we might put in place additional preventative controls aiming to bring the likelihood down to 1 in 50 and the overall risk down to **Moderate**.

The Council's Risk Management team will follow up on target risks and seek actions and timelines to track progress.

## Risk Responses – the “Four Ts”

For Very High, High and Moderate level risks there is an expectation that we should attempt to put in place mitigation strategies to reduce the level of risk wherever practical. Mitigation strategies can take several forms but are typically banded into “the four Ts”.

### **Terminate**

The most straightforward way to reduce the risk is to stop – terminate – the activity it relates to. For example, if we take a view that a specific project contains an unacceptable risk, we can often completely avoid that risk by ending the project. Of course, much of what the Council does are activities that it has a legal, contractual or moral duty to provide. In many circumstances, therefore, this approach will not be available but should always be considered.

### **Treat**

This means to take action to control the risk. Controls can seek to reduce either or both the likelihood of a risk event happening, or to limit its impact if it does. Controls that aim to reduce likelihood are typically called Preventative controls and will act to eliminate or reduce the trigger events or circumstances that might prompt the risk event. Controls that seek to limit impact are typically Detective controls and work to provide early identification of issues to maximise the benefit of corrective action.

You can get advice on designing effective controls from colleagues in the Council. See the links section for further information.

### **Transfer**

This means to share some or all of the risk impact between the Council and another party. The most common form is through insurance, where the Council pays a fee (premium) in exchange for an insurer agreeing to shoulder some of the impact if an event occurs. We can also sometimes share risks with others, such as suppliers or partner bodies. Transferring a risk will only work to mitigate its impact, not likelihood.

### **Tolerate**

The final response is to accept the risk. This might be because the activity is desirable or mandatory or in circumstances where we can do nothing at reasonable cost to further mitigate. This would also be our response where the risk is already at an acceptable level.

# Monitoring and Reporting Risk

## Risk Registers

We will collate risk information provided through the [Identification Form](#) and other sources into risk registers. These will incorporate a graphic risk matrix (as set out above) along with information about each risk. This will include the information in the table below (details are for example only, and format will vary depending on the needs of the audience):

Risk Title	Risk Owner	Risk Scoring (Corporate)	Planned Actions	Action Date	Scoring Post-Action	Long Term View
Loss of key staff expertise	Dir of HR	Very High Lk= ██████ Imp= 5 (H'est)	Review benefits package	31/12/XX	Moderate Lk= ██ Imp=5 (H'est)	↗
Major cyber attack	Dir of IT	High Lk= █████ Imp=5 (H'est)	Acquire insurance	31/3/XX	Moderate Lk= █████ Imp=4 (Lrg)	↗
Parks over-spend	Dir of Fin	Moderate Lk= ████████ Imp=2 (Small)	(None: Existing Controls)	N/A	Moderate Lk= ████████ Imp=2 (Small)	⇒

The Council's Risk Management Team will hold information centrally but make it available for review or editing using dedicated software tools.

## Risk Reporting Cycle

The table below shows an indicative reporting cycle. We want to keep risk information dynamic and reporting appropriate to the audience which means supporting a focus on change and key risks. This means we will typically not include all risks in all reports, but will make deeper dive information available to those who want to learn more. This will initially be through MS Teams, though hopefully in time using specific risk management software.

During the life of this strategy we also hope to support individuals within directorates to use risk information to produce their own reporting to support decision making at every level. We will develop this aim further over the coming months.

Risk Type & Perspective	Mayor & Cabinet	Audit Panel	EMT	DMT
<b>Very High</b>				
Corporate	Biannual Full detail	Quarterly Full detail	Monthly Full detail	N/R
Service & Project	Biannual Aggregate	Quarterly Aggregate	Quarterly Full detail	Monthly Full detail
<b>High</b>				
Corporate	Biannual Register	Quarterly Register	Quarterly Full detail	N/R
Service & Project	Biannual Aggregate	Quarterly Aggregate	Quarterly Register	Quarterly Full detail
<b>Moderate</b>				
Corporate	Biannual Data Only	Biannual Aggregate	Quarterly Register	N/R
Service & Project	N/R	Biannual Data Only	Biannual Aggregate	Quarterly Register
<b>Low</b>				
Corporate	N/R	Biannual Data Only	Biannual Aggregate	N/R
Service & Project	N/R	N/R	N/R	Biannual Data Only
<b>Very Low</b>				
Corporate	N/R	Annual Data Only	Annual Data Only	N/R
Service & Project	N/R	N/R	N/A	Annual Data Only
<b>HILL</b>				
Corporate	Annual Register	Annual Register	Annual Register	N/R
Service & Project	N/R	N/R	Annual Aggregate	Annual Register

**Full detail** means everything included in the risk register (subject to any necessary exclusions for data protection or confidentiality reasons) plus additional explanatory notes where relevant.

**Register** means reporting everything included in the risk register (subject to any necessary exclusions for data protection or confidentiality reasons) usually without additional explanatory notes.

**Aggregate** means reporting the number of risks within the relevant category along with changes and some additional commentary on highlights.

**Data only** means reporting the number of risks within the relevant category along with changes but usually without additional explanatory notes.

**N/R** means not reported, but the information is available to support specific need.

# Further Support and Advice

## Tools

(To be developed alongside software implementation: will include link to form (reproduced in full below) and other templates distributed through MS Teams. In time, will hopefully include links to access risk management software).

## Training and Guidance

(To be developed alongside software implementation : aim to create some e-learning in new year as well as interactive in-person training session. Will also include links to online best practice, e.g. Treasury Orange Book and IRM/ALARM resources).

## Roles and Responsibilities Summary

(To be developed alongside software implementation : will include roles for Risk Owner, Risk Management Team, EMT, DMTs, Project Boards, Directors, Heads of Service).

## Useful Contacts

(To be developed alongside software implementation : most notably will include links to the internal audit, health & safety, insurance & counter fraud teams to provide advice and support on control design and risk response).

## Glossary and Definitions

(To be developed alongside software implementation : definitions of specific terminology used in the strategy. Will include definitions of the terms, Risk, Impact, Control, Issue, Likelihood, Risk Owner, Risk Trigger, Risk Register, Preventative Control, Detective Control)

## Document Control

(To be developed alongside software implementation : will track changes to Strategy through its lifespan.

# Risk Identification Form (MS Teams)



## LB Lewisham Risk Identification

The survey will take approximately 5 minutes to complete.

Form for collecting information about new risks identified. If you are seeking to provide an update on an existing risk please use this form instead (link).

### 1. Risk Owner's Name

This is the officer with overall responsibility for managing the Council's response to this risk and may differ from the person completing this form.

Enter your answer

### 2. Risk Perspective

Where is the principal impact of the risk felt?

- CORPORATE - the risk materially threatens delivery of corporate objectives and/or is felt across multiple services.
- SERVICE - the risk materially threatens delivery of service objectives and/or impacts primarily within a single service.
- PROJECT - the risk materially threatens delivery of a specific project.

### 3. Risk Title

A short title to describe the risk. Typically a single sentence of up to twelve words.

Enter your answer

### 4. Risk Triggers

What circumstances or events would precede the risk materialising or make it more likely to happen? For example, changes in staffing, varying demand, new regulation, reduced financing or supply chain issues.

Enter your answer



### 5. Risk Consequences

If the risk materialises describe the impact it would cause including both losses and unrealised gains. For example, financial loss, damage to council assets, impaired services, diminished reputation, harmful working conditions or environmental damage.

Enter your answer

### 6. Current and Planned Controls

What controls does the Council have in place to limit the likelihood or impact of the risk? Are any more controls planned in the next 12 months? This will include any control improvements planned in response to audit or inspection findings.

Enter your answer

### 7. Risk Likelihood

In your view, what is the likelihood of the risk event materialising as described in the next 12 months bearing in mind the controls in place?

Pick the option that best matches your view.

- 5 Flags = Probable, around a 1 in 2 chance
- 4 Flags = Possible, around a 1 in 10 chance
- 3 Flags = Unlikely, around a 1 in 50 chance
- 2 Flags = Very Unlikely, around a 1 in 250 chance
- 1 Flag = Extremely Unlikely, around a 1 in 1,000 chance



### 8. Risk Impact

Bearing in mind the perspective in question 2, how significant do you think the impact would be on the COUNCIL, SERVICE or PROJECT if the risk materialised, bearing in mind the controls the Council has in place?

Pick the option that best matches your view

- 5 = Highest impact, will effectively prevent progress toward objectives until resolved.
- 4 = Large impact, will temporarily stall or seriously impair progress toward objectives until resolved.
- 3 = Moderate impact, will allow continued progress toward objectives but put material limits on effectiveness.
- 2 = Small impact, will divert resources and provide some limitations but not likely to significantly impact material achievement of objectives.
- 1 = Lowest impact, will temporarily divert resources but likely cause no significant impact toward objectives.

1	2	3	4	5
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### 9. Risk Effects

Using your cursor (or finger if on a touchscreen device) drag the effect types below in order based on how relevant they are to the identified risk. Put the most significant at the top and least significant at the bottom.

Financial loss (or missed income opportunity)
Health & Safety (including staff and residents)
Reputational damage
Breach of legal or contractual duty
Environmental or property damage
Reduced service quality (or missed improvement opportunity)

### 10. Risk Trajectory

Looking beyond the next 12 months, do you think this risk is likely to increase (6-10), reduce (0-4) or stay broadly the same (5)?

0	1	2	3	4	5	6	7	8	9	10
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Significantly Reduce Significantly Increase



### 11. Form Feedback

Collecting risks this way is a new approach. We're keen to understand whether you found the form clear and easy to use.

Please give as many thumbs up below as you wish, with 3 thumbs indicating clear and easy and 1 thumb indicating complex and difficult.



### 12. Anything Else?

Please note anything else you want to say about the identified risk.