



# **RISK MANAGEMENT STRATEGY**

**2017 – 2020**

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# Risk Management Strategy

The previous Risk Management Strategy (2013-2017) has been reviewed and amended to ensure that it reflects current best management practice as detailed in *the Management of Risk in Government Framework* and is aligned with BS ISO: 31000 and the *HM Treasury Orange Book – Management of Risk – Principles and Concepts*. Our risk management arrangements must be compliant with the statutory requirements as defined in the Audit & Accounts Regulations 2015.

The need for effective risk management is heightened yet further as we face the significant challenges of delivering unprecedented cost reductions whilst maintaining high quality services. The scale and pace of change and the need for more creative service delivery models adds to the complexity in identifying and managing risks.

## **1.0 Introduction**

The London Borough of Lewisham has developed and adopted this Risk Management Strategy, which will be implemented during the period 2017 - 2020, with the objective of meeting its Risk Management Policy and Mission Statement on risk management:

*The Risk Management Policy of the London Borough of Lewisham is to adopt good practice in the identification, evaluation and cost-effective control of risks to ensure that they are eliminated or managed to an acceptable level and the benefits and outcomes of opportunities are maximised.*

*Risk will be considered in every aspect of our business. Risk management will be at the heart of our management practice to ensure that we will be in a stronger position to deliver excellent, efficient services in accordance with our business objectives and the authority's exposure to risk will be effectively managed and opportunities optimised.*

*All employees will understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided to equip and enable employees to meet their responsibilities.*

*A statement on the assessment of the authority's risk management arrangements and their effectiveness will be published annually in the Annual Governance Statement.*

The Risk Management Policy and Strategy aims to equip the Authority to:

- Manage risks in accordance with its risk appetite, thereby enabling it to achieve its objectives more effectively.
- Integrate identification and management of risk into the culture of the Authority.
- Harness risk management to identify opportunities and maximise benefits and outcomes.
- Anticipate and respond in a proactive and timely manner to all social, environmental and legislative changes and directives that may impact delivery of its objectives
- Demonstrate increasing confidence in its ability to deal effectively with uncertainty presented by internal and external pressures.

The Policy and Strategy will be reviewed triennially to ensure that it continually reflects the Authority's business needs, adds measurable value and remains challenging and responsive to Government direction and requirements.

This strategy will assist the Authority in achieving compliance with our Code of Corporate Governance, 'Risk Management and Internal Control' and our Risk Management Policy. It will also ensure that the Council meets the statutory regulations for risk management, as identified in the Audit and Accounts Regulations 2015 and follows best practice as defined by CIPFA.

Lewisham recognises the benefits of effective risk management as:

Strategic
Ensure the health, safety and security of service users, citizens & staff
Meet changing needs of customers/citizens, including disadvantaged groups
More efficient use of management time through improved ability to deliver goals/targets/objectives
Improved management information resulting in more informed decision making. Supports transparency and accountability.
Reducing service disruption (and associated costs)
Greater financial control and reduction in level of uncontrolled expenditure
Systematic approach to identifying and reducing risks
Compliance with statutory regulations

Operational
Reducing the likelihood of injury to citizens and employees
Protect service delivery and its quality
User focussed service delivery, accessible by all, including disadvantaged groups
Avoid financial loss through fraud and corruption
Preventing damage to property and equipment
Minimising the cost of damages to the Council
Inform the appropriate method of risk financing and reducing insurance costs
Protect the image and reputation of the Authority

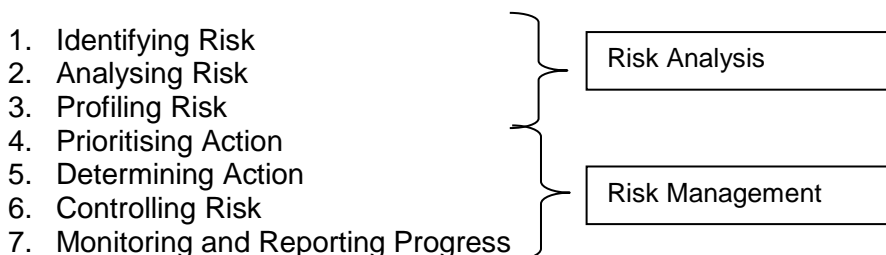
## 2.0 Objectives

The Risk Management Objectives of the London Borough of Lewisham are to:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help to achieve Corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk
- Safeguarding Council assets

## 3.0 Risk Management Framework

This strategy approves a framework for risk analysis and risk management, based on a seven-step plan and in accordance with published guidance.



Risks will be identified at five levels: corporate strategic risks, directorate risks, service level risks, project management risks and partnership risks.

### 3.1 Strategic Risks

Strategic Risks will be taken into account in judgements about the medium to long-term goals and objectives of the Council. They may be risks relating to changes in the external context or significant financial constraints within which we operate and examples are given in Table 1.

Table 1: Types of Strategic Risk

<b>1</b>	<b><u>Comply with the Law</u></b>
1A	<b>Governance</b> e.g. Compliance with the Constitution (decision making etc), Judicial Review; Investigations; Data Breaches etc
1B	<b>Regulatory</b> e.g. Breach of Statutory Duties; Health & Safety Breach; Poor Inspection outcome (OFSTED, CQC etc)
<b>2</b>	<b><u>Provide Services to Users</u></b>
2A	<b>Process</b> Lack of Policies/Procedures; Poor Internal Audit; Customer Needs not met; Complaints; Poor Customer Satisfaction etc
2B	<b>Technology</b> System Availability; System Does Not Meet Business Needs; Failure in Delivery of Digital Programme etc
<b>3</b>	<b><u>Developing Staff &amp; Partners</u></b>
3A	<b>Workforce</b> PES; HR Casework; Employee Relations; Recruitment and Retention issues etc
3B	<b>Partnerships</b> Breakdown of Relationships; Conflicting Objectives etc
<b>4</b>	<b><u>Services Represent Value for Money</u></b>
4A	<b>Procurement</b> Non-compliance with Procurement Regulations; Use of Corporate Procurement Procedures; Contract Monitoring not Ensuring VFM etc
4B	<b>Performance</b> Timely, Accurate, Complete Data; Lack of Clear Objectives; Incomplete Records; Effective Scrutiny of Outcomes v Objectives etc
<b>5</b>	<b><u>Manage Within Budget</u></b>
5A	<b>Financial</b> Budget Overspend; Non-Delivery of Savings; Compliance with Standing Orders/Financial Regulations/Schemes of Delegation etc
5B	<b>Business Continuity</b> BCPs Not Maintained; BCPs Not Tested; Adverse Weather; Major External Incident etc

### 3.1.1 Strategic Risk Analysis

Executive Directors will work with their management teams to identify potential significant risks on a six to twelve month rolling horizon and analyse those risks in two ways; by the likelihood or frequency of the risk event occurring and by the severity/impact on the organisation of the risk event occurring.

Risks identified will be linked to the corporate priorities and to the following risk categories to facilitate analysis of cross-cutting risks and identify mutual benefits.

#### Risk Categories

1. Compliance with the Law
2. Provide services to users
3. Developing staff and customers
4. Services represent value for money
5. Manage within budget

Each Directorate will produce a Directorate Risk Register quarterly, specifying the likelihood or frequency of the risk event occurring and the severity/impact on the organisation..

Each risk will be assessed to determine the current status after existing mitigation and control, and then a target status (or 'risk appetite') will be set for the risk. The scoring will be in accordance with the risk matrix and descriptors at Appendix 2. The register will identify an officer responsible for the risk and identify what action will be taken for any risks that are off target, together with dates by when the actions will be taken.

The Directorate Registers will be reported quarterly to both the Executive Management Team (EMT) and the Internal Control Board (ICB) (Terms of Reference for this group are at Appendix 4) for scrutiny and monitoring.

Directorate Management Teams will review their risk registers and undertake a 'horizon scan' of potential emerging risks on a quarterly basis and note these in the register for future monitoring.

The Executive Management Team (EMT) forms the ICB, which will have an independent non-executive chair, and will meet quarterly. This Board will identify key corporate strategic risks, drawn from the Directorate Risk Registers, and score them in accordance with the matrix and descriptors thereby creating and monitoring the Corporate Risk Register

### 3.1.2 Strategic Risk Management

The risk assessment matrix adopted by Lewisham is shown in Figure 1 below.

Figure 1: Risk Assessment Matrix

LIKELIHOOD	High	5	5	10	15	20	25
		4	4	8	12	16	20
	Med	3	3	6	9	12	15
		2	2	4	6	8	10
	Low	1	1	2	3	4	5
			1	2	3	4	5
			Low		Med		High
			IMPACT				

Strategic Risk Descriptors are attached at Appendix 2.

Some strategic risks may already be well managed, some may require further mitigation whilst others may be beyond the control of the Council and may simply require active monitoring and contingency arrangements. Actions determined to manage risk may include:

<b>Avoid</b>	Terminate the risk – by doing things differently and thus removing the risk where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business.
<b>Eliminate or Reduce</b>	Treat the risk – take action to control it in some way where the actions either reduce the likelihood of the risk developing, or limit the impact to acceptable levels.
<b>Transfer</b>	This is a specialist form of risk reduction where the management of the risk is passed to a third party such as an insurance policy or penalty clause so that the impact of the risk is no longer an issue for the Council. Not all risks can be transferred in this way however.
<b>Accept</b>	Tolerate the risk - because the activity is desirable or mandatory and nothing can be done at a reasonable cost to mitigate it, or the likelihood and impact of the risk occurring are at an acceptable level. The cost of controls must be proportionate to the risk.

Details of existing internal controls for each risk will be listed in the Directorate Risk Registers. Links to other reporting mechanisms (e.g. performance management, business continuity management) or supplementary control documents (e.g. service plans, business continuity plans, action plans arising out of internal and external reviews etc) are to be noted to provide assurance that risks are systematically controlled.

Where existing controls are non-existent or inadequate, 'SMART' action plans (specific, measurable, achievable, realistic and timely) will be detailed in the Directorate Risk Registers. Risks that have been identified will be reported and monitored on a regular basis according to the Reporting Framework (See Section 4.0 Roles and Responsibilities).

The RAG rating for each strategic risk will be reported quarterly together with performance against target and direction of travel against last quarter.

### 3.2 Operational Risks

Operational Risks will be encountered as part of the day to day Council business. They are risks that may affect our ability to deliver satisfactory service provision. Heads of Service will be responsible for analysing risks that could affect the ability to deliver services and meet objectives in their operational area.

#### 3.2.1 Operational Risk Analysis

Risk will be considered as part of the Service Planning process and the key risks for the forthcoming year will be identified in Service Plans. The key risks in each of the categories will be assessed in terms of likelihood and impact, in accordance with the following key and as detailed in the Risk Assessment Guidance at Appendix 3.

Judgement	Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

Mitigation measures will be recorded and monitored as part of the routine service planning process, business continuity and performance management monitoring processes, Heads of Service will work with their teams to monitor, identify and analyse operational risks on a six to twelve month rolling horizon.

Risks for escalation to the Directorate Risk Register are to be reported to Directorate Management Teams.

### 3.3 Project Management

A project is generally defined as a time limited activity, designed to deliver a particular objective, through making a change of some kind. In a climate of continuous change and service development, project-related activity is increasing across the Council. It is vital that risks to a project are identified and assessed, with necessary controls put in place to ensure that a project is delivered successfully.

The management of project risks is an important element of the Lewisham Project Management training course, and the approach adopted in the course is consistent with that of the overall Risk Management Strategy. Additionally, the Project Management Guide also sets out the methodology to analyse and manage risks to a project's success which is consistent with the risk management strategy.

Identification and management of project risks are documented by the use of a Risk Register in the Project Initiation Document (PID). Monitoring of major projects and any associated risks is conducted through the Directorate Project Review Groups (PRGs), the Corporate Project Board and the Monthly Management Report.

The roles and responsibilities relating to management of project risk are summarised in the following table:-

Group/Individual	Roles and Responsibilities
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>• Identify risks to project and assess the impact and likelihood of such risks through completion and monitoring of Project Initiation Document (PID)</li> <li>• Nominate owners for each risk to the project and monitor actions to control risks, instigating contingency actions where necessary</li> </ul>
<b>Programme Management Team</b>	<ul style="list-style-type: none"> <li>• Provide advice, training and support to Project Managers</li> <li>• Support the Lewisham project monitoring infrastructure</li> </ul>
<b>Corporate Project Board &amp; Project Review Groups (PRGs)</b>	<ul style="list-style-type: none"> <li>• Initial and ongoing review of project risk in sign-off of PIDs and progress reporting</li> <li>• Notify DMT/EMT of any risks that affect the project's ability to meet corporate objectives</li> <li>• Informs the Monthly/Quarterly Management Report notifying EMT and Mayor &amp; Cabinet of risk status against ten corporate priorities.</li> </ul>

### 3.4 Partnership Risk Management

Partnership working continues to play an increasingly critical role in achieving the Council's vision. Partnerships often involve complex types of risk, which can, if not correctly managed, adversely affect the delivery of services to end users.

Managing risk in our partnerships is therefore an important element of the Council's risk management strategy. The Council will continue to develop and build on the good practice applied in the governance of its key partnerships and the management of risk associated with them.



For Strategic Partnerships, the Council will maintain a risk register identifying the risks to the Council (not the individual members or partnership overall) in accordance with the previously referenced framework. It is recognised as good practice that each partnership shares its risk register with the individual partner organisations so they are each informed of the risks that the partnership faces.

In addition, the Council will manage its own risks associated with the partnership and each directorate will reflect these in its directorate risk registers.

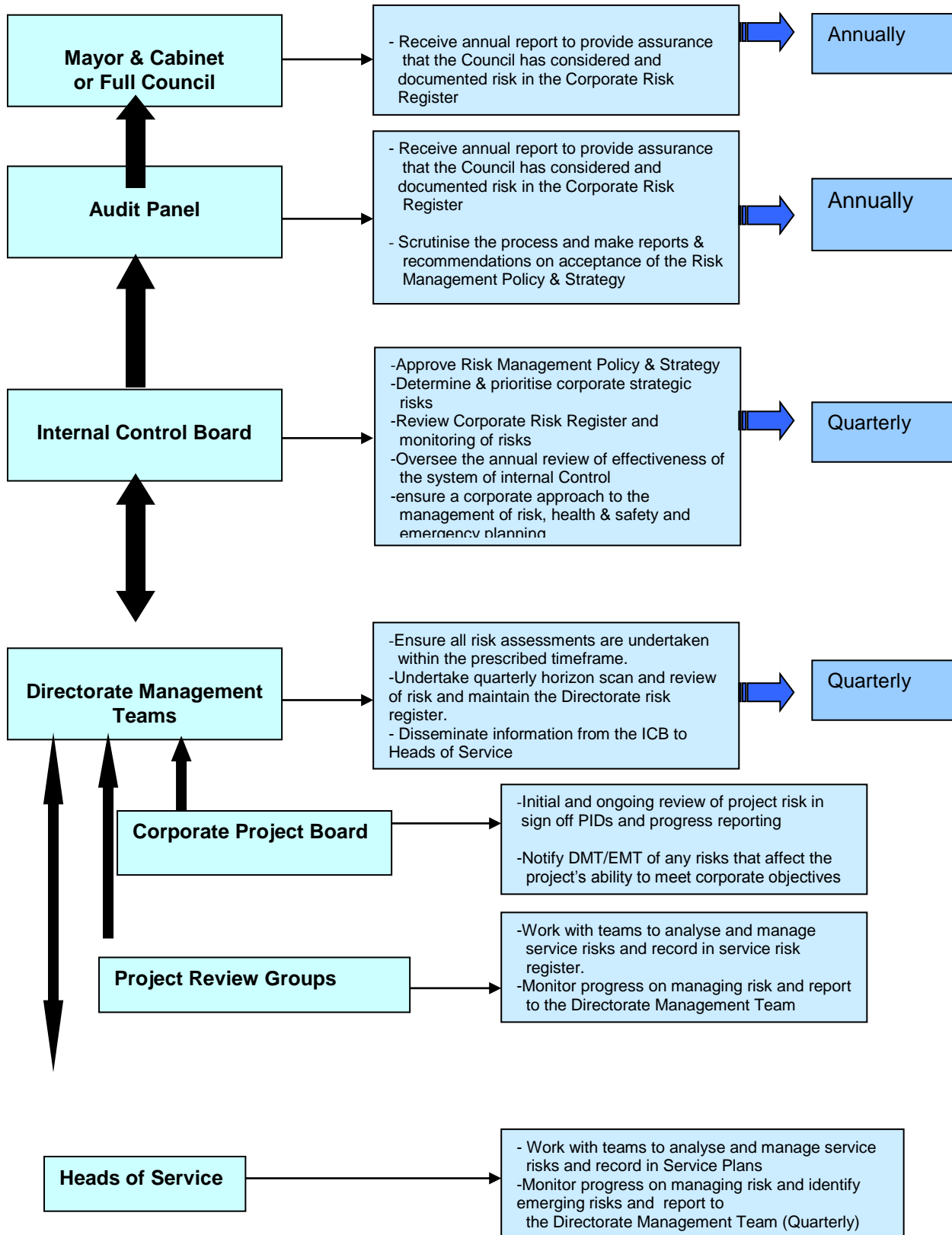
#### **4.0 Roles and Responsibilities**

The Cabinet Member for Resources and the Executive Director for Resources & Regeneration will drive the process as risk management champions but managing risk is the responsibility of everyone within the organisation.

This is not a new responsibility, but formalisation of good working practices. Training will be provided to key personnel on an ongoing basis and included within induction training to ensure that Members and Officers are equipped with the necessary skills and knowledge to enable them to manage risk within their own area of responsibility and contribute to the Council's management of risk overall.

Particular roles and responsibilities are summarised in Table 3 (overleaf).

Table 3: Reporting Framework for Risk Management



## **5.0 Reporting & Review Framework**

The main reporting mechanism will be by use of the Risk Registers. A risk register form is at Appendix 1. Risks, even at a strategic level, do not remain static and therefore the Risk Registers will be regularly reviewed and kept up-to-date within the performance framework to remain valid.

DMTs will consider risk no less frequently than quarterly and update their directorate's risk registers and disseminate information from the ICB to Heads of Service. Risks associated with any new initiatives and activities will be formally identified, appraised and added to the Risk Register at the appropriate level.

The ICB will receive quarterly updates on progress against the Annual Governance Statement (AGS) Action Plan. The annual review of the AGS will be undertaken by the AGS Working Party and reported to the Internal Control Board at the end of each financial year. The Annual Governance Statement on Internal Control will be published with the Final Accounts.

## **6.0 Training and Development**

An e-learning module has been launched to ensure that Members, Officers and key Partners have access to materials to equip them with the necessary knowledge and skills to:

- Identify and evaluate risks
- manage the risks involved with their service area
- develop their understanding of what risk management is
- understand their responsibilities for managing risks.

Targeted training will be delivered on an ongoing basis.

## **7.0 Measuring our Success**

In reviewing this strategy it is vital that we make a judgement about the level of success it has achieved. In order to do this, the information in Table 5 below will be considered.

Table 5: Measures of Success

Objective		Measure of Success
1	Help us achieve the Council's Corporate priorities	- No negative impact of unidentified risks on delivery of corporate priorities
2	Integrate risk management into the culture of the Authority	- Completeness of Risk Registers - inclusion of risk in reports requiring decisions - links to service plans and performance management
3	Identify, evaluate and manage risk in accordance with good practice	- Positive internal and external inspection reports
4	Anticipate and respond to changing social, environmental and legislative requirements	- Enhanced planning and prioritisation - Reduction in the number of urgent/ retrospectively applied decisions - Reduction in legal challenge
5	Prevent injury and damage and reduce cost of risk	- No increase in number of liability insurance claims paid - Cost of Council contribution to insurance claims
6	Raise awareness of the need for risk management in all service areas	- Risk management included in induction and training programme
7	Mitigate risks	- Reduction in the number of risks colour-coded red against target
8	Enhance corporate governance of risk	- No deterioration in positive external inspection reports - Increase in positive assurance opinions from internal and external audits
9	Optimising opportunities	- Successful completion of projects where benefits outweigh the risks
10	Enhance knowledge sharing and learning lessons	- Lessons learnt from incidents/near misses will be reported at ICB meetings

Risk Name & Category	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What are we planning to do	By when	Notes
<b>1.Compliance with the Law</b>									
<b>1A Governance</b>									
Impact									
Likelihood									
<b>1B Regulatory</b>									
Impact									
Likelihood									
<b>2.Provide Services to Users</b>									
<b>2A Process</b>									
Impact									
Likelihood									
<b>2B Technology</b>									
Impact									
Likelihood									
<b>3.Developing Staff/Partners</b>									
<b>3A Workforce</b>									
Impact									
Likelihood									
<b>3B Partnerships</b>									

<b>Risk Name &amp; Category</b>	<b>Current status</b>	<b>Current score</b>	<b>Target score</b>	<b>Current v target</b>	<b>Direct'n of travel</b>	<b>Responsible</b>	<b>What are we planning to do</b>	<b>By when</b>	<b>Notes</b>
Impact									
Likelihood									
<b>4.Services Represent VFM</b>									
<b>4A Procurement</b>									
Impact									
Likelihood									
<b>4B Performance</b>									
Impact									
Likelihood									
<b>5. Manage within Budget</b>									
<b>5A Financial</b>									
Impact									
Likelihood									
<b>5B Business Continuity</b>									
Impact									
Likelihood									

**Appendix 2 – Risk Descriptors** (*Score is highest in any column*)

<b>Likelihood: Of the risk / hazard occurring Impact: Most probable result or consequence of the risk/hazard occurring</b>				
<b>Likelihood</b>				
	<b>Rating</b>	<b>Probability</b>	<b>Description 1</b>	<b>Description 2</b>
Very High	5	> 50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly
High	4	21 – 50%	Likely to occur	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year)
Medium	3	6 – 20%	Reasonable chance of occurring	Only likely to happen every 3 or more years
Low	2	1 – 5%	Unlikely to occur	Has happened rarely
Very Low	1	< 1%	Will only occur in exceptional circumstances	Very low probability / never before

<b>Impact: Most probable result or consequence of the risk/hazard occurring</b>					
<b>Impact</b>		<b>Impact on:</b>			
	<b>Rating</b>	<b>Individual</b>	<b>Service</b>	<b>Reputation</b>	<b>Finance / Budgets</b>
Very High	5	Death of an individual or several people	Complete loss of services, including several important areas of service Service Disruption: 5+ Days. Service Resource Diversion: Up to 80%	Adverse and persistent national media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and/or Members forced to resign	£5m +
High	4	Severe injury to an individual or several people, requiring immediate hospitalisation	Major loss of an important service area Service Disruption: 3-5 Days Service Resource Diversion: Up to 60%	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community.	£2.5m - £5m
Medium	3	Injury to an individual, requiring immediate hospitalisation	Major effect to an important service area Service Disruption: 2-3 Days Service Resource Diversion: Up to 40%	Adverse local publicity/local public opinion	£1m - £2.5m
Low	2	Minor injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period Service Disruption: 1-2 Days Service Resource Diversion: Up to 30%	Negative local publicity of a persistent nature	£500k - £1m
Very Low	1	Minor injury to an individual requiring hospital treatment	Significant effect to non-crucial service area Service Resource Diversion: Less than 20%	Negative local publicity	£250k - £500k



### Appendix 3 – Service Planning Guidance/Example

#### Key Example Risk Categories

Risk Name & Category	Risk	Likelihood	Impact	Mitigation
1.Compliance with the Law	Introduction of new external audit arrangements could place additional regulatory demands on the service	4	2	We are in discussion with our new auditor to agree a lighter touch audit for the forthcoming year. As a result, the impact of this risk should not be as significant as originally anticipated.
2.Secure Services to Users	Significant legacy data quality issues across the service	4	5	Additional resource has been identified to undertake data cleansing of management information systems. It is anticipated that this exercise will be completed by June 2017.
3.Developing Staff/Partners	Cultural resistance to change impacts employee relations	3	4	Regular staff communications on Council pressures and changes.
4.Services Represent VFM	Recent redundancies and loss of expert capacity within the team could lead to diminution in service	5	4	Every effort is being made to reduce key person dependency within the service. These efforts should mean that the impact of redundancies will be less severe than would be otherwise.
5. Manage within Budget	Inability to meet savings and deliver service within balanced budget	4	4	Robust savings/decision making process. Monitoring of savings implementations.
1	<b>Comply with the Law</b> Compliance with Constitution (decision making etc), JR, Investigations; Data Breaches: Breach of Statutory Duties; H&S Breach; Poor Inspection			
2	<b>Secure Services to Users</b> Lack of Policies/Procedures; Poor Internal Audit; Customer Needs not met; Complaints; Poor Customer Satisfaction; System; System Failure			
3	<b>Developing Staff &amp; Partners</b> PES; HR Casework; Employee Relations; Recruitment and Retention issues; Breakdown of Relationships; Conflicting Objectives etc			
4	<b>Services Represent Value for Money</b> Non-compliance with/Use of Corporate Procurement Procedures; Contract Monitoring not Ensuring VFM;Accurate, Complete Data; Lack of Objectives			
5	<b>Manage Within Budget</b> Budget Overspend; Non-Delivery of Savings; Compliance with Standing Orders/Financial Regulations; Accurate, Complete Data; Lack of records			

Judgement	Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

## Appendix 4 – Corporate Internal Control Board Terms of Reference

### Corporate Internal Control Board

#### Membership

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources & Regeneration
- Executive Director for Children & Young Persons
- Executive Director for Community Services
- Executive Director to Customer Services
- Head of Law
- Group Manager Insurance & Risk
- Head of Corporate Resources (for monitoring and control)

#### **Terms of Reference**

1. To identify and manage key strategic risks that could prevent the Council from meeting its objectives
2. To link risks to the corporate priorities and assess the likely impact and consequences of those risks
3. To allocate responsibilities for controlling identified risks
4. To complete the Corporate Risk Register, reviewing and monitoring this on a quarterly basis
5. To receive regular reports on Internal Control within the Authority
6. To ensure a corporate approach to the management of risk, health and safety and emergency planning
7. To approve the Risk Management Policy and Risk Management Strategy
8. To support the risk management reporting and review framework, detailed in the Risk Management Strategy
9. To oversee the annual review of the System of Internal Control and Annual Governance Statement

#### **1.1 Frequency of Meetings**

Quarterly

#### **1.2 Accountability and Links**

- Informs EMT and Mayor & Cabinet quarterly of the risk status against the ten corporate priorities in Management Report
- Report to Audit Panel annually