

# **Risk Management Strategy 2017–20**

**James Rimmington, Risk Manager**

**Risk and Insurance Team**

Email: [jimmington@lambeth.gov.uk](mailto:jimmington@lambeth.gov.uk)

<b>Version</b>	<b>7.0</b>
<b>Date</b>	<b>Sept 2019</b>
<b>Next revision due</b>	<b>Sept 2020</b>

## Introduction

In a changing environment with the effects of Brexit, economic downturn, public sector cuts in grant funding, Welfare Reforms, changing demographics and the continual demand on services, the council is faced with an unprecedented challenge to deliver its statutory obligations and manage its corporate, strategic and key operational risks.

Aligned with this we will continue to be an exemplar of good practice and we will continue to meet the council's statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 3 of the Accounts and Audit Regulations 2015:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes effective arrangements for the management of risk.”

This strategy builds upon previous versions and has been developed to support the achievement of the council's Borough Plan Outcomes.

## Strategic Vision

This strategy is designed to encourage all Lambeth citizens (staff, residents, Members) to make risk based decisions when working with the council.

Furthermore, this strategy should give confidence that the council's governance process will embrace innovative approaches to deliver services through an increased capacity to exploit opportunity risks.

The strategic vision will be coordinated by the risk management team working closely with key contacts across the council's directorates.

This will also include working closely with key partners, directorates and sub directorates leading on the transformational programmes for the council.

## Embedding risk management

All council employees are encouraged to:

- Become aware of the Risk Management Policy and Strategy
- Understand their responsibilities in managing risk
- Participate (as appropriate) in the identification, assessment and control of threats and opportunities
- Immediately report to their manager any incident, accident, 'near misses' or any other concerns that they may have with regards to risks. (Full roles and responsibilities are provided at appendix C).

## **Statutory requirements**

Lambeth council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services. The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, and effectively.

The council has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective delivery of its functions, which include arrangements for the management of risk.

The effectiveness of the council's risk management arrangements is assessed annually as part of the Annual Governance Statement (AGS) and Annual Audit Opinion (AAO) which is signed off by the Chief Executive and Leader of the council.

In compiling the AGS, assurances are obtained from a wide range of sources, in consultation with directorates and divisions.

The risk management policy, found at Appendix B, is a signed statement of intent by the Chief Executive and the Leader of the council committing the organisation to operating a culture where risk management is embedded, communicated and used in the council for the benefits of the community.

## Benefits of Risk Management

Effective risk management is an ongoing process with no set end date as new risks (threats and opportunities) arise all the time.

The council is fully committed to developing a culture where risk is appropriately and effectively managed, and by embedding strong risk governance the following benefits will be achieved:

<p><b>Improved Strategic Management</b></p>	<ul style="list-style-type: none"> <li>• Greater ability to deliver against objectives and targets</li> <li>• A sound system of corporate governance</li> <li>• Confidence in the rigour of the Annual Governance Statement</li> <li>• More likely that new developments can be delivered on time and on budget</li> <li>• Delivery of innovative projects</li> </ul>
<p><b>Improved Operational Management</b></p>	<ul style="list-style-type: none"> <li>• Reduction in interruptions to service delivery</li> <li>• Reduction in managerial time spent dealing with the consequences of a risk event having occurred</li> <li>• Improved health &amp; safety of those employed, and those affected, by the council's undertaking</li> <li>• Improved prevention of fraud, bribery and corruption</li> <li>• Allows managers to focus on issues that really matter</li> <li>• Delivery of change management and organisational change</li> </ul>
<p><b>Improved Financial Management</b></p>	<ul style="list-style-type: none"> <li>• Better informed financial decision-making</li> <li>• Enhanced financial control</li> <li>• Reduction in financial costs associated with losses due to service interruption, litigation, etc.</li> <li>• Reduction in insurance premiums and claim related costs</li> </ul>
<p><b>Improved Customer Service</b></p>	<ul style="list-style-type: none"> <li>• Minimal service disruption to customers</li> <li>• Protection of reputation and reduced risk of misinterpretation by media</li> </ul>

## **Risk Appetite**

Risk Appetite is a method to help guide an organisation's approach to risk and risk management. Defined well, risk appetite translates risk metrics and methods into business decisions; it sets the boundaries which form a dynamic link between strategy, target setting and risk management.

In 2016 the council's risk management team worked with Zurich Municipal to develop and expand the council's risk appetite definition and categories. A risk exposure vs risk appetite survey was issued to senior officers and from the results the council's approach to risk appetite was updated. The key change is to include specific levels of risk appetite for separate categories of risk. These levels were determined by the responses from senior officers and members and are outlined in the Risk Management process below.

# Managing Risk

The council has acknowledged that with a changing culture and changes in a number of key sectors including health and housing, the delivery of outcomes can only be achieved through the empowerment of local communities, organisations and partners.

By increasing the appetite and capacity for risk, the council has redefined approaches to service delivery, from a service focussed organisation to an outcomes focused organisation.

With any change however, risks will emerge and by working with partners, decision making can be improved, increasing our chances to successfully meet joint objectives and outcomes.

## **What is Risk Management?**

Risk management is a business discipline that every sector uses to improve decision-making and help achieve objectives.

The council has adopted the following definition of risk management<sup>1</sup>:

***“An uncertain event or set of events that, should it occur, will have a (positive or negative) effect on the achievement of our objectives.***

***A risk is measured in terms of a combination of the likelihood of a perceived threat or the opportunity occurring and the magnitude of its impact on objectives”***

1. OGC Management of Risk

## Risk Management objectives

The main objectives of Lambeth's risk management strategy are to:

Aim	How this is achieved
<p>Improve engagement, utilisation and ownership of risks and risk management across the council.</p>	<p><b>Embed a risk management culture</b> to create an environment where risk management becomes an integral part of day to day council operations</p>
	<p><b>Enabling better quality decision making</b> by keeping risk management as a core part of governance processes</p>
	<p><b>Minimising failures and maximizing opportunities</b> and supporting the governance framework</p>
<p>To provide a strategic lead and champion risk management across the organisation and maintaining our statutory accountabilities.</p>	<p><b>Increasing our models of partnership</b> to deliver better services to the community</p>
	<p><b>Co-producing joint risk management solutions</b> to help minimise threats and maximise opportunities</p>
	<p><b>Being bold and taking calculated risks</b> to encourage innovation and drive an entrepreneurial community</p>
<p>To take a lead on developing and replicating best practice in risk management, providing value for money services and allowing better outcomes for the council.</p>	<p><b>Leading on innovative projects</b> and enhancing risk management awareness and practices, including the reduction of insurance claims</p>
	<p><b>Active participation externally</b> to help shape the future of risk management</p>
	<p><b>Regular benchmarking</b>, adapting best practice to improve risk management</p>



## How the objectives will be achieved

The objectives and outcomes of this strategy will be achieved by working closely with key teams across all council Directorates:

In particular, we will:

- Maintain clear roles, responsibilities and reporting lines for risk management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing its risks.
- Ensure corporate, strategic, operational, partnership and project risks are discussed on a regular basis as part of relevant board meetings;
- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health and Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in regular comparison and benchmarking activity.

**Note:** this is not an exhaustive list

## Managing risks within different delivery models

This strategy acknowledges the challenging environment we are in and that different delivery models will be established to deliver the corporate and Borough Plan objectives set out for the council.

Below are some of the different models risk management will contribute to:

<p><b>Partner organisations</b></p>	<p>The council will look to co-produce a risk management framework, including relevant toolkits and training. By establishing the framework it will ensure appropriate accountability and responsibility remains with the relevant partner.</p>
<p><b>Mutual organisations</b></p>	<p>Mutual organisations have their own governance arrangements in place. However advice and support will be available if mutual partners wish to adopt our risk management framework.</p>
<p><b>Shared Services arrangements</b></p>	<p>The council will look to merge and adopt best practice arrangements between the different organisations seeking joint solutions. Frameworks will be negotiated and appropriate governance arrangements agreed to ensure the best outcome for joint objectives.</p>

The context to the above arrangements is subject to change as delivery models are still being developed. Any agreement to work with partner organisations will be subject to the terms set in the service level agreements, which will be unique to each partner organisation.

## The risk management process

Essentially risk management is the process by which risks are identified, evaluated, responded to and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the organisation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity there will be a number of factors which need to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

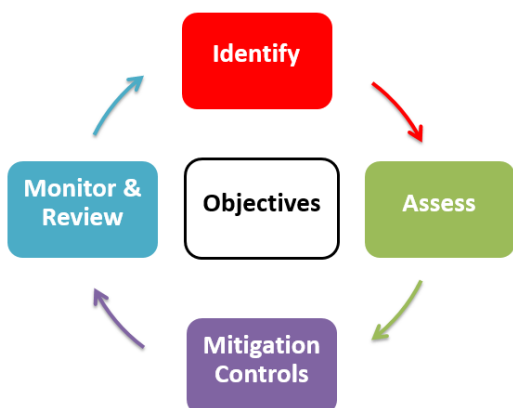
Risk Management is also a business planning tool designed to provide a methodical way for addressing risk. It is about:

- Identifying the objectives and what can go wrong
- Acting to avoid it going wrong or to minimise the impact if it does
- Giving rise to opportunities and to reducing threats.

**Note:** The following steps are summarised information taken from the 'risk strategy and policy summary' attached at appendix D.

## The risk management cycle

The risk management process is broken down into five steps illustrated below:



The risk management process is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk.

The process is cyclical and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the risks to the activity/outcome you are assessing.

Figure 1: Lambeth's risk management cycle

### Bitesize Guide to the Risk Management Process

#### 1. Determine your objectives.

For corporate risks, the Community Outcomes are a good place to start. For project risks, use the project objectives as a base.

What	2. Identify	3. Prioritise the risk(s)	4. Mitigation & Action Planning	5. Monitor and Review																															
Ask	What will stop us achieving the objective? (Threat) What could help us achieve the objective? (Opportunity)	How likely is it to happen? What impact would it have if it happened?	What can we do about it? Who will be involved?	How do we record the risk? How do we know if the risk has changed?																															
Do	Information: - Lessons learned - Stakeholders - The activity itself  Tools: - Brainstorming - SWOT analysis - PESTLE analysis - Horizon scanning - Stakeholder analysis - Cause and effect diagrams	Score risks twice on the 4x4 matrix below 1. <i>Current</i> – how likely/severe the risk is without doing anything 2. <i>Target</i> – the desired score  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" rowspan="2"></th> <th colspan="4">IMPACT</th> </tr> <tr> <th>Minor (1)</th> <th>Significant (2)</th> <th>Serious (4)</th> <th>Major (8)</th> </tr> </thead> <tbody> <tr> <th rowspan="4">LIKELIHOOD</th> <th>Very Likely (4)</th> <td style="background-color: #4CAF50;">4</td> <td style="background-color: #FF9800;">8</td> <td style="background-color: #F44336;">16</td> <td style="background-color: #F44336;">32</td> </tr> <tr> <th>Likely (3)</th> <td style="background-color: #4CAF50;">3</td> <td style="background-color: #FF9800;">6</td> <td style="background-color: #F44336;">12</td> <td style="background-color: #F44336;">24</td> </tr> <tr> <th>Unlikely (2)</th> <td style="background-color: #4CAF50;">2</td> <td style="background-color: #FF9800;">4</td> <td style="background-color: #F44336;">8</td> <td style="background-color: #F44336;">16</td> </tr> <tr> <th>Very Unlikely (1)</th> <td style="background-color: #4CAF50;">1</td> <td style="background-color: #FF9800;">2</td> <td style="background-color: #F44336;">4</td> <td style="background-color: #F44336;">8</td> </tr> </tbody> </table>			IMPACT				Minor (1)	Significant (2)	Serious (4)	Major (8)	LIKELIHOOD	Very Likely (4)	4	8	16	32	Likely (3)	3	6	12	24	Unlikely (2)	2	4	8	16	Very Unlikely (1)	1	2	4	8	Options to respond to a risk:  Tolerate – monitor to ensure the impact/likelihood do not change.  Treat – carry out controls to reduce the likelihood/impact.  Transfer – by insuring or passing the risk to a third party.  Terminate – stop doing the activity associated with the risk.	Enter information into a risk register. For corporate or high risks, enter into the risk software JCAD Risk.  Regularly review.
		IMPACT																																	
		Minor (1)	Significant (2)	Serious (4)	Major (8)																														
LIKELIHOOD	Very Likely (4)	4	8	16	32																														
	Likely (3)	3	6	12	24																														
	Unlikely (2)	2	4	8	16																														
	Very Unlikely (1)	1	2	4	8																														
Output	Risk identified Risk owner	Current risk score Target risk score	Control Measure(s) Control owner(s)	Risk register Regular reviews																															
Help	For help and advice, contact the Risk Management Team: Phone: 020 7926 9261 Email: RiskandInsurance@lambeth.gov.uk																																		

Figure 2: Guide to the Risk Management Process

**Risk review frequencies**

As a guide, risks should be reviewed in management meetings using the following criteria:

	Standard Review	Programmes, projects and partnerships
Red and Gold risks	1-3 months	Monthly
Amber and Silver risks	3 months	Monthly
Green and Bronze risks	6 months	Quarterly

**Note:** At least annually, each risk register should be reviewed in its entirety.

## Risk Appetite

Risk appetite is the amount of risk the council is willing to take. It varies according to the risk for example the council would accept a greater amount of risk for areas of growth than in those relating to Governance and Compliance. See the council's risk policy in Appendix B for a full statement on risk appetite.

## Risk Category Identification

Risk appetite categories	Description of risk category
<b>Strategy &amp; Finance</b>	Risks which focus on long term goals and plans and also areas where financial features play an important part
<b>Growth &amp; Opportunity</b>	Risks concerning areas which are developing and where positive chances are available
<b>Governance &amp; Compliance</b>	Risks relating to the provision of guarantees and proof that processes have been completed correctly
<b>Customer Outcomes &amp; Quality</b>	Risks about the service which our customers receive
<b>Contract Management</b>	Risks relating to the various contracts held within the organisation
<b>Information Governance</b>	Risks involving the safekeeping and protection of all important data held within the organisation
<b>People</b>	Risks which make reference to staff

## Risk Appetite Matrix and Risk Appetite thresholds

Consider the risk score against the risk appetite threshold for its category. The threshold is represented by the vertical black lines in the matrix below. For example, Growth & Opportunity risks have a risk appetite threshold of 16, and Information Governance risks have a threshold of 4. This means the council will take higher risks to ensure growth, but will be less tolerant of risks concerning its information and that of its citizens.

Risk Category	Averse Risk Score 1-2	Minimal Risk Score 3 - 4	Cautious Risk Score 6 - 8	Open Risk Score 12 - 16	Hungry Risk Score 24 - 32
Strategy & Finance					
Growth & Opportunity					
Governance & Compliance					
Customer Outcomes & Quality					
Contract Management					
Information Governance					
People					

Risk Appetite Level	Risk Appetite Description
Averse	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimal	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefit.
Cautious	Preference for the safe options that have a moderate degree of risk and may only have limited potential benefits.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Hungry	Eager to realise benefits and to choose options to achieve this despite the higher risk.

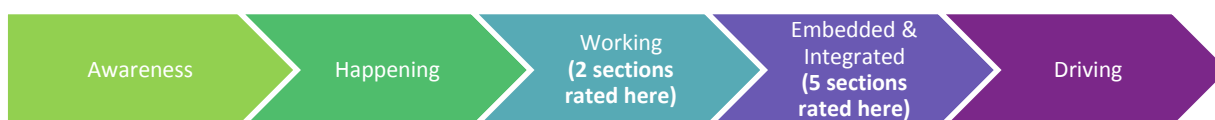
Figure 3: Lambeth's Risk Appetite matrix

## Risk Maturity

All organisations, including Lambeth Council are on a risk management journey. Risk maturity refers to where the business is on that journey and how well established risk management is as a discipline across the organisation.

Maturity modelling is a valuable tool, enabling us to benchmark our current risk management capability and help us direct our resources to areas that need improvement and further development. Modelling allows us to set long term plans for the service and track our position through the journey. We measure our maturity and compare ourselves against other Councils on a bi-annual basis through the CIPFA benchmarking exercise.

The diagram below shows the maturity levels provided by CIPFA and how Lambeth fared in the exercise in 2018/19:



*Figure 4: Risk Maturity Levels – CIPFA*

The benchmarking results showed improvements in all categories during 2018/19 and the following two categories moved up an assessment band during the year:

- **Risk Management Leadership** - Working => Embedded and Integrated
- **People** - Working => Embedded and Integrated

### Improving our risk maturity

The next stage of the council's risk management journey is focused on improving the following categories so that they become "Embedded & Integrated"

- **Partnerships & Shared Resources** – Working
- **Processes** – Working

## **Risk reporting framework**

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers that adequate measures have been taken to manage risk.

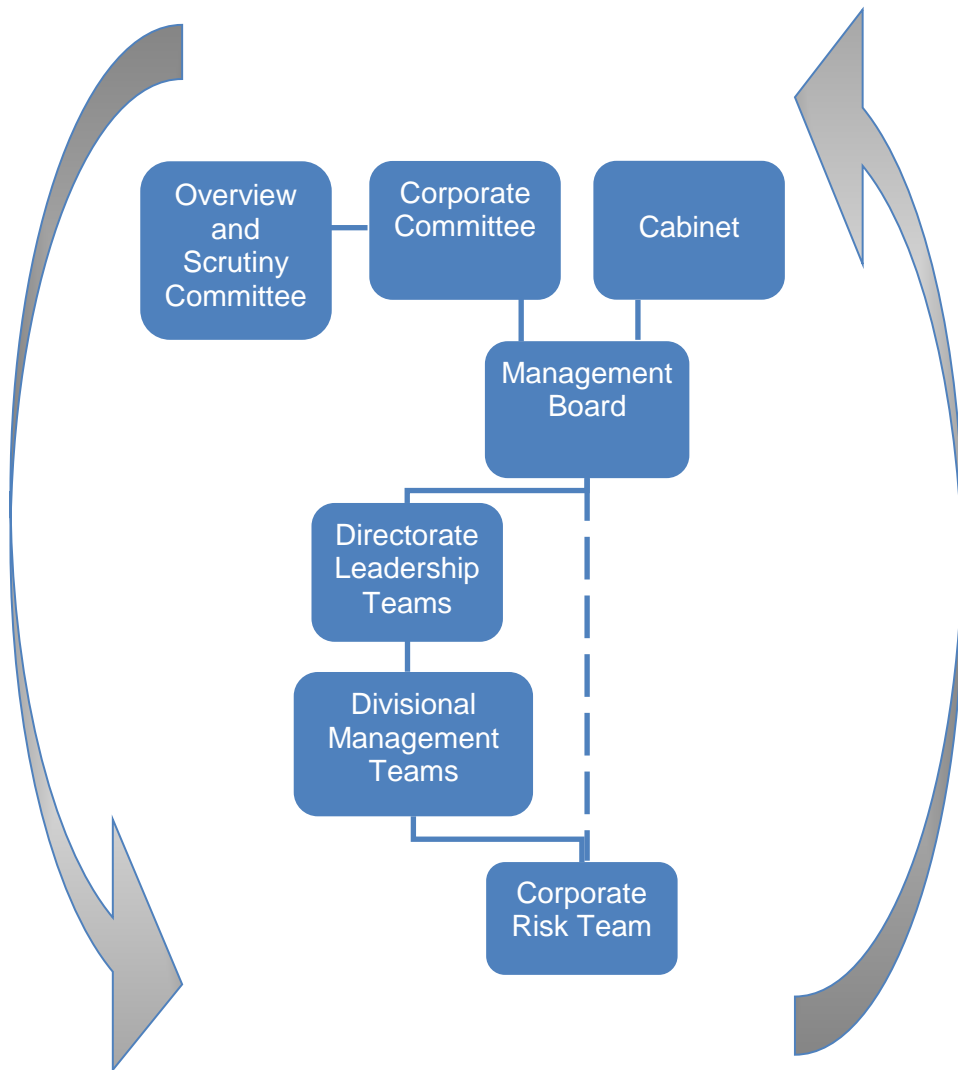
To support this risk management has been integrated into the council's business planning processes. By using the risk methodology, key risks facing the council or a particular service will be identified. This helps to ensure that the risks the council faces in the delivery of the borough plan are identified and managed.

Escalation of risks ensures that managers have a clearer picture on risks or issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.


Figure 5 on the next page illustrates the reporting arrangements for risks. Risks are typically identified from a bottom-up process, but information is still fed through from top-down.




Figure 5: Risk escalation process



On reporting, usually each quarter, different risk registers are taken to different management teams. Below lists these key reports along with their escalation criteria (risk score).



Strategic risk register	The key strategic risks which may affect the achievement of Borough Plan outcomes and strategic objectives are included within these registers. All strategic risks are held on the strategic risk register regardless of risk score, however particular focus and challenge is given to strategic risks that are outside of appetite for their category (see risk appetite matrix for category appetite scores). Strategic risks are reported to Management Board and Corporate Committee
Corporate risk register	The corporate risk register is used to highlight and assure elected members that key corporate risks are being effectively managed and responded to. These risks are extracted from various areas of the council's risk system and approved by the Chief Executive and Strategic Directors. All corporate risks are held on the corporate risk register regardless of score, however particular focus and challenge is given to corporate risks that are outside of risk appetite for their category. Corporate risks are reported to Management Board and Corporate Committee
Directorate risk register	This register flows out of the Divisional risk register and is challenged and moderated quarterly by Directorate Leadership Teams. Risks which are escalated here are those with risk scores of 16 (high risk) and above.
Divisional risk register	This register flows out of Business unit risk registers and is challenged and moderated quarterly by Divisional Management Teams. Risks which are escalated here are those with risk score of 12 and above.
Business Unit risk register	This register contains operational, health and safety and project risks with scores of 1-8. Risks with a score of 12 and above are escalated to the Divisional risk register
Programme / project risk register	Where considered appropriate, major programmes and projects will produce and maintain their own risk registers and be responsible for updating them on a quarterly basis. Significant programme and project risks (with a score of 12 or more) will be escalated to Divisional risk registers where relevant.



## **Guidance, Education and Training**

The Corporate Risk Team is responsible for developing workforce risk management capability across the organisation. This is achieved through the provision of guidance, education, training and support. The existing suite of guidance materials includes:

- Risk Management Strategy 2017-20
- Risk Management policy
- Risk Management Handbook for Managers
- Risk Management toolkit and
- Three Risk Management e-learning modules

All risk management training materials are available on the Risk Team page on the council's intranet. As described within the roles and responsibilities appendix of the Risk Management strategy (appendix C), staff and partners at all levels are encouraged to utilise the information provided.

In addition to the suite of guidance and training information available on the intranet, the Risk Team provide targeted training for areas of high risk including high risk processes, projects and procurement. For more information on risk management training please email [riskandinsurance@lambeth.gov.uk](mailto:riskandinsurance@lambeth.gov.uk)

The risk management strategy, guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the latest industry best practice.