

Risk Management

Strategy

2011/14

Translations and other formats

If you are not able to get a friend or relative to translate this document for you, you can obtain a summary of the main points of this document in large print, Braille or on audiotape, or in another language listed below. Please contact:

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

Bengali

আপনার জন্য এই তথ্যের কাগজটির অনুবাদ করে দেওয়ার মত কোন বন্ধু বা আত্মীয়কে আপনি না পেলে, এই তথ্যের কাগজটির প্রধান বিষয়গুলির একটা সংক্ষিপ্তসার পাওয়ার জন্য দয়া করে নিচের ঠিকানায় চিঠি লিখবেন:
(দা পার্ফরমেন্স ইউনিট)

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

Cantonese

如你找不到朋友或親屬來幫助你翻譯這文件，你可要求一份這文件的中文擇要。請致函到：

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

French

Si votre famille ou quelqu'un que vous connaissez ne puisse pas traduire ce document pour vous, nous pouvons vous traduire les grands points de ce document. Veuillez en faire la demande écrite à:

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

Portuguese

Se não conseguir um amigo ou familiar para lhe traduzir este documento, poderá obter um resumo dos pontos principais do mesmo, escrevendo para:

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

Spanish

Si no puede conseguir que un amigo o familiar le traduzca este documento, se le puede

proporcionar un resumen de los puntos principales del mismo. Diríjase por escrito a:

Improvement, Risk and Insurance Section
Room 213, Lambeth Town Hall
Brixton Hill
London SW2 1RW

Twi

**SE WO NYA OBIA ANAA ADAMFO BIA A OBE BOA WOA A KYERE
KYERE NO MUA, WO**

**BE NY A MBOA EFERE NKOROFOA YI HO. TWERO OMO EWO ADRESS A
EWO NTWERE YI ASE.**

Improvement, Risk and Insurance Section

Room 213, Lambeth Town Hall

Brixton Hill

London SW2 1RW

Yoruba

Tí o ko ba ní ọ rẹ̀ tàbí ẹ̀bi làti tunmò ìwé àlàyé yí fún ọ o lè gba ìwé

kókó ohun tí a sọ Sínú

Ìwé nà. Jò wọ kọ ìwé si wa ní ilé iṣẹ: yí :

Improvement, Risk and Insurance Section

Room 213, Lambeth Town Hall

Brixton Hill

London SW2 1RW

Contents

| | |
|--|------------|
| VERSION HISTORY | II |
| PREFACE..... | III |
| CHAPTER 1: INTRODUCTION..... | 1 |
| STRATEGIC VISION | 1 |
| WORKING TOGETHER | 1 |
| CHAPTER 2: MANAGING RISK..... | 2 |
| WHAT IS RISK MANAGEMENT? | 2 |
| RISK MANAGEMENT OBJECTIVES | 4 |
| OUTCOMES OF THE STRATEGY | 6 |
| HOW THE OBJECTIVES WILL BE ACHIEVED | 7 |
| MANAGING RISKS WITHIN DIFFERENT DELIVERY MODELS..... | 8 |
| CHAPTER 3: STATUTORY REQUIREMENTS..... | 9 |
| BENEFITS OF OUR GOVERNANCE ARRANGEMENTS FOR RISK..... | 10 |
| ROLES AND RESPONSIBILITIES | 11 |
| CHAPTER 4: THE RISK MANAGEMENT PROCESS..... | 12 |
| THE RISK MANAGEMENT CYCLE | 13 |
| STEP 1: CLARIFY OBJECTIVES | 14 |
| STEP 2: IDENTIFY AND ANALYSE RISKS | 15 |
| <i>Risk Ownership</i> | 16 |
| STEP 3: ASSESS RISKS | 17 |
| STEP 4: ADDRESS RISKS | 18 |
| <i>Threat responses</i> | 18 |
| <i>Opportunity Response</i> | 19 |
| STEP 5: MONITOR AND REVIEW | 20 |
| <i>Risk reporting framework</i> | 21 |
| <i>Risk Registers</i> | 22 |
| <i>Challenging environment</i> | 23 |
| CHAPTER 5: DELIVERING THE STRATEGY | 24 |
| APPENDIX A : RISK MANAGEMENT POLICY | 26 |
| APPENDIX B : GROUPS, ROLES AND RESPONSIBILITIES | 27 |

Version History

This strategy builds on and replaces earlier versions of the risk management strategy and is intended to be a high level document that provides a framework to support the council's statutory responsibility for managing risk.

It also allows the council to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be updated annually to ensure it remains fit for purpose.

Version control:

| Number | Comments | Approval date |
|--------|---|-------------------------------|
| 01 | Document finalised 30 th August 11 | 8 th December 2011 |

Preface

In a changing environment, with the effects of the economic downturn, the changing demographics and the continual demand of services, the council is faced with an unprecedented challenge to deliver its statutory obligations as well as manage the social implications common within a recessionary environment.

The interlocking challenges faced from budget pressures, supplier failures, health reforms, and so on, has created a complex matrix of risks, all requiring some level of management.

Lambeth council has recognised that amongst these challenges, opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This has led to the vision for the Cooperative Council, which is about working jointly together, co-operating with citizens to commission services and genuine partnership delivery of services to better meet local citizen's needs.

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 4 of the Accounts and Audit Regulations 2011:

“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 arrangements for the management of risk.”

Chapter 1: Introduction

This strategy has been developed to work in tandem with the Co-operative Council Corporate Plan 2011-2014 to help sustain an environment where risk management is an integral part of all of the council's key governance processes.

This will result in better quality decision making that leads to a reduction in unnecessary costs, more effective partnership working, more effective co-operation with citizens and the encouragement of innovation, amongst others.

Strategic Vision

This strategy is designed to encourage staffs, citizens, local neighbourhoods, citizen groups and associations, voluntary and community sector services, local businesses and other public services to make risk based decisions when working cooperatively with the council, to deliver services.

Further, 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.

In summary, our strategic vision statement is:

“To become the leading council in working co-operatively with the borough by proactively managing opportunities and threats and to be an exemplar of good practice”.

Working together

The strategic vision will be coordinated by the risk management team working closely with the Risk champions, Risk coordinators and appropriate Risk leads and officers from key departments.

This will also include working closely with co-operative partners and key departments leading on the transformational programmes for the council.

Chapter 2: Managing Risk

Lambeth Council acknowledges its statutory responsibility to manage risks and deliver cost effective and efficient services.

It has acknowledged that with a changing culture and changes in the Health, Housing and other sectors, delivery of services can only be done through the empowerment of local communities, organisations and partners.

By increasing the appetite and capacity for risks the council can also start redefining the approach on how to deliver services, from a service led organisation to a community led co-operation.

With any change however, risks will emerge and by working with co-operative groups, and joining risk management arrangements, decision making can be improved, increasing our chances to successfully meet joint objectives.

Only by active management of risks will the council be able to meet its corporate objectives which in turn will enhance the value of services provided to the borough.

What is risk management?

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

In summary our risk management definition is:¹:

“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

Key questions

Below lists some of the key questions which any organisation needs to consider as part of managing risks.

Answering these basic questions can help any organisation to make rational business decisions to confidently take on risks.

1. Risk identification – what is the risk?
2. Risk evaluation – what will happen if the risk materialises and how likely is this to happen?
3. Risk control – can we do anything to reduce or better manage the risk?
4. Risk monitoring – Are we reviewing the risk periodically to check if any changes need to be accounted for?
5. Contingency/business continuity planning – what plans can we put in place if the worst happens?
6. Cost/benefit analysis – does the cost of managing the risk outweigh the potential outcome?

Risk management objectives

As a subsidiary of the strategic vision, the objectives of Lambeth's risk management strategy are to:

1. Maintain and further develop a systematic and consistent risk management approach, which will work in tandem to co-operative models of operation. This includes
 - **Embedding risk management** to create an environment and culture where risk management becomes an integral part of the Co-operative Council;
 - **Achieving better quality decision making** by keeping risk management as an integral part of governance processes;
 - **Minimising failures** through shared ventures (internal and external) and supporting the governance framework;
2. To provide a strategic lead and champion risk management under the co-operative model, increasing our capacity and appetite for risk, whilst maintaining our statutory accountabilities. This includes:
 - **Increasing our models of partnership** to deliver better services to the community;
 - **Co-producing joint risk management solutions** to help minimise threats and maximise opportunities.
 - **Being bold and taking risks** to encourage innovation and drive an entrepreneurial community

3. 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. This includes:

- **Leading on innovative projects** and enhancing risk management awareness and practices, including the reductions of claims;
- **Active participation externally** to help shape the future of risk management;
- **Regular benchmarking**, adapting best practice to improve risk management;

Outcomes of the strategy

By adhering to this strategy, it will help the council to deliver its corporate, strategic and programme objectives in an efficient and effective manner.

The strategy also enables the council to take a proactive stance to risk management ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Below lists some of the benefits in successfully implementing this strategy, most of which are common with any risk management approach:

- The ability to satisfy government regulations (e.g. Corporate manslaughter act, Health and safety act, and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);
- Protecting and enhancing the councils reputation through strong Co-operative ownership;
- Better management and partnership working with co-operative partners, improving safeguards against financial loss and reduced chances of failure/take over/winding up of an organisation;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other agencies);
- Improved assurance levels in audit's, providing confidence to customers and investors that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

How the objectives will be achieved

Outcomes of this strategy will be achieved by working closely with many key departments such as the Internal Audit and Anti-fraud, Health and Safety, Business Continuity, Insurance, Procurement, ICT, and more.

In particular, we will:

- Maintain clear roles, responsibilities and reporting lines within the co-operative council, including delegated Risk Champions and Risk Coordinators duties and ensuring risk management is integral to the decision making process of the co-operative council;
- Ensure elected Members, the Strategic Leadership Board (SLB), external regulators and the public at large can obtain necessary assurance that the co-operative council is managing its risks to achieve its key priorities;
- 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 cooperative council methodologies;
- Work jointly with departments 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 co-operative council's partners;
- Measure what we do.

Note: this is not an exhaustive list

Managing risks within different delivery models

This strategy acknowledges the challenging environment we are in (see preface), and that different delivery models will be established to deliver the corporate objectives set out for the council.

Below list some of the different models risk management will contribute into:

- Cooperative partners

The Cooperative 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.

- Mutual organisations

It will be assumed that mutual organisations will have their own governance arrangements in place. Advice and support will be available if Mutual partners wish to adopt our risk management framework.

- Shared Services arrangements

The Cooperative 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.

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.

Chapter 3: Statutory requirements

The cooperative council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The council has a duty under the Local Government Act 1999 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 exercise 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) 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, including departmental assurance statements that highlight any significant control weaknesses and the actions that are needed to address these.

The Executive Directors and relevant Cabinet Members sign off the departmental assurance statements.

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

Benefits of our governance arrangements for risk

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

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

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- Common understanding of risk management across major projects and our cooperative partners;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment, including natural disasters and risks related to supplier failures;
- Reduction of the council's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents;
- Minimised losses due to error or fraud across the borough;

Roles and Responsibilities

To establish and maintain a culture where risk management is embedded, the following arrangements have been agreed within the council.

(Full list in Appendix 2):

- The Executive Member for Finance and Resources to oversee the risk management framework through the Executive Director of Finance and Resources;
- The Executive Director of Finance and Resources to provide a strategic lead for the council and champion it at a leadership level, being supported by the departmental risk champions;
- Nominated divisional directors to provide the strategic lead to champion risks within their department, being supported by the departmental risk coordinators;
- Nominated managers/officers to provide an operational lead to coordinate risks within their department, being supported by the divisional risk leads;
- Nominated managers/officers to provide an operational lead to support risk management within their division, being supported by their senior management teams.

The role of the risk management team is primarily that of an advisory, support, and critical friend function. This includes responsibility in establishing and maintaining an effective risk management framework and developing appropriate guidance, tools and systems that allow for risks to be identified, recorded and managed in accordance with best practice.

The ultimate responsibility for risk management lies with the Leader of the council and the Chief Executive, however, it must be stressed that **risk management is the responsibility of everyone working in and with Lambeth.**

Chapter 4: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled 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 needs 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 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 our internal document entitled 'risk management' toolkit. The toolkit can be accessed internally via the council's intranet pages.

The risk management cycle

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

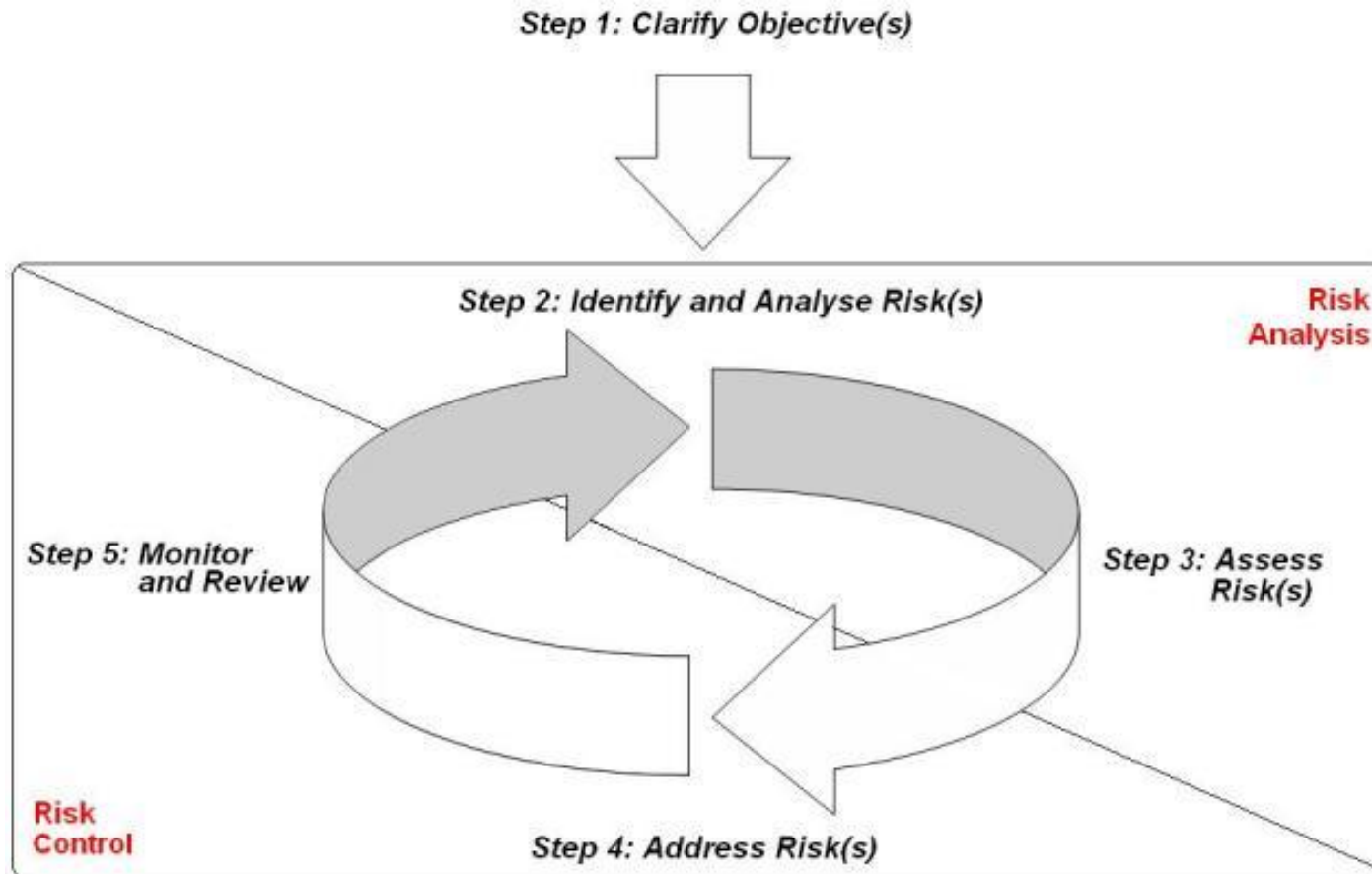


Figure 1: Lambeth's risk management cycle

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include understanding of:

- The cooperative/departmental/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of stakeholders; and
- How the activity sits within the cooperative/departmental/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the cooperative council and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Step 2: Identify and Analyse risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either positive or negative.

Wide consultation is required from all levels of management and staff and will include asking the following questions:

- What will prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk? I.e. when is the risk likely to materialise?

It is widely recommended to identify risks through workshops and training sessions. However, many other methods that can be used such as questionnaires, a Strengths - Weakness - Opportunities and Threats analysis, brainstorming sessions, and more.

During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect model.
- The nature of the risk – for example, political, financial, reputation, and more, and
- The name of the individual taking responsibility for the risk (i.e. the risk owner)

Note: There is often confusion between the terms 'risk' and 'issue'. An issue is an event that is certain to occur, for example - the Olympics in 2012. This is a known outcome, whereas a risk may not actually materialise.

Risk Ownership

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible to carry out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;
- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the management team who is part of a divisional management team (DMT) or departmental leadership team (DLT).

Note: The individuals selected would be accountable for managing the risk which effect the objectives, whether explicitly named or not. "Ownership" of the risk within the context of risk management simply formalises their responsibilities. Responsibility for managing risks should be included within the individual's performance targets where they are identified as a risk or control owner.

Step 3: Assess Risks

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood (or probability) and impact (or severity) rating.

Lambeth Council uses a four point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. The Risk profile is placed on the Risk matrix and is used to help prioritise risks and assist risk owners in the actions they need to take to either reduce the scores (for threats) or increase the scores (for opportunities). Step 5 highlights how the risk scores are also used for reporting purposes.

| Opportunity | | | | X | Threats | | | |
|-------------|-------------|-----------------|-----------|-------------------|-----------|-----------------|-------------|-----------|
| Major (8) | Serious (4) | Significant (2) | Minor (1) | | Minor (1) | Significant (2) | Serious (4) | Major (8) |
| 32 | 16 | 8 | 4 | Very Likely (4) | 4 | 8 | 16 | 32 |
| 24 | 12 | 6 | 3 | Likely (3) | 3 | 6 | 12 | 24 |
| 16 | 8 | 4 | 2 | Unlikely (2) | 2 | 4 | 8 | 16 |
| 8 | 4 | 2 | 1 | Very Unlikely (1) | 1 | 2 | 4 | 8 |

Figure 2: Lambeth's risk matrices

The dark line (risk tolerance) sets the position at which immediate action is required. This line may vary from time to time depending on board/management approval. For example - a project or a corporative council partner may vary the tolerance in line with their priority levels.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Accept:** An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit;
- **Avoid:** An informed decision not to become involved in a risk situation. This can be challenging as Lambeth Council may not be able to avoid risks associated with its statutory functions, e.g. changing objectives;
- **Transfer:** Shifting the responsibility or burden for the loss to another party, e.g. through insurance;
- **Reduce:** A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to accept levels, e.g. mitigation action, contingency planning and more.

Opportunity Response

Managing opportunities is aimed at improving one or more objectives in such a way that the cost and implications of the response actions improve or enhance the overall outcome. There are three approaches which can be taken when deciding on how to manage opportunities:

- **Ignore:** Choosing to ignore the opportunity if the cost of seizing it will increase budget agreements. A basic cost benefit analysis could be done to determine if the opportunity is worth pursuing;
- **Exploit:** Identifying and seizing multiple benefits. Refers to changing an activity's scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification;
- **Share:** application of pain/gain formula where both parties share the gain (with pre-agreed limits) if the cost is less or share the pain if cost exceeds. By description, this method of treatment can also be used for threats.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!!

Step 5: Monitor and Review

Once risks have been identified and appropriate controls and action plans are put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

The council's uses a risk management system to help risk owners to record, manage and monitor risks. The system also has a built in tool to allow users to produce various reports for analysis, including risk registers.

Each manager will have access, and is responsible for, their risk data. Automated e-mail reminders are sent from the risk system to remind risk and control owners to review and update their tasks, in order for the risk data for the council remains up to date at all times.

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 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 corporate, strategic and operational business planning process. By using the risk methodology, key risks facing the council or a particular service (in the delivery of their objectives) will be identified. This helps to ensure that risks in the delivery of the corporate 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, where available, or review areas of concern.

The following chart shows departmental reporting arrangements. Risks are typically identified from a bottom–up process, but information is still fed through from top-down

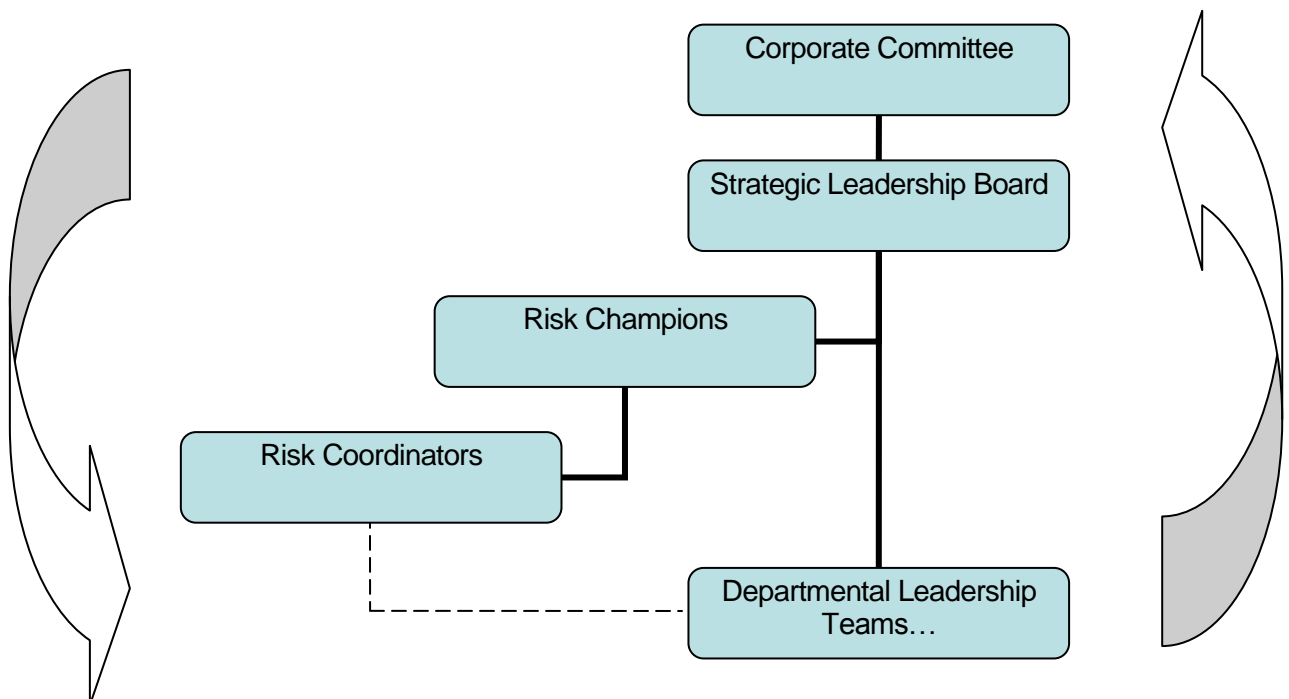


Figure 3: Risk escalation process

Risk Registers

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

| | |
|------------------------------------|---|
| Corporate risk register | The corporate risk register is used to highlight and assure elected members that key risks are being effectively managed. These risks are extracted from various areas of the councils risk system as directed by the Elected Members and approved by the Chief Executive and Executive directors. |
| Top (council) risk register | This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Strategic Leadership Board (SLB). Risks which are escalated here are those with risk score of 32 only. |
| Departmental risk register | This register flows out from the Divisional risk registers and is challenged and moderated quarterly by the Departmental Leadership Teams (DLT's). Risks which are escalated here are those with risk score of 16 and above. |
| Divisional risk register | This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Divisional management teams (DMT's) Risks which are escalated here are those with risk score of 8 and above. |
| Programme / Project risk registers | Where it is considered appropriate, major programmes and projects will produce and maintain their own risk registers, and be responsible for updating this on a quarterly basis. The registers will contain the risks TO the programme/project, i.e. risks which are internally focussed in the group |

Challenging environment

There is a strong support framework in Lambeth to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this (full listing in Appendix B):

| | |
|----------------------------------|--|
| Member challenge sessions | On a periodic cycle each department is challenged by elected members. These sessions allow directors to demonstrate how risks are being managed and allow Elected Members to directly question on any areas of interest. |
| Strategic Leadership Board (SLB) | Each quarter SLB review all the top risks for the Council (of score 32) and challenge and moderate as necessary. Corporate risks are escalated by the risk champions and upon approval are escalated to Corporate Committee. |
| Risk champions (RC) | Each quarter RC hold a meeting to review risks (of score 24 and above) to challenge and moderate as necessary. They also make strategic decisions on behalf of each department and take action against risk owners for areas of non compliance. |
| Risk Coordinators (RCo) | The RCo support the RC and provide the overall operational support for their department. Each quarter the RCo group review progress and challenge each department. The RCo group contains representatives from Internal Audit, Business Continuity, Health and Safety, Insurance, ICT, Corporate projects and partnerships. |
| Risk Leads | The risk leads provide support to each division and usually gain updates from the risk coordinator. They are the main focal point of contact for any risk related items for their division. |
| Internal Audit (IA) | IA review risk registers when undertaking any planned audits. The testing undertaken is used to form opinions as to whether risks are being adequately managed. Management are given opportunity to comment on the findings and are required to state what action they will take to mitigate control weaknesses or risks identified. |

Chapter 5: Delivering the strategy

The risk management strategy will be delivered through joint working with key departments and cooperative partners to strengthen governance, increase and maintain an anti fraud culture and deliver successes in meeting our objectives.

In pursuing our goals we will actively seek to take risks to deliver innovative solutions, seeking to improve our efficiencies both internally and externally for the benefits of our community.

Below lists some of the key projects across the organisation which will assist in delivering the strategy.

| Project | Brief summary | Timeline |
|--|---|-----------------|
| Annual Governance Statement (AGS) | Monitor activities noted as part of the AGS | Annual review |
| Control measure recommendations | Refocusing recommendations for audits to improve the management of risks | September 2012 |
| Transformation risks for the Cooperative council | Develop toolkit and ensure smooth transition into the Cooperative council model | March 2014 |
| Finance management strategy | Managing the financial risks as arisen from grant reductions and reduced resources. | March 2014 |
| Fraud risk management activity | Improving and maintaining the anti fraud culture within Lambeth | Annual review |

| Project | Brief summary | Timeline |
|--|---|-----------------|
| ICT risk management | Reviewing all internal IT systems to improve council wide network security and comply with Government standards | Annual review |
| Risk register system and Audit system linkages | Integration of two systems to improve reporting of key risks and issues | August 2012 |
| Risk Maturity Assessment | To assess the maturity of risk management within the Council, benchmarking against a two year cycle | March 2012 |
| Occupational road risk / Motor risk management | Improve our management of risks relating to our drivers and vehicle fleet. This will help to reduce claims for the council and improve our Health and safety standards. | September 2013 |
| Olympics / Paralympics risk management | Analysing risks to the council and placing measures in place to benefit from the opportunities of the Games. | April 2012 |
| Performance and Risk | Integration of two methods to provide early warning mechanisms for the council | February 2013 |

Note: The above projects are not exhaustive and it is anticipated that during the course of 2011/14 further projects will be added with some existing projects changing or being withdrawn.

Appendix A:**LONDON BOROUGH OF LAMBETH'S**
RISK MANAGEMENT POLICY STATEMENT

LONDON BOROUGH OF LAMBETH (LBL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY¹ TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.

In pursuit of this aim LBL has adopted a risk management strategy that captures the following key objectives:

- Enables cooperative, corporate, strategic and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on LBL's success;
- LBL recognises its has a responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the cooperative council culture;

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risk management;
- Ensuring that Cabinet Members, the Strategic Leadership Board (SLB), external regulators and the public at large can obtain necessary assurance that the Council is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the fraud act 2006, the anti-bribery act 2010, and more;
- Providing opportunities for shared learning on risk management across the Council and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

"LBL seeks to minimise unnecessary risk and manage residual risk to commensurate with its status as a public body. However, the LBL will positively decide to take risks in pursuit of the cooperative council ambitions where it has sufficient assurances that:

- The risks have been properly identified and assessed;**
- The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);**
- The potential benefits accruing to the community justify the level of risk to be taken."**

APPROVED BY:



Derrick Anderson (Chief Executive)



Steve Reed (Council Leader)

¹ Accounts and Audit Regulations 2011

Appendix B: Groups, roles and responsibilities

It is vital that everybody within Lambeth understands the role they play in effective management of risk.

Groups

The role of the risk management team is primarily that of an advisory, support and critical friend function and to support this, the following review groups will be used:

| Reviewing Group | Responsibilities |
|--|---|
| Cabinet and Elected members | <ul style="list-style-type: none"> • Owns the Councils Risk management Policy; • Defines the overall risk appetite for the organisation; • Reviews the corporate risk register; • Reviews the departmental risks within their area of leadership; • Regularly discusses new and existing risks with the relevant Executive director. |
| Corporate committee | <ul style="list-style-type: none"> • Monitors the effective development and operation of risk management and governance in the Council; • Monitors and acts on escalated corporate risks under the direction of the Chief Executive; • Oversee and approves the council's risk management policy and strategy; • Receives periodic updates on threats and opportunities which impact on the Council's objectives. |
| Risk management sponsors (Executive Director of F&R and the Cabinet member for F&R) | <ul style="list-style-type: none"> • Defines the Risk Management Policy; • Sponsors risk management at corporate level with Members and officers; • Oversees the corporate risk register process. |

| Reviewing Group | Responsibilities |
|----------------------------------|---|
| Scrutiny Boards | <ul style="list-style-type: none"> • Monitors the effective development and operation of risk management to their area of interest; • Receives periodic updates on threats and opportunities which impact on the Council's objectives. • Reviews the corporate risk register; • Reviews the departmental risks within their area of leadership; • Regularly discusses new and existing risks with the relevant Executive director. |
| Strategic Leadership Board (SLB) | <ul style="list-style-type: none"> • Ensures that escalation processes are in place for designated parts of the Council for risk reviews; • Identifies the need for investment to fund, promote and oversee the implementation of the risk management strategy; • Ensures participation in the delivery of risk management within the organisation; • Establishes a Risk Champions group as a sub-group of the board; • Owns individual corporate risks (as delegated by the Chief Executive), and approves corporate risks as escalated from risk champions group; • Agrees the involvement of the risk manager, internal audit and risk champions as appropriate. |
| Risk Champions Group | <ul style="list-style-type: none"> • Ensures that risk management process is consistent and managed effectively within departments; • Approves recommendations from DLT's and DMT's; • Monitors and reviews high level risks and issues, escalating to SLB as appropriate; • Provides a forum for the discussion on risks and issues raised by risk registers, environmental condition, and internal and external audits. |

| Reviewing Group | Responsibilities |
|---|--|
| Finance Strategy Board | <ul style="list-style-type: none"> • Ensures that risk management process is consistent across departments; • Monitors and reviews high level financial risks and issues, escalating to SLB as appropriate; • Ensures that financial risks are managed effectively within departments and service areas; • Provides risk management recommendations through the internal audit process; • Provides a forum for the discussion on risks and issues raised by risk registers, environmental conditions, and internal and external audits. |
| Corporate Joint Health and Safety & Wellbeing Committee | <ul style="list-style-type: none"> • Monitors and reviews high level Health and Safety risks and issues, escalating to SLB as appropriate; • Ensures that Health and Safety risks are managed effectively within departments and service areas; • Provides risk management recommendations; • Provides a forum for the discussion on risks and issues raised by risk registers, environmental conditions, and internal and external audits. |
| Risk coordinators Group | <ul style="list-style-type: none"> • Ensures that risk is managed effectively within departments and service areas; • Peer reviews • Provides a forum for the discussion on risks and issues raised by risk registers, environmental condition, and internal and external audits. |

| Reviewing Group | Responsibilities |
|--|---|
| Departmental Leadership Teams (DLT's) and Departmental Management Teams (DMT's) | <ul style="list-style-type: none"> • Ensures department is identifying and managing corporate, strategic, operational, project and partnership risks effectively; • Reviews and challenges risk registers for their departments on a quarterly basis; • Make recommendations on risks/issues to escalate to SLB; • Set priorities for dealing with unacceptable risks and to reduce risks; • Ensure that risk management roles and responsibilities are included within appropriate job descriptions. |
| Internal Audit | <ul style="list-style-type: none"> • Understands the Risk management Policy and Strategy • Supports and reviews the risk management process. • Focus internal audit work on significant risks. • Provides the risk team with updates on risks identified from audits. • Provides assurance on risk management across the council based upon reviews through audit risk assessments. |
| Programme, project, strategic and operational boards and senior responsible owners | <ul style="list-style-type: none"> • Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities; • Understands the Risk management Policy and Strategy and their accountabilities; • Implements the risk management processes within their areas of responsibility; • Escalates programme, project, strategic and operational risks as appropriate; • Records and put in place controls to eliminate or reduce risks before new projects are implemented; • Ensure risk management is at the heart of decision making and key information is delivered through executive groups. |

Roles

To help clarify an individual's responsibility for managing risks within their role, a set of risk management competencies has been developed and is available for inclusion within individual job descriptions.

| Roles | Responsibilities |
|------------------------|--|
| Head of Risk Champions | <ul style="list-style-type: none"> • Establishes the purpose, terms of reference, agenda, frequency of meetings and reporting protocols of the risk champions • Chairs the Finance Strategy Board with Risk champions. Agrees what level of risk information will be communicated to SLB and how corporate risks will be escalated to SLB between meetings, when circumstances dictate |
| Risk Champions | <ul style="list-style-type: none"> • Main contact for the department on the subject of risk and its management, including liaising with the Risk Manager • Oversees the corporate approach to risk management within their department • Represents their department on risk related events, including corporate committee and SLB scrutiny • Ensures risk is managed effectively in each division in accordance with the agreed corporate strategy • Reviews corporate, strategic, operational, project, partnership risks and provides a challenge to departments, making recommendations where appropriate. • Take recommendations and updates from DLT's on risks/issues • Identifies training needs and notifies such needs to the Risk Coordinator |

| Roles | Responsibilities |
|---------------------------------------|--|
| Risk Coordinators | <ul style="list-style-type: none"> • Responsible for co-coordinating the risk management strategy & activities within their department, seeking support from the risk management team as necessary • Prepares and facilitate risk meetings/workshops • Prepares risk management reports for risk champions and/or DLT's • Reviews corporate, strategic, operational, project, partnership risks and provides a challenge to divisions, making recommendations where appropriate. • Promotes benefits of risk management within their department and communicates corporate information and requirements • Identifies training needs and notifies such needs to the appropriate manager |
| Risk Leads | <ul style="list-style-type: none"> • Assist their division in implementing the risk management activities, seeking support from the risk coordinators and the risk management team as necessary • Assist risk coordinators in organising risk meetings/workshops • Promotes benefits of risk management within their division and communicates corporate information and requirements, as cascaded by the risk coordinator. |
| Risk Manager (& risk management team) | <ul style="list-style-type: none"> • Ensures the Risk Management Policy is implemented • Develops plans to improve the management of risk • Develops risk management guidance and training and supports Risk champions and Risk coordinators in delivering their role • Ensures appropriate staff and Members are adequately trained in risk management • Carries out ongoing management of risk maturity assessments |

| Roles | Responsibilities |
|---|---|
| Divisional Directors/ Heads of service / service managers | <ul style="list-style-type: none"> • Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities • Understands the Risk management Policy and Strategy and their accountabilities • Maintenance of the risk registers in their area of responsibility, ensuring that all risks are added to the councils risk register. • Escalating risks of a corporate nature to the attention of their DLT • Undertakes risk assessments for their service in relation to service / business planning and budget setting process. • Establishes training requirements with regard to the strategy implementation. • Identifies partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed. • Reviews risks and risk assessments on a regular basis and discuss the management of risks with relevant team members. |
| Risk/control measure owners | <ul style="list-style-type: none"> • Ensures effective action is taken to manage risk. • Ensures the integrity of information recorded on the risk register. • Oversees control measures and reviews proposed mitigating actions. • Monitors progress against mitigating actions. • Reports to their management teams on significant changes in risks. |
| All Council employees | <ul style="list-style-type: none"> • Becomes aware of the Risk Management Policy and Strategy • Understands their responsibilities in managing risk • Participates (as appropriate) in the identification, assessment and control of threats and opportunities • Immediately reports to their manager any incident, accident, 'near misses' or any other concerns that they may have with regards to risks. |