

LONDON COUNCILS RISK MANAGEMENT STRATEGY & FRAMEWORK

Introduction and Purpose

Risk management is about managing threats and opportunities, and creating an environment where unexpected events do not render an organisation ineffective. By managing threats London Councils will be in a stronger position to deliver its priorities. By managing opportunities the organisation will be in a better position to provide improved services and better value for money.

When management of risk goes well it often remains unnoticed. When it fails, the consequences can be significant and high-profile. Any responsible organisation needs to avoid this – hence the need for effective risk management. A risk management strategy is an essential element of strategic planning and good performance management. In its business plan, London Councils sets out its high-level vision and priorities, these are cascaded through directorate and divisional business plans to actions devolved to individual staff through the appraisal process. The approach to risk management adopted by the organisation works alongside our business planning and performance processes to help ensure that the aims and objectives we set are met.

[London Councils is a member of ALARM, The Public Risk Management Association, and the guidance of its risk management toolkit has also been incorporated into this framework](#)

In terms of risk management, London Councils will:

- continue to embed risk management into the decision making processes of the organisation [and bolster the organisation's resilience to risk](#)
- encourage appropriate risk-taking, with a view to fostering an innovative approach to policy making and service delivery
- safeguard, enhance and promote London Councils reputation and the reputation of our stakeholders
- enable a flexible approach to risk management processes to make risk management effective for the [different typesfull spectrum](#) of work undertaken across the organisation
- be accountable - our data will be open to review by the Audit Committee and our auditors and we will respond to the improvements they suggest.

This strategy describes the processes which integrate risk management into the work of the organisation. It describes the steps that are in place to identify, assess, address, review and report risks. Our strategy provides assurance for senior managers and Members that risks are being managed effectively. The strategy is supported by three stand alone elements:

- Risk management framework which defines our risk management processes, the frequency of review for our risk registers, the scoring mechanism used for assessing risks and the roles and responsibilities of Officers within that process
- Short guide to risk management, to assist all staff in the general understanding of risk management, the identification of risks and mitigating actions
- Guide to using a formal risk register, to assist all staff in understanding and using a formal risk register effectively in their own work and in the context of the whole organisation

The guides may be updated as and when required to reflect the needs of the organisation. The risk management strategy and framework can only be updated with the approval of the Corporate Management Board and London Councils Audit Committee.

Risk management at London Councils

London Councils has developed a formal risk management process for the management of intrinsic, long term and service delivery risks. Our framework outlines our processes for the identification of risks and regular review of our risk registers. The minimum timescales for reviewing our risk registers applies to all parts of the organisation but some directorates or divisions choose to exceed these requirements.

The framework includes a two tier system for risk registers. Each Directorate or division is required to maintain a risk register relating to their work. A corporate risk register is maintained by the Corporate Management Board, which includes risks of particular strategic importance, those which are particularly high profile or those which affect the efficiency of the organisation.

In addition to the risk registers, risk management is embedded into the workings of the organisation, particularly through the Member meeting process.

As a cross party, pan London organisation all our policy decisions are essentially risk based, determined by current circumstances, impact on London and the focus of our member Boroughs at a particular time. The risk appetite of our member organisations is a constant consideration and will always have a bearing on the policy direction taken by the organisation. These considerations can be seen within reports to Members which will often outline the case for focusing attention on a particular policy or a campaign on particular issues.

A number of these areas of work will appear on risk registers but equally, the decisions made are sometimes dynamic ones which do not benefit from consideration in a cyclical review timetable. Instead the intrinsic risks of policy work, such as ineffective lobbying, are noted within our registers and generic mitigating actions are listed which are then applied to all areas of Policy work.

In contrast, the risks related to the services which London Councils delivers on behalf of the Boroughs are recorded in far more detail in a risk register. These risks are far more specific, detailed and delivery focused than the risks identified for Policy work. They are consequently monitored more regularly as management considers that this approach enables the most effective management and mitigation of risks.

[Risks relating to information management and security are identified and monitored through directorates' risk maps \(or at divisional or team level if appropriate\), and relevant actions taken to reduce the risks to a tolerable level. In addition the Senior Information Risk Owner \(SIRO\) will monitor relevant risks as part of the regular checks of information security procedures.](#)

This flexible approach to risk management is implemented with the support of the senior management and Members, in acknowledgement of the type of risks and nature of the work undertaken by London Councils. In this way, our risk management strategy enables the diverse nature of the organisation to be accommodated within an effective approach to risk management which ultimately ensures that decisions are made pro-actively and with proper consideration of the nature of the risks involved.

What is acceptable risk?

Good risk management is about avoiding or minimising failure or loss but is also about dealing positively with opportunities. Good risk management encourages an organisation to think about undertaking potentially risky actions in order to maximise opportunities and result in improved outcome.

In terms of [Service-service](#) provision, London Councils will look to mitigate the risk to the lowest possible level for both [Service-service](#) users and the stakeholders for whom we provides the service taking into account the financial and resource impact of our mitigating actions. At the same time, the organisation has a commitment to supporting London local government and to assist in identifying innovative solutions and new approaches to service delivery, which is likely to carry a level of risk.

Where London Councils recognises a risk of damage to the organisation's reputation or the reputation of its stakeholders, it will seek to mitigate it to the lowest possible level taking into account the financial and resource impact of our mitigating actions.

The nature of London Councils work also means that sometimes, the organisation will take on a high level of risk and the emphasis in these cases is being risk aware rather than risk averse. This is particularly true when it comes to 'opportunity risks' where the organisation will choose to promote a policy or support a course of action that may not have a high likelihood of success but which, if it did succeed, would bring significant gain.

It should also be recognised that on occasion, the organisation will run a campaign which is unlikely to achieve everything it argues for but the cause is too important to ignore and the action must be taken to promote the viewpoint of our stakeholders. In such cases, clarity on the organisation's objectives is essential to ensure appropriate mitigating actions are taken. The risk in such cases would not be the failure of a policy campaign but failing to ensure that stakeholders understand and support the tactics behind the activities. This is an intrinsic aspect of policy work in a political environment and fundamental to the success of the organisation in terms of determining risk appetite.

Decisions about managing risk, therefore, need to be made with a practical view of the amount of risk that can be accepted at a particular point in time. The acceptable amount of risk will vary according to the perceived importance of particular risks.

Risk Management – the framework

The key objectives of London Councils risk management framework are that the organisation has a clear and understood process for identifying, managing and monitoring risks. The framework provides a structured approach to the management of intrinsic, long term and service delivery risks, providing assurance that the organisation is able to function effectively and achieve its aims.

London Councils risk registers will contain, for each risk registered:

- The nature of the risk;
- The type of risk;
- The description of the risk, including the consequences if the risk is realised;
- The controls in place to prevent the risk being realised or contingencies are in place to deal with it if it is realised.
- The name of the risk owner;

- Scores for the likelihood, impact and combined rating for the risk before and after countermeasures are applied

The Corporate risk register will also include direction of travel arrows to indicate whether the level of the risk after controls has decreased, increased or remained the same.

Identifying risks

A 'risk' is something that may have an impact on the achievement of our priorities. It may come from outside the organisation, or may arise from shortcomings of our own systems and procedures. Risks will be assessed in terms of how likely they are and the magnitude of the consequences if they were to occur. Risk assessment seeks to answer four-five simple related questions:

1. What can go wrong?
2. How bad could it be?
- ~~2-3.~~ What controls are already in place?
- ~~3-4.~~ Is there a need for additional action?
- ~~4-5.~~ How often does it need control?

Advice on identifying and expressing risks can be found in the Short guide to risk management and the Guide to completing London Councils risk register.

The short guide makes the important distinction between 'risks' and 'issues'. Both risks and issues can impact on the work of teams: risks MAY occur and action can be taken to stop them happening or minimise their impact. Issues HAVE occurred and can't be stopped so decisions must be made about what to do in future to prevent or minimise risk of a recurrence.

The main types of risk that London Councils is likely to encounter are:

Risk	Definition
Compliance	Risk of failing to comply with statutory requirements.
External	Risks from changing public or government attitudes.
Financial	Risks arising from insufficient funding, losing monetary resources, spending, fraud or impropriety, or incurring unacceptable liabilities
Operational	Risks associated with the delivery of services to the public and boroughs arising, for example, from recruitment difficulties, diversion of staff to other duties, or IT failures, loss or inaccuracy of data systems or reported information
Project	Risks of specific projects missing deadlines or failing to meet stakeholder expectations.
Reputation	Risks from damage to the organisation's credibility and reputation.
London	Risks to our stakeholders that need to be taken into account in our planning and service provision
Strategic	Risks arising from policy decisions or major decisions affecting organisational priorities; risks arising from senior-level decisions on priorities.
Contractual Risks	Risks related to the management of service contracts

Internal	Risks that relate to HR/People risks associated with employees, management and organisational development
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Officers should note the difference between risks and issues. Risks MAY occur and you can put in place controls to stop that happening. Issues HAVE occurred and cannot be stopped so decisions must be made. The risk management process is focussed on issues that MAY occur.

Officers will identify risks applicable to their areas of work. Throughout the risk management process, the general rule of *escalation* will apply – if it cannot be managed satisfactorily at [your-its current levellevel](#), it needs to be passed up to the next level of management to be owned and addressed, and potentially placed on the directorate/divisional or corporate risk register. Officers may also decide that a separate risk register is required for an individual piece of work or project. This will be left to the discretion of individual Officers and their managers although guidance is available on the intranet and support is available from Corporate Governance. While project/team risk registers do not form part of the formal risk management process, Officers should follow the steps outlined in the framework to ensure consistency in our approach to risk across the organisation.

The decision on whether an individual risk should be included in the directorate or divisional risk register sits with the respective management teams. Decisions on risks to be included in the corporate risk register sits with the Corporate Management Board.

A 'risk owner' will be identified who will be responsible for reviewing and accepting the assessment that will be entered onto the risk register.

Assessing and scoring risks

To assess risks adequately London Councils will identify the *consequences* of a risk occurring and give each risk a score or *risk rating*.

A means of comparing risks is needed so that efforts can be concentrated on addressing those that are most important. Each risk will be given a score, depending on its likelihood and its impact, as shown below. A risk may meet some, or all, of a description of likelihood or impact. These descriptions provide guidance rather than a prescriptive formula for determining risk ratings.

Scoring a risk is a judgement call based on knowledge, understanding and [informed guessworkprediction based on past experience](#).

Any risks which are both very likely to occur and will have a high impact are the ones that demand immediate attention.

Risk assessment			
Rating	Likelihood	Impact	Rating
<i>Very High</i> 4	70% chance of occurrence Almost certain (the risk is likely to occur within 6 months or at a frequent intervals). The event is expected to occur as there is a history of regular occurrence.	Huge financial loss; key deadlines missed or priorities unmet; very serious legal concerns (e.g. high risk of successful legal challenge, with substantial implications for London Councils); major impact on Boroughs or Londoners; loss of stakeholder public confidence.	<i>Very High</i> 4
<i>High</i> 3	40% - 70% chance of occurrence Probable, the risk is likely to occur	Major financial loss; need to renegotiate business plan priorities;	<i>High</i> 3

	more than once in the next 12 months. A reasonable possibility the event will occur as there is a history of frequent occurrence.	changes to some organisational practices due to legislative amendments; potentially serious legal implications (e.g. risk of successful legal challenge); significant impact on the Boroughs or Londoners; longer-term damage to reputation.	
<i>Medium</i> 2	20% - 39% chance of occurrence Possible, the risk may occur in the next 18 months. Not expected but there's a possibility it may occur as there is a history of casual occurrence.	Medium financial losses; reprioritising of services required; minor legal concerns raised; minor impact on the Boroughs or Londoners; short-term reputation damage.	<i>Medium</i> 2
<i>Low</i> 1	<20% chance of occurrence Rare, the risk may occur in exceptional circumstances.	Minimal financial losses; service delivery unaffected; no legal implications; unlikely to affect the Boroughs or Londoners; unlikely to damage reputation.	<i>Low</i> 1

Risk scores

Risk Assessment				
Very High (4)	4	8	12	16
High (3)	3	6	9	12
Medium (2)	2	4	6	8
Low (1)	1	2	3	4
	Low (1)	Medium (2)	High (3)	Very High (4)
Impact				

It is recognised that the scores at different levels of the register (project/team, directorate/divisional, corporate) will reflect the importance of the risk in the context of the level of the register. For example, an individual officer's project register may reflect a high impact score on the project if an element is delivered late, but this will not necessarily correspond to a high impact on the organisation as a whole. This incremental approach to impact allows risks to be appropriately scored at each level to enable effective prioritisation of management and mitigation actions.

Controls in Place

For each risk a set of appropriate controls should be in place. Examples of controls might include:

- Regulations including Standing Orders, Financial Regulations
- Policies and Procedures
- Performance Indicators and reporting
- Business planning elements
- Staff (including training and development)
- Contracts with suppliers

- [IT Systems](#)
- [Stakeholder involvement](#)

Mitigating risks**Additional Controls**

As well as existing controls, the practical management of risk may involve additional mitigation if the existing controls do not adequately mitigate against the risk. In addressing risks, a proportionate response will be adopted – reducing risks to ‘As Low a Level as is Reasonably Practicable’ in the particular circumstances (known as the ALARP approach).

In identifying actions to address a risk, at least one of the 4 T’s; treat, transfer, tolerate or terminate should apply. In some areas of work eg services to external customers risks will need to be actively minimised, whereas other activities such as new business ventures, partnership arrangements may have an ‘acceptable’ element of risk commensurate with the work area.

Treat – treating the risk is the most common response, taking action to lessen the likelihood of the risk occurring. Treatment can also mean planning what you will do if the risk occurs, therefore minimising the impact. The purpose of ‘treatment’ is not necessarily to terminate the risk but, more likely, to establish a planned series of mitigating actions to contain the risk to an acceptable level.

Transfer – transferring the risk might include paying a third party to take it on or having an insurance policy in place. Contracting out a service might mitigate the risk but create new risks to be managed.

Tolerate – the ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to ‘watch’ the risk to ensure that its likelihood or impact does not change. This is an acceptable response as long as the risk has been properly identified and toleration is agreed to be the best option. If new management options arise, it may become appropriate to treat this risk in the future. London Councils may choose to tolerate a high residual risk if the activity involves presents a significant, yet risky, opportunity for the organisation. This should be explained in the description of the countermeasures.

Terminate – by doing things differently, you remove the risk.

Reviewing the risk registers

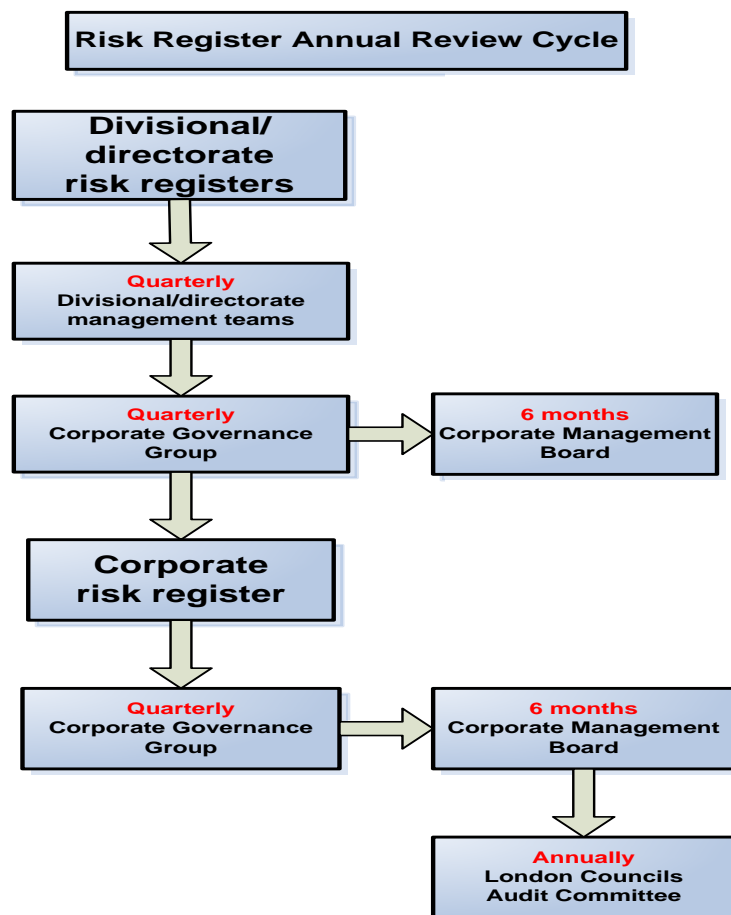
Risk management is a dynamic process – new risks will be identified, some will be terminated, contingency plans and countermeasures will need to be updated in response to changing internal and external events, and the assessment of likelihood and impact will need to be reviewed. The diagram below outlines review cycle for London Councils risk registers, including the minimum timescales for review of the risk registers. Officers may choose to review them more frequently.

The focus of the risk review cycle is on ensuring London Councils risk registers remain up to date and responsive to changing circumstances. It enables the organisation to identify and mitigate risks and maintain acceptable levels of residual risk, agreed through discussion. The purpose of review at each stage is to ensure that risks are identified, scored appropriately, that mitigating

actions are identified and implemented and that the organisation is willing to accept the level of residual risk left after mitigating actions have been implemented.

Questions which may be considered when reviewing the risk registers include;

- what evidence is there that risk assessments are accurate?
- what evidence is there that the ways of dealing with risks listed in the register are appropriate and have worked?
- are new risks being identified and dealt with as they arise?
- where risks have been realised, have contingencies worked?
- are the ways of dealing with risks listed in the register still appropriate?



Roles and responsibilities

The identification of risks is a continuous process and all staff have a part to play. This section details the particular roles and responsibilities of groups and individuals within the risk management framework.

Audit Committee will

- review and agree the processes for managing London Councils Risk Management Strategy & Framework;
- take responsibility for maintaining an overview of the risk management process at member level, and advising the Chief Executive of any concerns;

- receive an annual report from the Director, Corporate Governance on risk management, which will include the current versions of the directorate and corporate risk registers.

The Committee can request that the divisional/directorate registers are brought before them for consideration as and when required. They are currently being reviewed on a rolling programme, which means each will be reviewed in detail by the Committee approximately every eighteen months.

Corporate Management Board will

- review and agree the processes for managing risk in London Councils prior to approval being sought from the Audit Committee.
- note and comment on the divisional/directorate risk registers and approve the Corporate Risk Register every 6 months;
- take responsibility, either individually or collectively, for the management of the risks in the corporate risk register.
- take a lead on determining the risk appetite of the organisation

Directors will

- ensure risks are properly identified and assessed across all their teams, paying particular attention to cross-cutting risks;
- ensure managers are actively addressing risks and escalating them to director-level for their attention as appropriate;
- agree the risk register for their division or directorate;
- review their directorate or divisional risk registers at least quarterly by their respective management teams.

Directorate/divisional management teams will

- actively contribute to reviewing their respective risk registers at least quarterly;
- make recommendations for changes to the corporate risk register for consideration by the Corporate Governance Group;
- take primary responsibility for bringing risks forward from their respective teams as appropriate.

Corporate Governance Group will

- take a critical friend approach to the directorate/divisional risk registers when considering them quarterly;
- complete a full review of the corporate risk register each quarter and make recommendations on additions, deletions or changes to the risks for consideration by the Corporate Management Board.

Members of Corporate Governance Group will

- provide information on the significant changes in their respective registers and on emerging risks;
- take comments back to their management team for further discussion;
- advise their own divisional/directorate management teams on how new risks identified should be dealt with, and whether they need to be reported to the corporate governance group;

- disseminate general information about the risk management strategy and risk processes to their respective management teams.

Individual officers will

- take responsibility for raising risks associated with their own work to their managers [\(staff should read the **short guide to risk management** and the **Guide to Using London Councils' risk register**.](#)

Risk Owners will

- be officers who can take effective action, for example, by being able to switch resources to tackle a risk or give agreement not to deliver other work of lower priority. If a risk owner finds that they cannot take such action, then the risk needs to be escalated to the next level;
- take responsibility for the quality of data recorded about the risk in the register;
- oversee the countermeasures that are in place, review the proposed contingencies and develop additional actions as required
- where there is a different individual nominated as the day-to-day manager of the risk, the risk owner will provide appropriate oversight.

In a few cases, it will be appropriate to have more than one risk owner. This may be where the activities originate in more than one area of the organisation or where mitigating actions fall in the area of responsibility of different divisions or directorates. In such cases, responsibility is shared equally and it is the responsibility of the officers identified as risk owners to ensure that all mitigating actions are carried out and that the risk is appropriately monitored.