



# **Risk Management Strategy & Toolkit**

Last Updated: December 2018  
Shared Assurance Service

# Foreword

Havering Council's Risk Management strategy was revised in December 2018. Risk management is not simply a compliance exercise but an indispensable element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals. All organisations face risks in undertaking their business in the sense that there exists the possibility that an event or action will adversely affect their ability to achieve objectives.

As an organisation we face a significant number of risks and it is therefore important that the Council recognise its responsibility to adopt a risk management process and we are fully committed to improving the effectiveness of risk management across the Council.

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

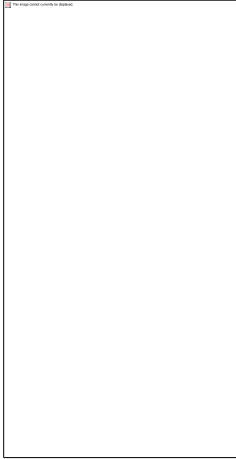
Risk Management is the responsibility of everybody at the Council and the aim of this strategy is to explain our approach to risk management and the framework that we will operate to ensure that risks are effectively managed.

## **(To be signed)**

Chief Executive  
London Borough of Havering

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## Introduction

Risk management will help identify and deal with the key risks facing the organisation in the pursuit of its objectives and the process outlined within this strategy should be used to identify and manage all key risks to the Council's ability to deliver its priorities. It covers strategic priorities, operational activities and delivery of services, projects and partnership outcomes.

The Council defines risk as: *"The effect of uncertainty on objectives, often described by an event or a change in circumstances"* and Risk Management as: *"Coordinated activities to direct and control an organisation with regard to risk"*

The benefits of successful risk management include:

- **Increased confidence** – in achieving our priorities and desired outcomes.
- **More efficient service delivery** – fewer disruptions, efficient processes, improved controls.
- **Improved financial performance and value for money** – increased achievement of objectives, reduced impact and frequency of critical risks.
- **Stronger corporate governance and compliance systems** – robust corporate governance, fewer regulatory visits.

This Risk Management strategy provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully. Detailed information on how to implement this strategy and tools to assist in this are provided in the Risk Management Toolkit at the end of this document. Whilst OneSource provide risk management support to the council, their role is to facilitate and drive best practice, rather than own risk on behalf of the council.

Risk management should not be seen as a means of reducing all risk to the council. Indeed, in order to deliver our objectives we must have an appetite for a certain amount of risk; only by taking risks can we work innovatively to achieve our aims. As a large and diverse organisation it is recognised that our risk appetite will vary according to the activity undertaken and hence different appetites and tolerances for risk will apply. In this regard, the Council aims to be risk aware, but not overly risk averse, and to actively manage business risks to protect and grow the organisation. To deliver its strategic aims, the organisation recognises that it will have to take and manage certain business risks. In making informed decisions we will consider, on an individual basis, all options and opportunities and their associated risks. We will respond to those risks appropriately and take the actions most likely to successfully deliver our vision whilst also providing an acceptable level of value for money.

## Risk Management Process

The Council's risk management process consists of a series of co-ordinated activities, applicable to all levels and activities of the Council.

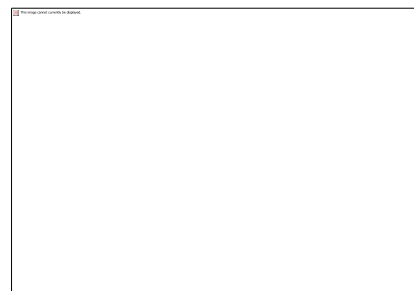


Step	Activity
<b>Establishing the context</b>	Understanding of key outcomes and objectives for the organisation, directorate, service or project being assessed.
<b>Risk Definition</b>	The step where risks to the organisation are identified and described.
<b>Initial Impact Assessment</b>	Assessment of key controls and the prioritising of risks based on likelihood and impact.
<b>Mitigation Plan</b>	Deciding what to do about the risks and planning further actions to reduce the risk to an acceptable level where necessary.
<b>Risk Latest Progress</b>	Risks change and so need regular monitoring and reporting to appropriate stakeholders for decision making and governance purposes.

Further detail of the process and its use is contained within section 4 of this document – Risk Management Toolkit.

# Roles and Responsibilities for Risk Management

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following summarises the various roles and responsibilities.



Role	Responsibilities
<b>Corporate Leadership Team</b>	<ul style="list-style-type: none"> <li>• Demonstrate leadership of the risk management process.</li> <li>• Ensure the corporate risk register is a live and up to date record of the Council's risk exposure and regularly discussed within management team meetings</li> <li>• Set and communicate the organisation's risk appetite</li> <li>• Make informed decisions about treatment of significant risks</li> <li>• Provide assurance to Members that appropriate risk management processes are in place across the Council</li> </ul>
<b>Section 151 Officers</b>	<ul style="list-style-type: none"> <li>• Champion risk management amongst the Corporate Leadership Team ensuring that risk management features as a key management discipline across the organisation.</li> <li>• Overall accountability for the effectively delivery of the risk management framework</li> </ul>
<b>Governance and Assurance Board</b>	<ul style="list-style-type: none"> <li>• Consider and challenge the Council's management of risk</li> <li>• Provide assurance that a strong control framework and good governance arrangements are in place</li> </ul>
<b>Any relevant Corporate Programme Board</b>	<ul style="list-style-type: none"> <li>• Ensure risk is appropriately considered within business cases and procurement reports submitted</li> <li>• Ensure risks are appropriately monitored throughout the lifecycle of projects, programs and procurement checkpoint governance process.</li> <li>• Escalate significant risks to the Governance and Assurance Board.</li> </ul>
<b>Theme Steering Groups / Directorate Management Team</b>	<ul style="list-style-type: none"> <li>• Ensure the directorate risk register is a live and up to date record of the directorate's risk exposure and regularly discussed within management team meetings.</li> <li>• Understand where a directorate risk has a corporate or strategic impact and escalate accordingly</li> <li>• Appoint a risk champion to drive forward the risk management framework with their department.</li> </ul>
<b>Service Managers</b>	<ul style="list-style-type: none"> <li>• Contribute to the Directorate risk management process through identification and management of risks associated with service area</li> <li>• Ensure relevant staff have appropriate understanding of risk management</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Scrutinises and monitors the effectiveness of risk management arrangements</li> <li>• Obtain assurance on the effectiveness of risk and internal control arrangements</li> <li>• Reviews the Strategic Risk Register on a regular basis</li> </ul>

<b>Risk Owners</b>	<ul style="list-style-type: none"> <li>• Understand their accountability for individual risks and the controls in place to manage those risks</li> <li>• Understand that risk management and risk awareness are a key part of the Council's culture</li> <li>• Report promptly and systematically to senior management any perceived risks or failures of existing control measures</li> </ul>
<b>One Source Assurance Service – Risk Management</b>	<ul style="list-style-type: none"> <li>• Developing and maintaining the risk management strategy and framework</li> <li>• Submit the risk management strategy to Audit Committee for approval at least yearly</li> <li>• Support the Corporate and Directorate leadership teams in the identification and evaluation of risks at Corporate and Directorate level.</li> <li>• Arrange for training to be provided to all those who have responsibility for managing risk within the Council.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Deliver a risk based audit plan in accordance with the Public Sector Internal Audit Standards 2012.</li> </ul>
<b>Other partners / shared services / alternative delivery units</b>	<ul style="list-style-type: none"> <li>• Where required, typically established through a memorandum of understanding or equivalent, adopt a risk management strategy. Requirements are assessed on a case by case basis.</li> </ul>

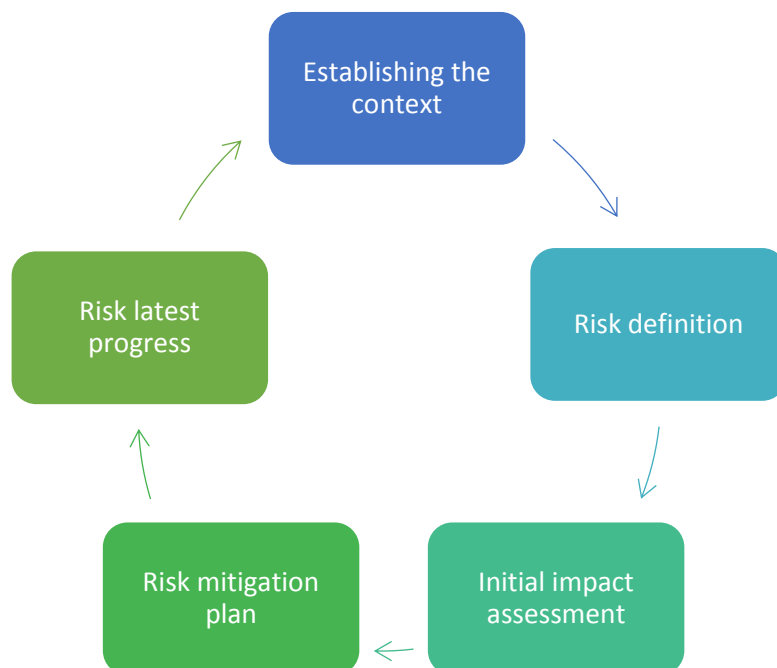
# Appendix 1

## Risk Management Toolkit

The Risk Management Process outlined within this Toolkit should be used as a guide to best practice in managing risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in directorate or service plans) and delivery of projects or programmes.

Risk management activity will happen at different levels within the organisation and for different purposes. You are identifying the risks that may affect the delivery of these objectives. A risk is where there is uncertainty of the outcome which may have a positive or negative effect on the achievement of the desired outcome, e.g. the objective.

The Council's risk management process consists of five steps:



A step-by-step guide follows to enable you to understand the risk management process.

Further advice and assistance on risk management is available from the OneSource Assurance Team.



## **1. Establishing the context**

The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives for the subject on which the risk assessment is being undertaken (i.e. the organisation and the overarching corporate objectives, a particular service and local objectives, etc.). In this regard, risks are managed across the following levels within the organisation:

**Service Level:** the risks arising from service operations.

**Programme / Project Level:** the risks from initial business case stage throughout the project lifecycle.

**Directorate Level:** the risks which could impact upon the delivery of the annual service plan for a directorate.

**Leadership / Strategic Level:** the key risks facing the authority and the achievement of its corporate objectives.

## **2. Risk Definition**

Risks should be identified that may affect the Council's ability to achieve its business objectives, execute its strategies successfully or limit its ability to exploit opportunities.

Risks can be identified through a number of methods, including:

- A 'brainstorming' session or workshop with the whole management team and relevant stakeholders
- Interviews or questionnaires with key stakeholders
- Meetings with smaller groups of people

There are a wide range of methods available that can be used to identify and understand risks. The method that you select will depend upon the type of risk(s) that you are dealing with but typically a management team workshop is the method most commonly used.

Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Service / corporate plans, strategies and objectives
- Existing risk registers
- Risks or issues raised by internal audit or any other external scrutiny body
- Risks identified through budget setting processes
- Health & safety risk assessments
- Business continuity risk assessments
- Partnership, programme or project documentation (e.g. business case or project risk register)
- Experience of those participating in the risk identification process

It is the responsibility of those identifying risks to decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

As well as direct risks to the achievement of our objectives it is important to think as broadly as possible about uncertainties that may have an impact on the organisation. The diagram shown below illustrates a variety of different risk themes, expanding on PESTLE prompts, which the organisation could face. Think also in terms of these themes when identifying risks.



Once identified, the risks need to be described in sufficient detail and recorded in a consistent format to support effective decision making on the way that the risk is managed.

The description of the risk should include the following elements:

- Risk Title – a short and concise header for the risk
- Description – expanding on the risk title outlining the situation or event that exposes us to a risk.
- Risk Cause – also known as the trigger event. Situations or factors which result in the risk becoming a reality.
- Risk Effect - the likely consequences if the risk materialises (The negative impact, How big? How bad? How much? - consider worst likely scenario)

When describing a risk try not to describe the impact of the risk as the risk itself or define risks with statement which are simply the converse of the objectives.

### 3. Initial Impact Assessment

Once risks have been identified the risk matrix is the main tool for prioritising each risk so we can establish which risks are most significant and therefore are in need of greater attention, effort and resources. It also allows us to compare different types of risk with each other across the council.

Each risk should be analysed for the likelihood it will happen and the impact if it did happen. This assessment should be made after considering controls that are already in place and working effectively – this is referred to the 'current risk'.

It is the risk owner's responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered at this stage, no matter how soon they will be implemented.

The impact should be considered against the relevant objectives - corporate risks should be scored against the organisations objectives; departmental risks scored against departmental objectives; project risks scored against the objectives of the project and so on.

Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed among the relevant management team.

<b>Impact</b>	<b>Major</b>	5	10	15	20	25
	<b>Serious</b>	4	8	12	16	20
	<b>Significant</b>	3	6	9	12	15
	<b>Moderate</b>	2	4	6	8	10
	<b>Minor</b>	1	2	3	4	5
		<b>Remote</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Probable</b>	<b>Certain</b>
		<b>Likelihood</b>				

When considering the likelihood of a risk happening you should select the number from 1 to 5 from the risk matrix that you think it will be over the next 12 months (it can be longer or shorter; some risks in the Strategic Risk Register are better considered over 3 to 5 years, some operational risks will be considered over 3 to 6 months). This score will require an element of judgement when considering how likely an event is to occur and you should consider the following:

- *Has this event happened before in the Council? (How frequently?) Has this event happened elsewhere? (How frequently?)*
- *How likely is it that one or more of the causes/ triggers of the event will occur?*
- *Has anything happened recently that makes the event more or less likely to occur?*

The following table provides some support in quantifying the risk in terms of likelihood and impact.

<b>Risk Likelihood Key</b>				
<b>Score - 1</b>	<b>Score - 2</b>	<b>Score - 3</b>	<b>Score - 4</b>	<b>Score - 5</b>
<b>Remote</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Probable</b>	<b>Certain</b>
Previous experience at this & other similar organisations makes this outcome highly unlikely to occur  0-10% chance of occurrence	Previous experience discounts this risk as being unlikely to occur but other organisations have experienced problems  10-50% chance of occurrence	The Council has in the past experienced problems in this area but not in the past three years  10-50% chance of occurrence	The Council has experienced problems in this area in the last three years.  50-90% chance of occurrence	The council is currently experiencing problems in this area or expects to within the next 12 months.  90-100% chance of occurrence

When you select the impact you should give consideration to the factors outlined in the risk matrix. For example, if the risk you are scoring has a low financial impact but a high impact on our reputation then you would select the most appropriate number between 1 and 4 that relates to the level of reputational impact. Once again, this score will have an element of judgement. The criteria for risk impact levels can be found on the next page.

	<b>Risk Impact Key</b>				
<b>Risk Impact</b>	<b>Minor</b>	<b>Moderate</b>	<b>Significant</b>	<b>Serious</b>	<b>Major</b>
<b>Financial</b>	Less than £50,000 or up to 5% of budget (TBC)	Between £50,000 and £100,000 or 5 – 10% of budget (TBC)	Between £100,000 and £250,000 or 10-20% of budget (TBC)	Between £250,000 and £500,000 or 20-50% of budget (TBC)	Over £500,000 or 50% of budget (TBC)
<b>Service Impact</b>	Brief disruption of important service area with a small impact on customer service	Moderate disruption to service delivery or alternative delivery models for up to one week.	Substantial impact to service delivery or alternative delivery models for up to one month	Sustained loss of service delivery or alternative delivery model beyond one month	Complete breakdown in service delivery or failure of a strategic partnership or significant alternative delivery model
<b>Staff</b>	No impact on staff turnover, limited impact on staff morale	Slight impact to staff morale, limited impact in staff turnover	Damage to staff morale, minor increase in staff turnover	Staff dissatisfaction, increase in staff turnover	Major staff dissatisfaction, short term strike action, staff turnover including key personnel
<b>Reputation</b>	Little or no adverse local public opinion or media attention	Limited and short term adverse local public opinion	Short term adverse local public opinion	Adverse local publicity / local public opinion noticeable impact on local public opinion	Intense political and national media scrutiny.
<b>Health &amp; Safety</b>	No health and safety implications	Minor injury, short term, sickness less than 3 days.	Minor injury, short term, sickness more than 3 days	Serious injury or extensive minor injury, semi-permanent, sickness more than 10 days	Life threatening or multiple serious injuries or prolonged workplace stress
<b>Legal &amp; Statutory Compliance</b>	Scrutiny required by internal committees or internal audit.	Internal review	Internal review with potential for involvement of external agencies	Scrutiny required by external agencies e.g. Ofsted.	Possible criminal or high profile civil action against council, members or officers
<b>Project Delivery &amp; Deadlines</b>	Negligible delays or impact on the costs or quality of the project	Minor delays, c. 5% impact on cost and marginal change to project specification.	Minor delays, c. 15% impact on cost and notable change to project specification.	Significant delays, increased costs and potential for reduced quality of project deliverable	Project benefits not realised, punitive costs that require financial re-planning and service cuts elsewhere or result in project no longer being sustainable.

#### Step 4. Mitigation Plan

Once risks have been identified and scored based on current controls the next step is to decide what action should be taken to manage or treat them.

Generally speaking, there are four approaches to treating risk and the Council will refer to these as: Reduce, Accept, Prevent / Contingency or Transfer:

Action	Description	Options
<b>Reduce</b>	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Reducing the likelihood of the risk occurring AND / OR Mitigating the impact if the risk does occur
<b>Accept</b>	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an "informed" basis.
<b>Prevent / Contingency</b>	Not undertaking the activity that is likely to trigger the risk	Changing the direction or strategy and revisiting objectives or improving channels of communication Obtaining further information from external sources or acquiring expertise Reducing the scope of the activity or adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk
<b>Transfer</b>	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to a consultant or external suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is or reputational damage to the organisation.

When considering further action required to manage the risk, and indeed the appropriateness of existing controls, an assessment of each treatment option should be made alongside a consideration of the Council's risk appetite and tolerance for the current level of risk.

A further consideration is the efficiency of risk treatment in relation to the cost effectiveness of the proposed actions to be taken. Firstly the cost of implementation has to be considered (time, manpower, budget, etc). The impact expected if no action is taken, should be weighed against the cost of

action and the reduction of the impact. There should be a direct benefit from the cost implementation in terms of the reduction of the level of the risk.

Action plans should be put in place where there is a need to reduce the current assessment of risk to an acceptable level within an agreed and acceptable timeframe, this is known as the 'target risk'. Where these actions are significant, they will need resourcing and may need to be incorporated into the Council's annual budget, business planning and performance monitoring processes.

#### **Step 5. Risk Latest Progress**

Corporate risks are generally long-term in nature and are managed through the Council's Corporate Risk Register.

Risks are also managed at a directorate, service, project, programme and partnership level. Respective management teams are responsible for ensuring that their risks are identified and managed appropriately.

Each risk register contains:

- The risk description, causes and consequences
- An identified risk owner
- Controls in place to mitigate the risk
- Risk scores based on likelihood and impact before and
- The level of risk the Council will accept to achieve the objective (target risk)
- An action plan to bring the level of risk to its acceptable level.

Required risk action planning should be proportionate to the significance of the risk.

Risk should be regularly considered and reported on alongside financial and performance information consistent with the Council's performance management framework.

Annually, the Audit Committee will receive a report on the Council's Risk Management arrangements together with an up to date risk matrix and Corporate Risk Register.

A thorough review of each risk register should occur annually as part of the annual business planning processes and departmental risk registers should be reported to the senior management team thereafter.

The Internal Audit and Risk Service is responsible for undertaking an annual review of the risk management framework and provides assurance on its effectiveness.

Further advice and assistance on risk management is available from the OneSource Assurance Service.