Appendix 1

Risk Management Approach

September 2019

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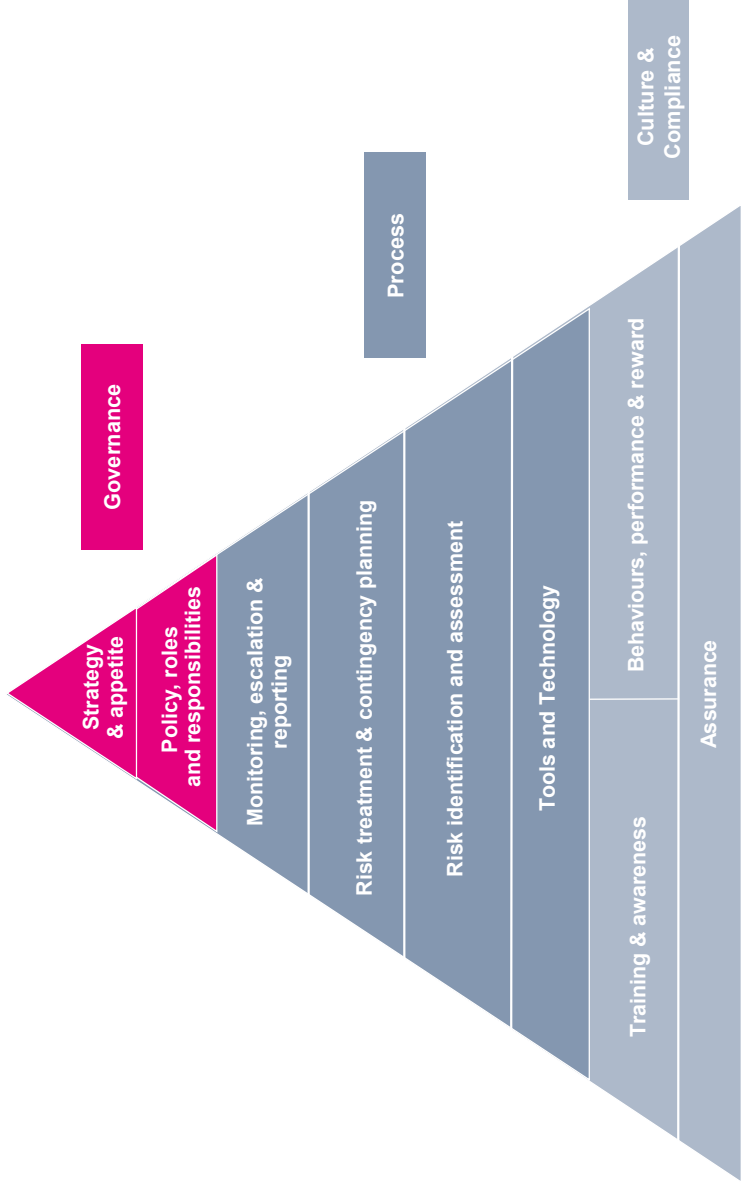**Barking&Dagenham**
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Vision

LBBD will have a robust system of risk management in place to identify, assess and manage the key risks in the Borough that may prevent it achieving the priorities identified in the Corporate Plan. Effective risk management will be a key management tool for LBBD, that is used to understand and optimise the benefits it can generate from calculated risk taking, as well as helping to avoid and manage unwanted surprises.
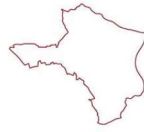
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Risk Management Framework

The risk management framework below comprises governance, process, culture and compliance activities. A combination of all these elements is required to enable risk management to operate in an effective and consistent manner throughout LBBD.

Governance

- Strategy & appetite
- Policy, roles and responsibilities

Process

- Monitoring, escalation & reporting
- Risk treatment & contingency planning
- Risk identification and assessment
- Tools and Technology

Culture & Compliance

- Behaviours, performance & reward
- Training & awareness
- Assurance

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Governance

Governance diagram

Key:

Risk register owner

Has explicit risk management (RM) responsibilities

Team with responsibilities for RM approach

Risk Management Team (RMT)

Shareholder Panel

The Shareholder Panel reviews and challenges the management of risks in LBBD's wholly and partially owned companies

Cabinet

The Cabinet are responsible for defining the risk management strategy and policy and ensuring risks are effectively managed throughout LBBD.

Audit and Standards Committee

The Audit and Standards Committee are responsible for regularly reviewing the effectiveness of the risk management framework. They also review and challenge the Corporate risk register.

Assurance Board

The Corporate risk register is reviewed and challenged biannually and updates are provided to the Audit and Standards Committee.

Senior Leadership Team

The SLT is responsible for maintaining and regularly updating the Corporate risk register.

Programme & Partnerships Boards

Each major project/partnership has a Board or Project Manager who is responsible for identifying, managing and monitoring risks within their project / partnership.

- Programme 1
- Programme 2
- Programme 3

The RMT support the effective delivery of the risk management strategy, providing challenge and assessing the quality and rigour of risk management activities.

Operations

People and Resilience

Inclusive Growth

Law and Governance

Policy and Participation

Transformation

Each Chief Officer is responsible for identifying and managing the significant risks within their Service or area of responsibility. They must maintain a risk register.

Wholly and partially owned companies

- Company 1
- Company 2
- Company 3

Each wholly and partially owned company must maintain a separate risk register and are required to share this with the Shareholder Panel on a quarterly basis.

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Key roles and responsibilities

To successfully embed risk management throughout LBBD, the risk management process is supported by a number of defined key roles and responsibilities at each level of LBBD.

| Who	Key roles & responsibilities
Cabinet	• Have ultimate accountability to ensure that risks are managed effectively throughout LBBD by maintaining effective systems of risk management and internal control. • Approve the Authority's risk management strategy and policy.
Audit and Standard Committee	• Provide oversight of the effectiveness of the risk management system and assurance activities. • Assist the Cabinet in fulfilling its oversight, challenge and monitoring responsibilities for the integrity, scope and design of the LBBD systems of internal controls and risk management. • Review and challenge the Corporate risk register.
Shareholder Panel	• Reviews and challenges the management of risks in LBBD's wholly and partially owned companies on a quarterly basis.
Assurance Board	• Reviews and challenges the Corporate risk register biannually and provide updates to the Audit and Standards Committee. • Discuss, scrutinise and challenge the approach to managing risk at an officer level. • Responsible for designing and updating the risk management framework and policy. • Receive notification of any material breaches of risk limits or procedures and agree proposed action.
Senior Leadership Team	• Responsible for maintaining and regularly updating the Corporate risk register. • Set the risk appetite for LBBD. • Identify emerging risk areas that warrant focus (e.g. geo-political, regulatory shifts, etc.).
Risk Management Team	• Provide local guidance and support on the risk management framework. • Provide quarterly updates on Chief Officers' risk registers to SLT. • Monitor all red and amber risks and escalating to the SLT if necessary. • Offer consistent independent 'challenge' throughout the process of risk identification, assessment and response and provide their views of the impact and likelihood of risks occurring and the effectiveness of existing controls. • Provide feedback on the overall quality and rigour of risk identification and management activities to individuals and leadership and support continuous improvement.

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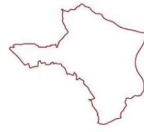
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Key roles and responsibilities

Who	Key roles & responsibilities
Chief Operating Officer	• Responsible for the Authority's risk management policy statement and promoting it throughout LBBD.
Chief Officers	• Responsible for identifying and managing the significant risks within their Service or area of responsibility and maintaining a risk register. • Monitor and escalate their identified risks, in line with reporting requirements. • Responsible for implementing the LBBD Risk Management policy within their areas of responsibility. • Support and sponsorship of risk management in their area of responsibility. • Provide the Risk Management Team with quarterly updates of their risks.
Other directors and managers	• Responsible for the identification, management and monitoring of risks within their area.
Wholly and partially owned companies	• Each wholly and partially owned company must maintain a separate risk register and are required to share this with the Shareholder Panel on a quarterly basis.
Risk Management Champions	• Risk Management Champions support their Director with risk management. • Coordinate and support the risk management process in their respective area. • Report the key risk information on a quarterly basis to the Risk Management Team. • Provide day-to-day support and advice on the risk management policy and process to management and staff. • Liaise with the Risk Management Team to ensure that good practice risk management activities are shared across LBBD.
Risk Owners	• Specific risk owners, e.g. CFO / DCS / DAS. • This is a named individual with allocated ownership for each risk identified, who has single point of accountability and responsibility for the effective management of the risk. • Be familiar with the risk and have the required authority to ensure its effective management. • Be responsible for assessing and agreeing the severity of the risk and it's mitigation plan. • Be accountable for monitoring the risk to identify any material changes or issues.
Programme & Partnership Boards or Project Managers	• Responsible for the identification, management and monitoring of risks within their project/partnership.
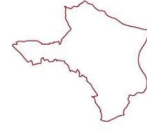
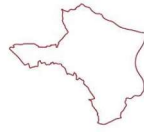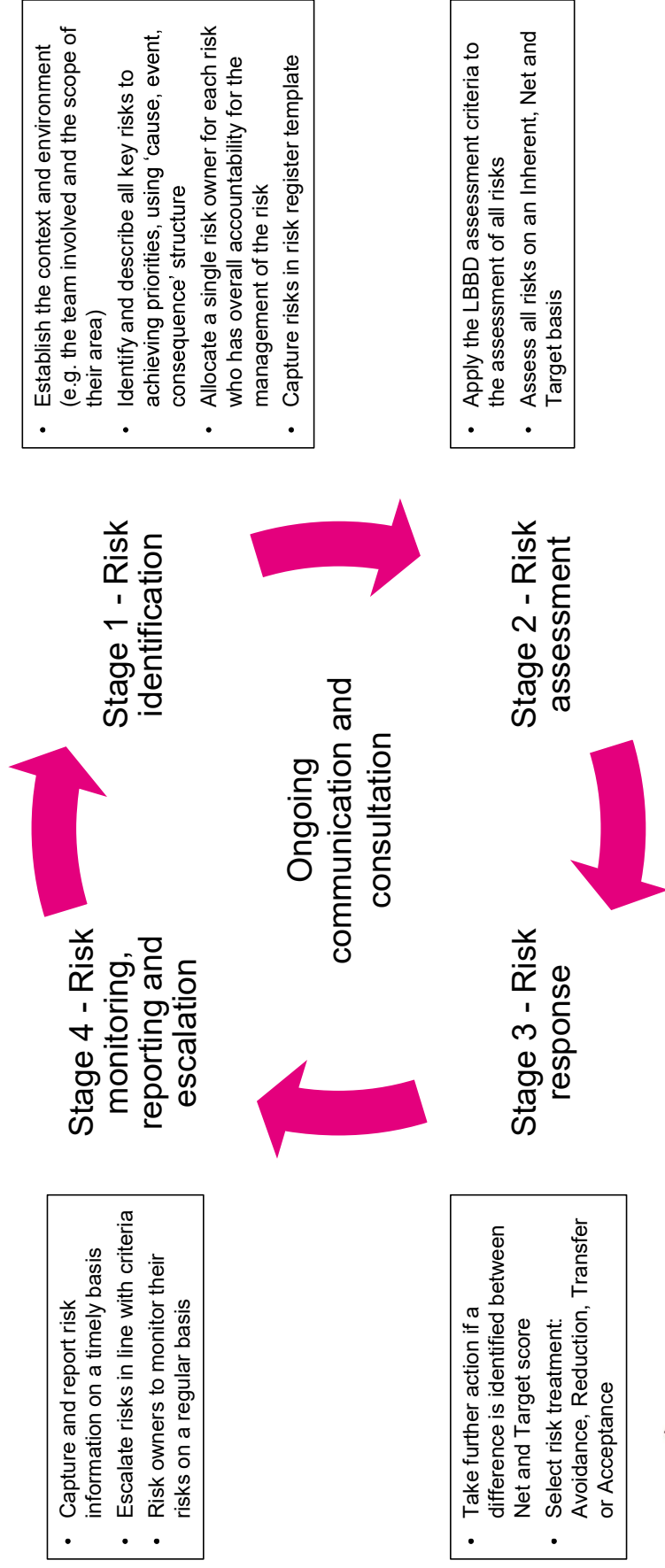One borough; one community; no one left behind

Risk Management Process

Risk management process

The risk management process is comprised of four main stages and is applicable across the whole of LBBD. The key activities and requirements for each stage of the risk management process are detailed below.

Stage 1 - Risk identification

- Establish the context and environment (e.g. the team involved and the scope of their area)
- Identify and describe all key risks to achieving priorities, using 'cause, event, consequence' structure
- Allocate a single risk owner for each risk who has overall accountability for the management of the risk
- Capture risks in risk register template

Stage 2 - Risk assessment

- Apply the LBBD assessment criteria to the assessment of all risks
- Assess all risks on an Inherent, Net and Target basis

Stage 3 - Risk response

- Take further action if a difference is identified between Net and Target score
- Select risk treatment: Avoidance, Reduction, Transfer or Acceptance

Stage 4 - Risk monitoring, reporting and escalation

- Capture and report risk information on a timely basis
- Escalate risks in line with criteria
- Risk owners to monitor their risks on a regular basis

Ongoing communication and consultation

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Stage 1 – Risk identification

1) Establish the context and environment of the risk (i.e. the scope of the area involved and the internal and external factors affecting the current environment).
2) Use the risk identification timeline to define the period over which risks should be identified.
3) Clearly identify risks in terms of 'cause, event and consequence'.
4) Assign each risk an individual risk owner.

1) What is a risk?

A risk:

- is forward-looking (not a current issue)
- has an element of uncertainty
- could affect the achievement of priorities
- must be credible and foreseeable
- could lead to positive or negative effects

2) Risk identification timeline

Defining the time period during which a risk could materialise is important as it will influence which risks are identified, how they are assessed and how the mitigation activities are prioritised. LBBD risks should be considered in the context of occurrence within a five-year period.

3) Describing a risk

Cause - The source of the risk event, the reason why the risk could happen

Event - Actions, incidents, or occurrences that arise from a cause that could have an effect on the achievement of priorities

Consequence(s) - Effects arising from the risk event, if it occurs, that could affect the achievement of priorities

Example of a risk description

"Insolvency of key supplier X, could lead to an inability to provide the required level of critical security services in the Borough for over 4 weeks, resulting in increased costs of [£], potential serious injuries to staff and residents and potential legal claims from residents of over [£]."

This risk description is precise and clearly identifies a single cause, the risk event and the consequences of the risk materialising. By identifying a specific cause, the risk can be accurately assessed, and effective controls can be put in place to manage the risk.

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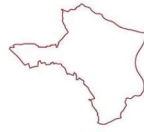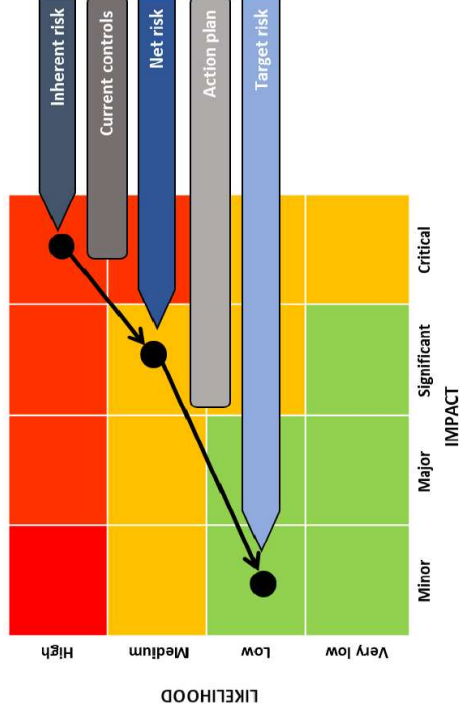**Barking & Dagenham**
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Stage 2 – Risk assessment

Assess the risk by considering two factors: the likelihood of the risk materialising and the potential impact(s) of the risk if it were to occur.

Likelihood - The likelihood of a risk occurring is determined by estimating the probability of the risk occurring within a five-year period.

Impact - The impact of a risk is established by considering its potential effects on the achievement of LBBD's priorities.

Risks should be assessed on three different basis:

Inherent	Net	Target
The impact and likelihood of the risk with no controls in place.	The impact and likelihood of the risk with current controls in place.	The impact and likelihood of the risk, once all further actions have been implemented.

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Stage 2 – Risk assessment - Impact criteria

The impact of a risk is established by considering its potential effects on the achievement of LBBD's strategic priorities. A standard scale to score a risk's effects is used. The impact is measured against four levels of severity using the impact factors detailed below. Where multiple impact areas are applicable, the assessment should be based on the factor with the highest impact.

Factor	Operational	Reputational	Health, Safety & Environment	Legal/ Regulatory	Financial	Effect on Project Objectives/ Scheduled Deadlines
Critical	A key service cannot be delivered to the majority of residents for more than 7 days Failure of a strategic partnership Unauthorised release of constituents' personal data to a third party, including sensitive details	Prolonged, high profile national media coverage of over 7 days Adverse central government response that involves removal of delegated powers Officer(s) and/or Members forced to resign &/or governing body enquiry	Fatality(s) or permanent disabilities/illness to service users Fatality(s) or permanent disabilities/illness to employees or councillors Government / regulator / HSE investigation and action leads to restrictions on Authority providing a key service	Litigation / claims / fines costing £250k+ Statutory prosecution	Costing over £500,000 Up to 50% of Budget	Completion of a major project is delayed for 3 months or more
Significant	A key service cannot be delivered to the majority of residents for 2-7 days Failure of an operational partnership Unauthorised release of constituents' personal data to a third party, not including sensitive details	High profile national media coverage for 3-7 days	Multiple RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) injuries to employees or councillors	Litigation / claims / fines costing £100k to £250k	Costing between £50,000 and £500,000 Up to 25% of Budget	Completion of a major project is delayed for 2-3 months

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Stage 2 – Risk assessment - Impact criteria

Factor	Operational	Reputational	Health, Safety & Environment	Legal/ Regulatory	Financial	Effect on Project Objectives/ Scheduled Deadlines
Major	A key service cannot be delivered to the majority of residents for 1-2 days	High-profile media coverage within Greater London for more than 7 days	RIDDOR injury/illness to employees or councillors Significant deterioration of Council owned buildings, historical assets reducing the aesthetic amenity of an area.	Litigation / claims / fines costing £50k to £100k	Costing between £5,000 and £50,000 Up to 10% of Budget	Completion of a major project is delayed for 3-8 weeks
Minor	A key service cannot be delivered to the majority of residents for less than 1 day	High-profile media coverage within Greater London for 3-7 days	Non-RIDDOR injury/illness that results in lost time to employees or councillors	Litigation / claims / fines costing £25k to £50k	Costing less than £5,000 Up to 5% of Budget	Completion of a major project is delayed for less than 2 weeks

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Stage 2 – Risk assessment - Likelihood criteria

The likelihood of a risk should be considered in the context of occurrence at LBBD within a five-year period.

Likelihood	% of occurrence
High	>80%
Medium	50 - 80%
Low	20 - 50%
Very Low	≥20%

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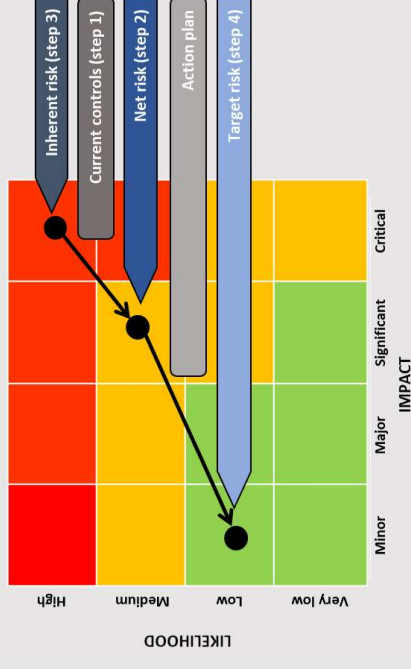
Stage 2 – Risk assessment - Example

Risk description: *"Insolvency of key supplier X, could lead to an inability to provide the required level of critical security services in the Borough for over 4 weeks, resulting in increased costs of [£], potential serious injuries to staff and residents and potential legal claims from residents of over [£]."*

Step 1 – Current controls

Identify all significant controls that have an effect on actively managing the risk and consider their effectiveness. Focus on the identification of controls that are specifically in place to manage the risk (reducing its likelihood or impact) and have a material effect on its management.

Controls for the example risk description:

- Supplier due diligence process, including assessment of suppliers' financial stability

- Potential insolvency notification requirement in all supplier contracts

- Supplier Failure insurance

Step 2 – Assess the Net position

Taking account of controls, estimate the Net risk score. Given the effectiveness of the controls in place, what is the risk score (likelihood and impact of the risk) now?

Based on the described risk and its controls, and using LBBD's risk assessment criteria, in this example the Net risk position is assessed to have an impact of Critical and a likelihood of Medium.
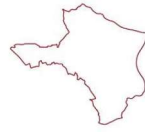
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Stage 2 – Risk assessment - Example

Risk description: "Insolvency of key supplier X, could lead to an inability to provide the required level of critical security services in the Borough for over 4 weeks, resulting in increased costs of [£], potential serious injuries to staff and residents and potential legal claims from residents of over [£]."

Step 3 - Assess the Inherent position

Estimate what the impact and likelihood of the described risk would be if all the current controls (identified in Step 1) did not exist.

In this example, the Inherent risk position is assessed to have an impact rating of Catastrophic and likelihood rating of High.
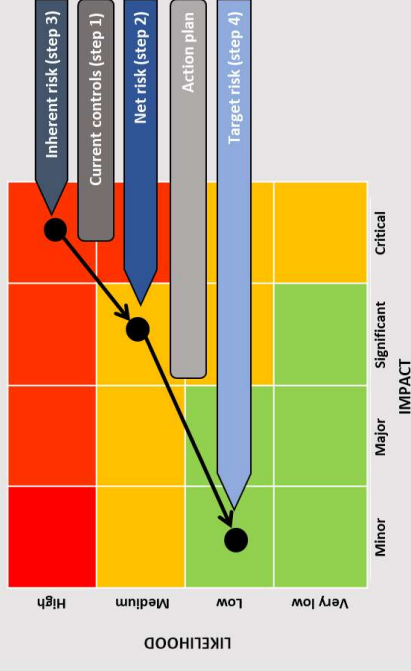
Step 4 – Assess the Target position

Consider whether the current Net risk position is acceptable or whether the realistic desired impact and likelihood values are different.

In this example, the Target Risk is set at an impact rating of Marginal and a likelihood rating of Low. Considering the Net risk position, the impact and likelihood is determined not to be acceptable. The acceptable position is lower, and therefore requires further response activities to be put in place. For the example risk, these could include, for example, the roll-out of predictive indicators for key suppliers (such as monitoring supplier requests for improvements in payment terms, significant price increases and reductions in on-time delivery rates) and reducing the reliance on a key supplier by moving to several smaller suppliers.
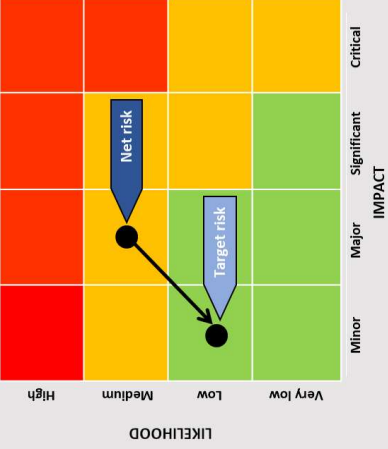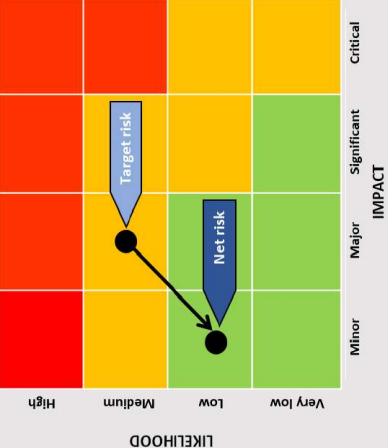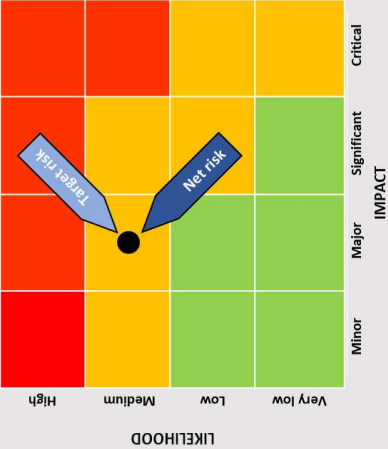

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Stage 3 – Risk treatment - types of action required

Once the Target risk position has been established, it should be compared against the Net risk position to understand if a risk response is required. There are three possible outcomes:

a) The Net risk score is greater than the Target risk score

Action required: Reduce the level of risk exposure to an acceptable level by developing and implementing further mitigating actions that will reduce the Net risk exposure to the Target position.

b) The Net risk score is less than the Target risk score

Action required: Consider relaxing or removing controls until risk exposure is aligned with Target position. This can realise cost savings on existing responses and/or allow greater reward for taking more risk.

c) The Net risk score is the same as the Target risk score

No further action required: Maintain and monitor controls to confirm that they remain effective. No action plan required.

Stage 3 – Risk treatment

Where the Net risk score is greater than the Target score ((a) on previous page), implement appropriate action(s) to bring the Net risk score in-line with the Target.

The risk owner has overall accountability for the management of the risk, though action owners can be assigned to implement specific response activities. There may be a number of response options available; these should be considered by the risk owner, based on the evaluation of their effectiveness, cost and feasibility.

Risk response options can be grouped as follows:

Avoidance	**Exiting the activities that give rise to risk, as the risk is unacceptable:** • Avoiding or eliminating the risk by deciding not to start or continue with the activity that gives rise to the risk, or by doing something differently e.g. substitution of an alternative step or activity. • This can reduce the risk to zero but may introduce other risks as a result that need to be evaluated.
Reduction	**Action taken to reduce risk impact and/or likelihood:** • Decreasing the likelihood and/or impact through enhancing existing controls or implementing additional controls.
Transfer	**Reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk:** • Common techniques include outsourcing activities or purchasing insurance products (Note: transferring does not necessarily eliminate or remove accountability or the effects of the risk e.g. outsourcing a process may not reduce the reputational impact to LBBD if something goes wrong but may reduce the likelihood if the third party is better placed to manage the risk).
Acceptance	**No action is taken to affect risk impact or likelihood. This means the current risk exposure is accepted.** • Taking the risk in order to pursue an opportunity or achieve a benefit/return. • Maintaining exposure to the risk by informed decision.

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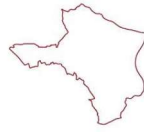
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Stage 4 – Risk reporting & escalation

Reporting

Timely capture, tracking and sharing of risk information is required to enable review and notification to management of changes in the risk environment. It supports understanding and decisions on risk responses to be made, including potential interventions to avoid a risk occurring or reduce its impact.

- Each Strategic Director's risk register is to be reviewed, updated and reported to the Risk Management Team on a quarterly basis.
- On a quarterly basis the most significant risks identified in the Strategic Director risk registers will be reported to the Corporate Assurance Group.
- On behalf of the Senior Leadership Team, the Risk Management Team will review and update the Corporate risk register biannually and report this to the Cabinet.

See Appendix 1 – Risk reporting template

Escalation

The escalation of risks should be timely and accurate. After risks are assessed they should be escalated in line with the following criteria:

- All Red and Amber rated risks identified in the Strategic Director risk registers are to be escalated to the Risk Management Team as part of the quarterly reporting process.
- The Risk Management Team will escalate to the Corporate Assurance Group if necessary in the next quarterly report.

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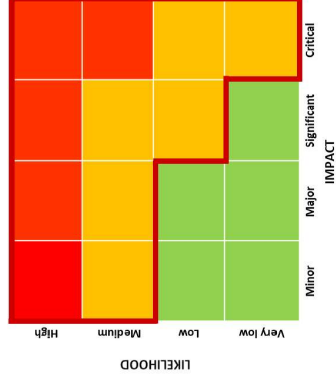
Stage 4 – Risk reporting & escalation - Risk register ownership

Shareholder Panel

Wholly owned company risk register
Wholly owned company risk register
Partially owned company risk register

Operations risk register	People and Resilience risk register	Inclusive Growth risk register	Law and Governance and HR risk register	Policy and Participation risk register	Transformation risk register
Owner: Claire Symonds	Owner: Elaine Allegretti	Owner: Graeme Cooke	Owner: Fiona Taylor	Owner: Mark Tyson	Owner: Meena Kishinani

Corporate risk register
Owner: Chris Naylor

Major project / programme risk register
Major project / programme risk register
Major project / programme risk register

Corporate risk register

The most significant risks identified in LBBD will be recorded in the corporate risk register. The corporate risk register is reviewed and challenged biannually.

Chief Officer risk registers

Each Chief Officer is responsible for monitoring and escalation of their identified risks and providing quarterly risk updates to the Risk Management Team.

Major project / programme risk registers

A risk register should also be in place for each of LBBD's major projects and/or programmes.

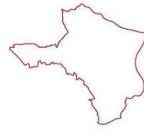Wholly and partially owned companies' risk registers

In addition, wholly and partially owned companies must own and manage a separate risk register and are required to share this with the Shareholder Panel on a quarterly basis. Risks that are shared between LBBD and a company should be recorded on both risks registers. A risk owner should be identified from both LBBD and the company and it should be clear who is responsible for each element of the risk.

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Further information and contacts

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Further information and contacts

For further information about any aspect of the risk management approach:

Christopher Martin, Head of Assurance

Telephone : 020 8227 2174 | 07870 278188
Email : Christopher.Martin@lbbd.gov.uk

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Appendix 1 – Risk reporting template

1. Risk title

Risk Owner	[Insert Owner]
Risk Description	[Insert risk description]

		Inherent Risk	Net Risk	Target Risk
	Impact			
	Likelihood			

Controls							
[Insert Control]							

Further Action(s)	**Action Owner**	**Delivery Due Date**				
[Insert further action]	[Insert action owner]	[Insert due date]				

Additional comments on this risk	[Insert further comments]