



# **Risk Management Strategy 2015 – 2020**

Will Tuckley  
Chief Executive  
July 2019

# Contents

|   |    |
|---|----|
| Version History .....   | 3  |
| RISK MANAGEMENT POLICY STATEMENT .....                                | 4  |
| <b>CHAPTER 1: INTRODUCTION</b>  |    |
| WHAT IS RISK MANAGEMENT .....   | 5  |
| PURPOSE OF THIS STRATEGY .....  | 6  |
| WHY MANAGE RISKS.....   | 6  |
| RISK MANAGEMENT OBJECTIVES.....                                       | 7  |
| HOW THE OBJECTIVES CAN BE ACHIEVED.....                               | 8  |
| RISK APPETITE.....  | 8  |
| RISK APPETITE CATEGORY IDENTIFICATION.....                            | 8  |
| RISK APPETITE MATRIX AND RISK APPETITE THRESHOLDS.....                | 9  |
| <b>CHAPTER 2: THE RISK MANAGEMENT PROCESS.....</b>                    |    |
| THE RISK MANAGEMENT CYCLE.....  | 11 |
| RISK OWNERSHIP.....   | 12 |
| <b>CHAPTER 3: REPORTING RISKS.....</b>                                |    |
| RISK REPORTING FRAMEWORK.....   | 15 |
| RISK ESCALATION PROCESS.....  | 17 |
| <b>APPENDIX A: GROUPS, ROLES AND RESPONSIBILITIES.....</b>            |    |
| <b>APPENDIX B: STATUTORY REQUIREMENTS .....</b>                       |    |
| <b>APPENDIX C: THREAT AND OPPORTUNITY RISK SCORING MATRIX.....</b>    |    |
| <b>APPENDIX D: BITESIZE GUIDE TO THE RISK MANAGEMENT PROCESS.....</b> |    |
| <b>APPENDIX E: RISK MATURITY.....</b>                                 |    |
| <b>GUIDANCE, EDUCATION AND TRAINING.....</b>                          |    |

## **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 Councils 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 five year rolling period but will be reviewed annually to ensure it remains fit for purpose.

## **Document Authors**

Paul Rock, Head of Internal Audit, Anti-Fraud and Risk  
Email: [paul.rock@towerhamlets.gov.uk](mailto:paul.rock@towerhamlets.gov.uk)

Anthony Sotande-Peters, Strategic Risk Advisor (Interim)  
Email: [anthony.sotande-peters@towerhamlets.gov.uk](mailto:anthony.sotande-peters@towerhamlets.gov.uk)

|                          |                  |
|--------------------------|------------------|
| <b>Version</b>           | <b>2.0</b>       |
| <b>Date</b>              | <b>July 2019</b> |
| <b>Next revision due</b> | <b>July 2020</b> |

## **London Borough of Tower Hamlets Risk Management Policy Statement**

*The London Borough of Tower Hamlets recognises and accepts its responsibility 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 policy LBTH has adopted a risk management strategy that supports the following key objectives:

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

These key objectives will be achieved by:

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

### **Risk Appetite**

London Borough of Tower Hamlets seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- Risks have been properly identified and assessed.
- Risks will be appropriately managed, including the taking of appropriate actions and the regular review of risks.
- The potential benefits accruing to the Council justify the level of risk to be taken.

The Council will positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

.....  
**Will Tuckley**  
**Chief Executive**

.....  
**John Biggs**  
**Executive Mayor**

## **CHAPTER 1: Introduction**

This revised strategy has been developed in line with published good practice<sup>1</sup> and provides an overview of the operating framework, arrangements and responsibilities for managing risks within the Council.

### **What is Risk Management?**

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk has been adopted by the London Borough of Tower Hamlets:

***“The effect of uncertainty on objectives”***

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner.

Our risk management definition is:

***“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.

### **Purpose of this strategy**

Every risk is linked to a business objective and this strategy will facilitate a proactive stance to managing risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

By adhering to this strategy, the Council is better placed to meet all its objectives in an efficient, effective and timely manner.

---

<sup>1</sup> Including 'ISO 31000 Risk Management – Principles and Guidelines' and 'A Structured Approach to Enterprise Risk Management' issued by the Institute of Risk Management, the Association of Insurance and Risk Managers and the Association of Local Authority Risk Managers.

Some benefits of successfully implementing this strategy are listed below:

- Ensuring our ability to satisfy statutory requirements
- Protecting and enhancing the Council's reputation
- Increased innovation, value for money and visual improvements in service delivery
- Effective resilience to changing environmental conditions, to protect key services
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risk are being controlled

### **Why manage risks**

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

The Council is fully committed to developing a culture where risk is appropriately and effectively managed and for which 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 partners;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment, including, but not limited to, 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; and
- Minimised losses due to error or fraud across the Council.

### **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"!

## **Risk Management Objectives**

The main objectives of Tower Hamlets' risk management strategy are to:

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

## **How the objectives can be achieved**

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

In particular, we will:

- Maintain clear roles, responsibilities and reporting lines for risk management within the council, and ensure risk management is integral to the decision making process of the council;
- Ensure elected Members, Corporate Management Team, Directors, external regulators and the public at large can obtain necessary assurance that the council is managing risks;
- Ensure corporate, strategic, operational, partnership, and project risks are discussed on a regular basis as part of relevant board meetings;

- Ensure all risks within projects are fully identified, assessed and managed in accordance with the council methodologies;
- Work jointly across directorates on projects to protect the council and comply with statutory responsibilities, such as Health & Safety, Fraud and the Anti-Bribery Act;
- Provide opportunities for shared learning on risk management across the council's partners;
- Measure what we do and partake in comparison and benchmarking activity.

**Note:** This is not an exhaustive list.

## **Risk Appetite**

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

In 2017 the council's risk management team worked with Zurich Municipal to develop and expand the council's risk appetite definition and categories. A number of workshops were held with senior officers and the Mayor and cabinet. Output from the workshops was used in creating specific levels of risk appetite for separate categories of risk as outlined below.

Risk appetite is the amount of risk the council is willing to take. It varies according to the risk for example the council would accept a greater amount of risk for areas of innovation than in those relating to compliance and regulatory activities.

## **Risk Category Identification**

| <b>Risk appetite categories</b> |  |
|---------------------------------|--|
| Finance                         | Risks which focus on areas where financial features play an important part such as budget control and revenue generation.  |
| Compliance/Regulatory           | Risks relating to ensuring regulations, laws and guidelines that govern the business of the Council.   |
| Contracts & Partnerships        | Risks relating to the various contracts held within the organisation and the service which our customers receive. Also risks associated with working with private or public sector organisations to achieve common goals and objectives. |
| Safety & Safeguarding           | Risks relating to provision of services to vulnerable adults and children provided by the Council. This would also include wellbeing and safety of residents.  |
| Reputation                      | Risks involving amongst others the safekeeping and protection of all important data held within the organisation and the conduct of members & staff.   |



|            |   |
|------------|---|
| Innovation | Risks which focus on long term goals and plans. |
|------------|---|

## Risk Appetite Matrix and Risk Appetite thresholds

Consider the risk score against the risk appetite threshold for its category. The threshold is represented by the vertical black lines in the matrix below. For example, innovation risks have a risk appetite threshold of 25, and safety & safeguarding have a threshold of 5. This means the council will take higher risks to ensure innovation, but will be less tolerant to risks concerning safety and safeguarding of its staff and citizens.

|                            | <b>AVOID</b><br>Risk Score<br>1-4   | <b>MINIMAL</b><br>Risk Score<br>5-9 | <b>CAUTIOUS</b><br>Risk Score<br>10-12 | <b>OPEN</b><br>Risk Score<br>15-16 | <b>SEEK</b><br>Risk Score<br>20-25 |
|----------------------------|---|-------------------------------------|--|------------------------------------|------------------------------------|
| <b>Risk Category</b>       |   |                                     |  |                                    |                                    |
| Finance                    |   |                                     |  |                                    |                                    |
| Compliance / Regulatory    |   |                                     |  |                                    |                                    |
| Contracts & Partnerships   |   |                                     |  |                                    |                                    |
| Safety & Safeguarding      |   |                                     |  |                                    |                                    |
| Reputation                 |   |                                     |  |                                    |                                    |
| Innovation                 |   |                                     |  |                                    |                                    |
|                            |   |                                     |  |                                    |                                    |
| <b>Risk Appetite Level</b> | <b>Risk Appetite Description</b>  |                                     |  |                                    |                                    |
| Avoid                      | Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.  |                                     |  |                                    |                                    |
| Minimal                    | Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefits.  |                                     |  |                                    |                                    |
| Cautious                   | Preference for the safe options that have moderate degree of risk and may only have limited potential benefits.   |                                     |  |                                    |                                    |
| Open                       | Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit. |                                     |  |                                    |                                    |
| Seek                       | Eager to realise benefits and to choose options to achieve this despite the higher risk   |                                     |  |                                    |                                    |

## **CHAPTER 2: 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 organisations public image.

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

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

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

### **The Risk Management Cycle**

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

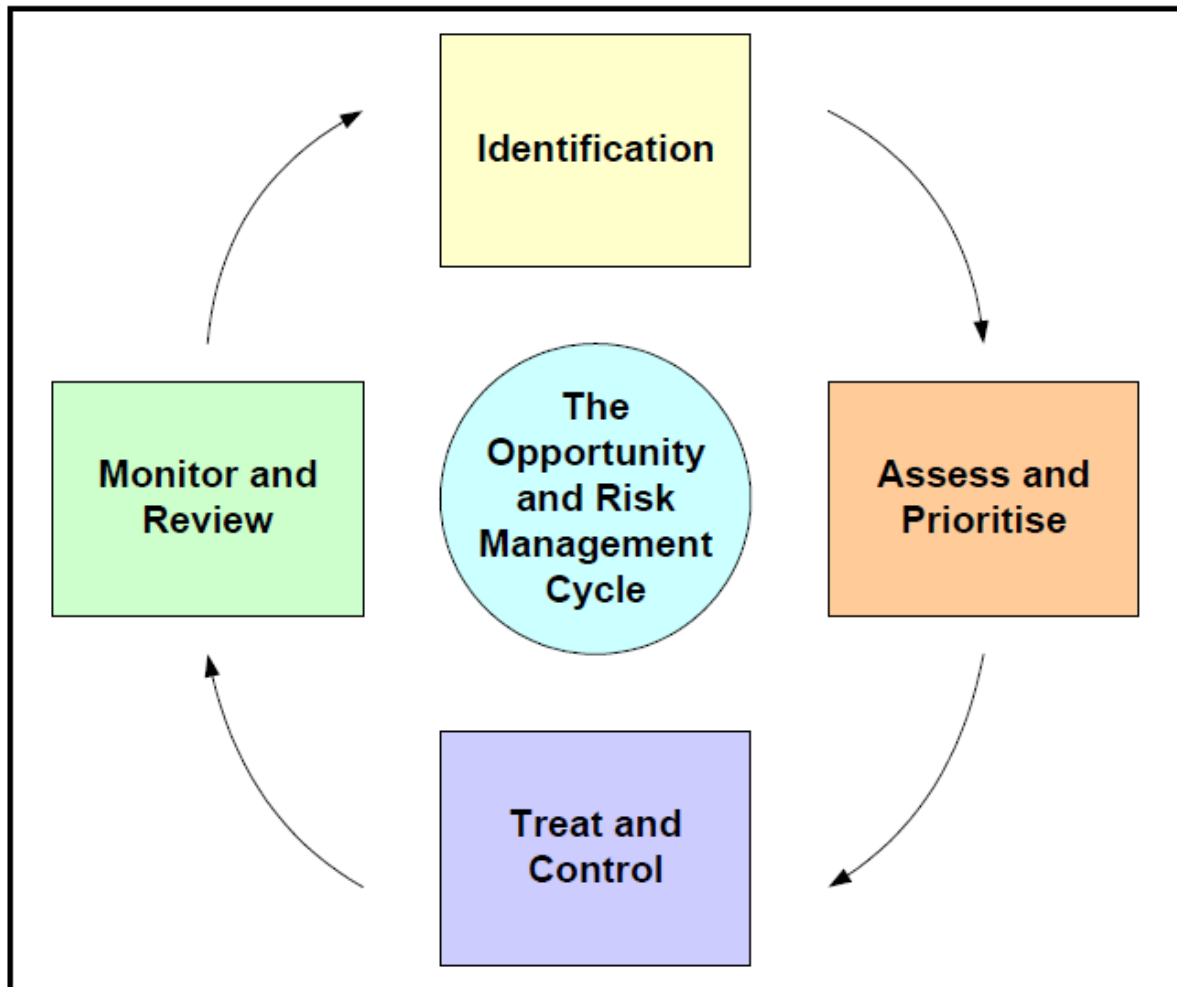


Figure 1: Risk Management Cycle

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

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

### **Step 1: Clarify Objectives**

It is difficult to think about risks in isolation, there is usually a balancing of risks to be done in everything we do so the first step is to be clear about the objectives and key deliverables of the project or service in mind before attempting to identify the risks. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/directorate/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of Stakeholders; and

- How the activity sits within the corporate/directorate/project structure.

***This includes:***

- Making sure that everyone is clear about the relationship between the service and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the 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 be positive or negative. Wide Consultation is required from all levels of management and staff.

| Questions to Ask | What will stop us achieving the objective? (Threat)<br>What could help us achieve the objective? (Opportunity)   |
|------------------|--|
| Actions          | Consider: <ul style="list-style-type: none"> <li>- Lessons learned</li> <li>- Who the stakeholders are</li> <li>- The activity itself</li> <li>- Who should own the risk</li> </ul> Tools: <ul style="list-style-type: none"> <li>- Brainstorming</li> <li>- SWOT analysis</li> <li>- PESTLE analysis (Political, Economic, Social, Technological, Legislative, Environmental)</li> <li>- Horizon Scanning</li> <li>- Stakeholder Analysis</li> <li>- Cause and effect diagrams</li> <li>- Risk Bow Tie</li> </ul> |
| Output           | Risk(s) Identified<br><br>Risk Owner(s) Identified   |

## **Risk Ownership**

Having identified and defined the risks, it is essential that someone ‘owns’ them (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 directorate viewpoint, the risk owner should be a member of a management team, and have knowledge and influence on the areas of work required to respond to this risk. For example, if the risk is “overspend of budgets in Finance, Audit and Procurement”, the risk should be owned by the Divisional Director for Finance, Audit and Procurement who has responsibility for managing the Finance, Audit and Procurement budget.

**Note:** The individuals selected would be accountable for managing the risk which affect 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 and Prioritise the 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 and impact rating.

|                  |  |
|------------------|--|
| Questions to Ask | How likely is it to happen?<br><br>What impact would it have if it happened?   |
| Actions          | Score Risks on the 5x5 matrix in appendix C below<br><br>1. Current – how likely/severe the risk without doing anything<br>2. Target – the desired score |
| Output           | Current risk score<br><br>Target risk score  |

### Step 4: Mitigation and planning responses

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

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

|                  |   |
|------------------|---|
| Questions to Ask | <p>What can we do about it?</p> <p>Who will be involved?</p>  |
| Actions          | <p>Options to respond to a threat:</p> <p><b>Tolerate</b> – monitor to ensure the impact/likelihood do not change.</p> <p><b>Treat</b> – carry out controls to reduce the likelihood/impact.</p> <p><b>Transfer</b> – by insuring or passing the risk to a third party.</p> <p><b>Terminate</b> – stop doing the activity associated with the risk.</p> <p>Options to respond to an opportunity:</p> <p><b>Ignore</b> – if the cost of seizing the opportunity outweighs the benefits.</p> <p><b>Exploit</b> – e.g. changing an activity's scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification.</p> <p><b>Share</b> – 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.</p> |
| Output           | <p>Control Measure(s)</p> <p>Control Owner(s)</p>   |

### Step 5: Monitor and Review

Once the risks have been identified and appropriate controls and responses 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.

|                  |   |
|------------------|---|
| Questions to Ask | <p>How do we record the risk?</p> <p>How do we know if the Risk has changed?</p>  |
| Actions          | <p>Enter information into a risk register.</p> <p>Risk Management Information</p> |

|        |   |
|--------|---|
|        | System (JCAD)   |
|        | Regularly review.   |
| Output | Risk Register regular reviews (see table below for guidance on suggested risk review periods) |

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

| Standard Review |            | Programmes, projects and partnerships |
|-----------------|------------|---------------------------------------|
| <b>Red</b>      | Monthly    | Monthly                               |
| <b>Amber</b>    | 1-3 months | Monthly                               |
| <b>Yellow</b>   | 3 months   | Monthly                               |
| <b>Green</b>    | 6 months   | Quarterly                             |

Figure 2: Recommended risk review frequencies

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

## CHAPTER 3: REPORTING RISKS

### 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 will be identified. This helps to ensure that the risks the council faces in the delivery of the strategic plan are identified and managed.

As set out in its formal terms of reference, the Audit Committee is responsible for monitoring the Authority's Risk Management arrangements and seeking assurance that action is being taken on risk related issues identified by auditors and inspectorates.

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

On reporting, usually each quarter, different risk registers are taken to different management teams. Lists of key reports below including target audience 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 and responded to. |
|-------------------------|--|

|                                 |  |
|---------------------------------|--|
| Directorate Risk Register       | This register flows out from the division and services risk registers. It is challenged and moderated quarterly by the Directorate Management teams. Risks which are escalated here are those with a risk score of 16 and above.   |
| Divisional Risk Register        | This register flows from the service and team risk registers and is challenged and moderated quarterly by the divisional leadership teams. Risks which are escalated here are those with risk score of 10 and above.   |
| Service Risk Register           | This register flows from risks to service objectives and is moderated and challenged by the service leadership team.   |
| Team Risk Register              | This register flows from risks to the team objectives and is reviewed and updated at team meetings.  |
| Programme/Project Risk Register | 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 monthly basis. Significant programme and project risks will be escalated to directorate and service management teams where relevant. |

### **Risk escalation process**

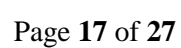
Risks will be escalated using a bottom up process depending on the risk score (i.e. risk tolerance) and/or management recommendation.

Corporate review will be undertaken quarterly.

Directorate reviews should be adapted to suit the structure of each respective directorate, although as minimum should be done quarterly.

Annual review of all risks should be undertaken as a minimum.





## Groups, roles and responsibilities

It is essential that all staff within Tower Hamlets understand the role they play in the 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 are in place.

| Reviewing Group                 | Responsibilities   |
|---------------------------------|--|
| Cabinet and Elected members     | <p>Own the Council's risk management policy.</p> <p>Contribute to defining the overall risk appetite for the organisation.</p> <p>Review the corporate risk register.</p> <p>Review the directorate risks within their area of leadership.</p> <p>Regularly discuss new and existing risks with the relevant Corporate Director.</p>   |
| Audit Committee                 | <p>Monitors the effective development and operation of risk management and governance in the council;</p> <p>Monitors and acts on escalated corporate risks under the direction of the Chief Executive;</p> <p>Oversees and approves the council's risk management policy and strategy;</p> <p>Receives periodic updates on threats and opportunities which impact on the council's objectives / outcomes;</p> <p>Contributes to defining the overall risk appetite for the organisation;</p> <p>Members consider any risks they wish to be passed to the Overview and Scrutiny Committee for further scrutiny</p> |
| Overview and Scrutiny Committee | <p>Provides scrutiny for any risks escalated from Audit Committee</p>  |

| Reviewing Group                       | Responsibilities  |
|---------------------------------------|---|
| Corporate Leadership Team             | <p>Ensures that escalation processes are in place for designated parts of the council for risk reviews;</p> <p>Identifies the need for investment to fund, promote and oversee the implementation of the risk management strategy;</p> <p>Ensures participation in the delivery of risk management within the organisation;</p> <p>Owens individual corporate risks (as delegated by the Chief Executive), and approves corporate risks as escalated from directorate management teams</p> <p>Agrees the involvement of the risk manager, internal audit and other officers as appropriate.</p> <p>Contributes to defining the risk appetite.</p> |
| Corporate Health and Safety Committee | <p>Monitors and reviews high level Health and Safety risks and issues, escalating to the Corporate Management Team as appropriate;</p> <p>Ensures that Health and Safety risks are managed effectively within directorate and service areas;</p> <p>Provides risk management recommendations;</p> <p>Provides a forum for the discussion of risks and issues raised by risk registers, environmental conditions, and internal and external audits.</p>  |
| Directorate Leadership Teams          | <p>Ensures directorate and services are identifying and managing corporate, strategic, operational, project and partnership risks effectively;</p> <p>Reviews and challenges risk registers for their directorate and service's on a quarterly basis;<br/>Makes recommendations on risks/issues to escalate to Corporate Management Team;</p> <p>Sets priorities for dealing with unacceptable risks and to reduce risks;</p> <p>Ensures that risk management roles and responsibilities are included within appropriate1-2-1 targets.</p>  |

| <b>Reviewing Group</b>   | <b>Responsibilities</b>  |
|--|--|
| Internal Audit   | <p>Reviews the Risk management Policy and Strategy</p> <p>Supports and reviews the risk management process.</p> <p>Focus internal audit work on significant risks.</p> <p>Provides the risk team with updates on risks identified from audits.</p> <p>Provides assurance on risk management across the council, based upon reviews through audit risk assessments.</p>   |
| Programme, project, strategic and operational boards and senior responsible owners | <p>Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities;</p> <p>Understands the Risk management Policy and Strategy and their accountabilities;</p> <p>Implements the risk management processes within their areas of responsibility;</p> <p>Escalates programme, project, strategic and operational risks as appropriate;</p> <p>Records and lessons learnt actions are put in place to reduce or eliminate risks before new projects are implemented;</p> <p>Ensures risk management is at the heart of decision making and key information is delivered through management groups.</p> |

## **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 1-2-1 sheets.

| <b>Roles</b> | <b>Responsibilities</b> |
|--------------|-------------------------|
|--------------|-------------------------|

|                                       |   |
|---------------------------------------|---|
| Risk Manager (& risk management team) | <p>Ensures the Risk Management Policy is implemented</p> <p>Develops plans to improve the management of risk</p> <p>Develops risk management guidance and training and supports risk and control owners in delivering their role</p> <p>Ensures appropriate staff and Members are adequately trained in risk management</p> <p>Carries out ongoing management of risk process reviews, benchmarking scrutiny and challenge.</p> |
|---------------------------------------|---|

|  |  |
|--|--|
| Divisional Directors /Service managers | <p>Participates (as appropriate) in the identification, assessment, planning and management of threats and opportunities</p> <p>Understands the Risk management Policy and Strategy and their accountabilities</p> <p>Maintenance of the risk registers in their area of responsibility, ensuring that all risks are added to the council's risk register.</p> <p>Escalating risks of a corporate nature to the attention of their DMT</p> <p>Undertakes risk assessments for their service in relation to service / business planning and budget setting process.</p> <p>Identifies partnership and contractual arrangements where there are shared risks, ensuring these are recorded and properly managed.</p> <p>Reviews risks and risk assessments on a regular basis and discusses the management of risks with relevant team members.</p> |
|--|--|

|                             |   |
|-----------------------------|---|
| Risk/control measure owners | <p>Ensures effective action is taken to manage risk.</p> <p>Ensures the integrity of information recorded on the risk register.</p> <p>Oversees control measures and reviews proposed mitigating actions.<br/>Monitors progress against mitigating actions.</p> <p>Reports to their management teams on significant changes in risks.</p>   |
| All council employees       | <p>Aware of the Risk Management Policy and Strategy</p> <p>Understands their responsibilities in managing risk</p> <p>Participate (as appropriate) in the identification, assessment and control of threats and opportunities</p> <p>Immediately reports to their manager any incident, accident, 'near misses' or any other concerns that they may have with regards to risks.</p> |

## **Appendix B**

### **Statutory requirements**

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

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

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

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

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

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

## Appendix C

**Threat and Opportunity Risk Scoring Matrix**

|                  |                       |            |     |        |      |                        |           |      |        |     |            |
|------------------|-----------------------|------------|-----|--------|------|------------------------|-----------|------|--------|-----|------------|
| Likelihood       | Almost certain<br>(5) | 5          | 10  | 15     | 20   | 25                     | 25        | 20   | 15     | 10  | 5          |
|                  | Likely<br>(4)         | 4          | 8   | 12     | 16   | 20                     | 20        | 16   | 12     | 8   | 4          |
|                  | Possible<br>(3)       | 3          | 6   | 9      | 12   | 15                     | 15        | 12   | 9      | 6   | 3          |
|                  | Unlikely<br>(2)       | 2          | 4   | 6      | 8    | 10                     | 10        | 8    | 6      | 4   | 2          |
|                  | Rare<br>(1)           | 1          | 2   | 3      | 4    | 5                      | 5         | 4    | 3      | 2   | 1          |
|                  |                       | Negligible | Low | Medium | High | Very High              | Very High | High | Medium | Low | Negligible |
|                  |                       | (1)        | (2) | (3)    | (4)  | (5)                    | (5)       | (4)  | (3)    | (2) | (1)        |
| Impact – Threats |                       |            |     |        |      | Impact - Opportunities |           |      |        |     |            |



## Appendix D

### Bitesize Guide to the Risk management Process

For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

### Bitesize Guide to Risk Management

#### 1. Determine your objectives

For corporate risks, the strategic plan outcomes are a good place to start. For project risks, use the project objectives as a base.

| What           | 2. Identify   | 3. Prioritise the risk(s)  | 4. Mitigation & Action Planning                              | 5. Monitor and Review  |      |        |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
|----------------|---|--|--|--|------|--------|--|--|--|----------------|---|---|----|----|----|----|--------|---|---|---|----|----|----|----------|---|---|---|---|----|----|----------|---|---|---|---|---|----|------|---|---|---|---|---|---|--|--|---|---|---|---|---|--|--|------------|-----|--------|------|--------|---|--|
| Ask            | <p>What will stop us achieving the objective? (Threat)</p> <p>What could help us achieve the objective? (Opportunity)</p>   | <p>How likely is it to happen?</p> <p>What impact would it have if it happened?</p>  | <p>What can we do about it?</p> <p>Who will be involved?</p> | <p>How do we record the risk?</p> <p>How do we know if the risk has changed?</p> |      |        |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Do             | <p><b>Information:</b></p> <ul style="list-style-type: none"><li>- Lessons learned</li><li>- Stakeholders</li><li>- The activity itself</li></ul> <p><b>Tools:</b></p> <ul style="list-style-type: none"><li>- Brainstorming</li><li>- SWOT analysis</li><li>- PESTLE analysis</li><li>- Horizon scanning</li><li>- Stakeholder analysis</li><li>- Bow-Ties (cause and effect diagrams)</li></ul> | <p>Score risks twice on the 5x5 matrix below</p> <p>1. Current – how likely/severe the risk is without doing anything</p> <p>2. Target - the desired score</p> <table><tr><td>Likelihood</td><td></td><td colspan="5"></td></tr><tr><td>Almost certain</td><td>5</td><td>5</td><td>10</td><td>15</td><td>20</td><td>25</td></tr><tr><td>Likely</td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td><td>20</td></tr><tr><td>Possible</td><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td>15</td></tr><tr><td>Unlikely</td><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td>10</td></tr><tr><td>Rare</td><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td></td><td></td><td>Negligible</td><td>Low</td><td>Medium</td><td>High</td><td>V High</td></tr></table> | Likelihood   |  |      |        |  |  |  | Almost certain | 5 | 5 | 10 | 15 | 20 | 25 | Likely | 4 | 4 | 8 | 12 | 16 | 20 | Possible | 3 | 3 | 6 | 9 | 12 | 15 | Unlikely | 2 | 2 | 4 | 6 | 8 | 10 | Rare | 1 | 1 | 2 | 3 | 4 | 5 |  |  | 1 | 2 | 3 | 4 | 5 |  |  | Negligible | Low | Medium | High | V High | <p><b>Options to respond to a risk:</b></p> <p>Tolerate – monitor to ensure the impact/likelihood do not change.</p> <p>Treat- carry out controls to reduce the likelihood/impact.</p> <p>Transfer – by insuring or passing the risk to a third party.</p> <p>Terminate – stop doing the activity associated with the risk.</p> | <p>Enter information into a risk register. For corporate or high risks, enter into the risk software JCAD Risk.</p> <p>Regularly review.</p> |
| Likelihood     |   |  |  |  |      |        |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Almost certain | 5   | 5  | 10   | 15   | 20   | 25     |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Likely         | 4   | 4  | 8  | 12   | 16   | 20     |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Possible       | 3   | 3  | 6  | 9  | 12   | 15     |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Unlikely       | 2   | 2  | 4  | 6  | 8    | 10     |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
| Rare           | 1   | 1  | 2  | 3  | 4    | 5      |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
|                |   | 1  | 2  | 3  | 4    | 5      |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |
|                |   | Negligible   | Low  | Medium   | High | V High |  |  |  |                |   |   |    |    |    |    |        |   |   |   |    |    |    |          |   |   |   |   |    |    |          |   |   |   |   |   |    |      |   |   |   |   |   |   |  |  |   |   |   |   |   |  |  |            |     |        |      |        |   |  |

|               |  |   |  |  |
|---------------|--|---|--|--|
| <b>Output</b> | <b>Risk identified<br/>Risk owner</b>  | <b>Current risk score<br/>Target risk score</b> | <b>Control Measure(s)<br/>Control owner(s)</b> | <b>Risk register<br/>Regular reviews</b> |
| <b>Help</b>   | <b>For help and advice, contact the Risk Management Team:</b><br><b>Phone: 020 7364 4051</b> |   |  |  |

## Risk Maturity

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

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

The diagram below shows the maturity levels provided by CIPFA and how Tower Hamlets faired in the exercise in 2017/18:



Scoring in some categories improved during 2017/18 and the following three categories move up an assessment band during the year:

- People
- Risk Handling and Assurance
- Policy & Strategy
- Processes

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

- Leadership & Management
- Outcomes and Delivery
- Partnerships & Shared Resources

### **Guidance, Education and Training**

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

- ☐ Risk Management Strategy 2015-20
- ☐ Risk Management policy
- ☐ Risk Management Handbook for Managers
- ☐ Risk Management e-learning modules

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

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

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