City of London Corporation

Risk Management Strategy

Version 2.0

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CITY OF LONDON

Contents

Version History

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

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

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

Version control:

Version Number	Comments
1.0	- Risk Management Handbook created
1.1	- Document now includes version number instead of date approved. - Change in Town Clerk (Page 2) - New risk register template included (Appendix 5) - Added definitions for Gross risk and Net risk (Page 20)
1.2	- Forward approved by Town Clerk and Chief Executive
2.0	- Refreshed Risk Management Handbook and renamed as Risk Management Strategy

CITY OF LONDON CORPORATION'S

RISK MANAGEMENT POLICY STATEMENT

THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY[1] 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 COL has adopted a risk management strategy that captures the following key objectives:

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

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risks at all levels;
- Ensuring that Members, Chief Officer's, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the Anti-Bribery Act 2010, the Health and Safety Act, and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body. However, the City of London Corporation will positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that:

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

APPROVED BY:

John Barradell (Town Clerk)

Alderman Nick Anstee (Chairman of the Audit and Risk Management Committee)

[1] Accounts and Audit Regulations 2011

Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

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

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:

"The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

Only by active management of risks will the City of London Corporation be able to meet its strategic objectives which in turn will enhance the value of services provided to the City.

What is risk and 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[1] for risk has been adopted by the City of London Corporation:

"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[1]:

"The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses"

Risk Management is a business tool designed to provide a methodical approach to addressing risk. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimise the impact if it does;
- Giving rise to opportunities and reducing threats to the organisation

1. OGC Management of Risk

Purpose of this strategy

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

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

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);
- Protecting and enhancing the City of London Corporation's reputation;
- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);
- Improved assurance levels arising from audit and external inspections, providing confidence to customers and investors that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

Chapter 2: Managing risks

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 Corporation is fully committed to developing a culture where risk is appropriately and effectively managed 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 natural disasters and risks related to supplier failures;
- Reduction of the Corporation'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 Corporation.

Roles and Responsibilities

The City Corporation considers risk management to be an intrinsic part of the Corporation's system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

Tier	**Responsibility**
Court of Common Council	Overall accountability for risk management.
Audit and Risk Management Committee	Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member 'Risk Champion'.
Service Committees	Oversee the significant risks faced by Departments in the delivery of their service responsibilities.
Chief Officers' Group	Collective responsibility for management of Corporate risks.
Chief Officers' Summit Group	Promoting, steering and monitoring risk management for the Corporation. The Chief Officers' Summit Group oversee the strategic elements of risk management.
Business Support Director	Officer 'Risk Champion', promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee.
Risk Management Group	Promoting and embedding risk management, with key outcomes reported to the Chief Officers' Summit Group. The Risk Management Group oversees the operational elements of risk management.
Head of Audit and Risk Management	Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment.
Risk and Assurance Manager	Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London's Corporate Risk Register.

Tier	Responsibility
Individual Chief Officers	Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Departmental Risk Coordinators	Promoting and facilitating the implementation of risk management within their department.
Service/ Project Managers	Accountable for effective management of risk within their areas of responsibility.
Employees	Maintaining an awareness and understanding of key risks and management of these in day-to-day activities.

Outcomes of this strategy will be achieved by working closely with many key departments such as Health and Safety, Insurance, Corporate Performance and Development, Project Management, and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk, however, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

Chapter 3: 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 Corporation's public image.

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

Risk Management is a business planning tool designed to provide a methodical way for addressing risks. 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 reducing threats.

The risk management cycle

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

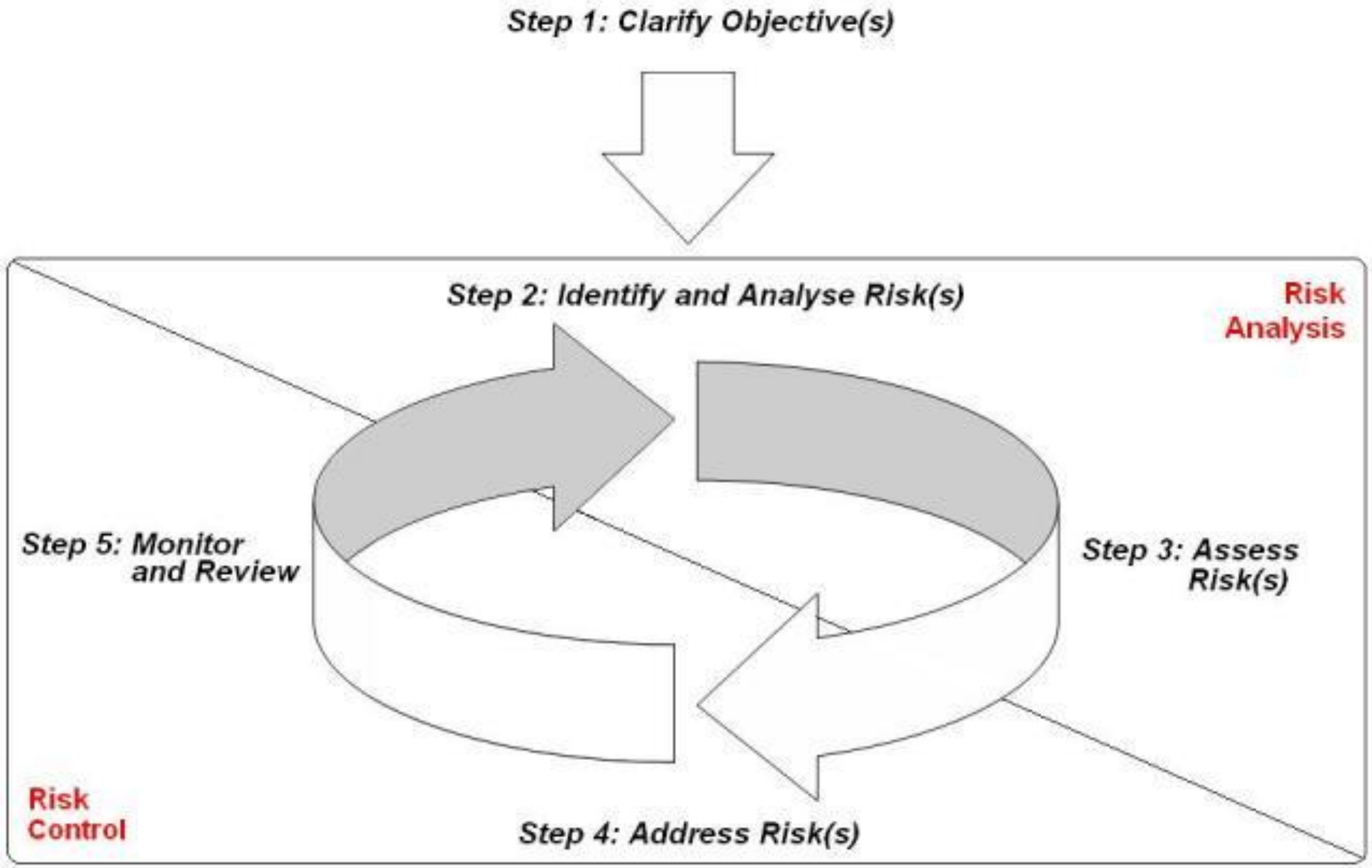


Figure 1: City of London's risk management cycle

Step 1: Clarify Objectives

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

This will include an understanding of:

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

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the Corporation 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.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

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

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

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

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

Risk Ownership

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

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

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

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Step 3: Assess Risks (4x4)

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

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile.

The risk score is placed on the Risk matrix and is used to help prioritise risks and assist risk owners in the actions they need to take to either reduce the score (for threats) or increase the score (for opportunities).

Chapter 4 highlights how the risk scores are also used for reporting purposes using red/amber/green for threats and gold/silver/bronze for opportunities.

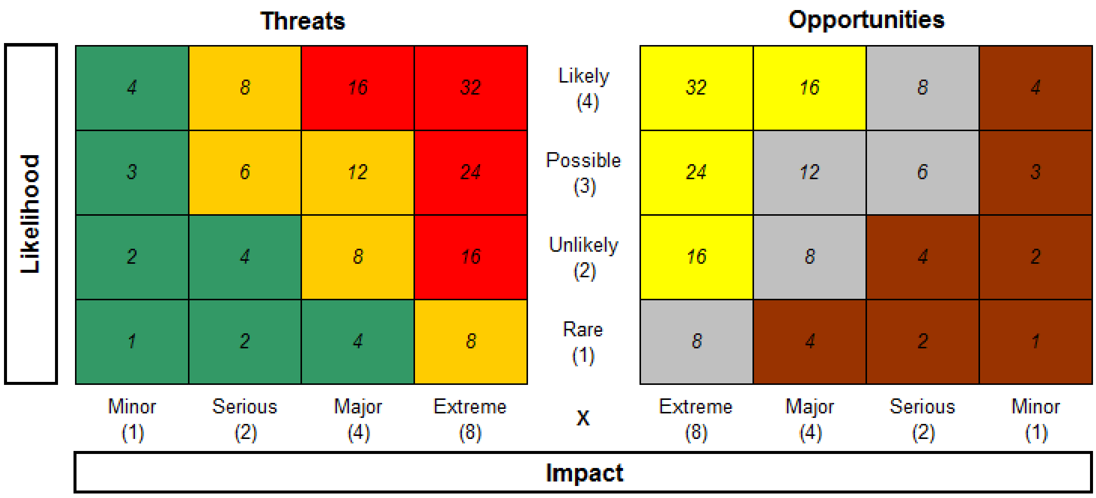


Figure 2: City's risk matrices

Step 4: Address Risks

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

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

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

Threat responses

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

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

Opportunity responses

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

- **Ignore**: Choosing to ignore the opportunity if the resource cost of seizing it cannot be justified. A basic cost benefit analysis could be done to determine if the opportunity is worth pursuing;
- **Exploit**: Identifying and seizing multiple benefits. Refers to changing an activity’s scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification;
- **Share**: application of pain/gain formula where both parties share the gain (with pre-agreed limits) if the cost is less or share the pain if cost exceeds. By description, this method of treatment can also be used for threats, e.g. partnership arrangements.

Choosing whether to eliminate or innovate

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

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

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

Step 5: Monitor and Review

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

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

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

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

Risk Type	Standard Review	Programmes, projects and partnerships
Red Threats Gold Opportunities	1-3 months	Monthly
Amber Threats Silver Opportunities	3 months	Monthly
Green Threats Bronze Opportunities	6 months	Quarterly

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

Chapter 4: Reporting risks

Reporting framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

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

Figure 3 illustrates the reviewing and reporting framework to support this escalation and assurance process.

Role of Audit and Risk Management Committee

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible for setting and approval, as well as monitoring and oversight of the City Corporation's risk management strategy and for ensuring that the framework in place is fit for purpose. It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

Role of Other Committees and Departments

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be. The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk. The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

Review and Reporting Framework

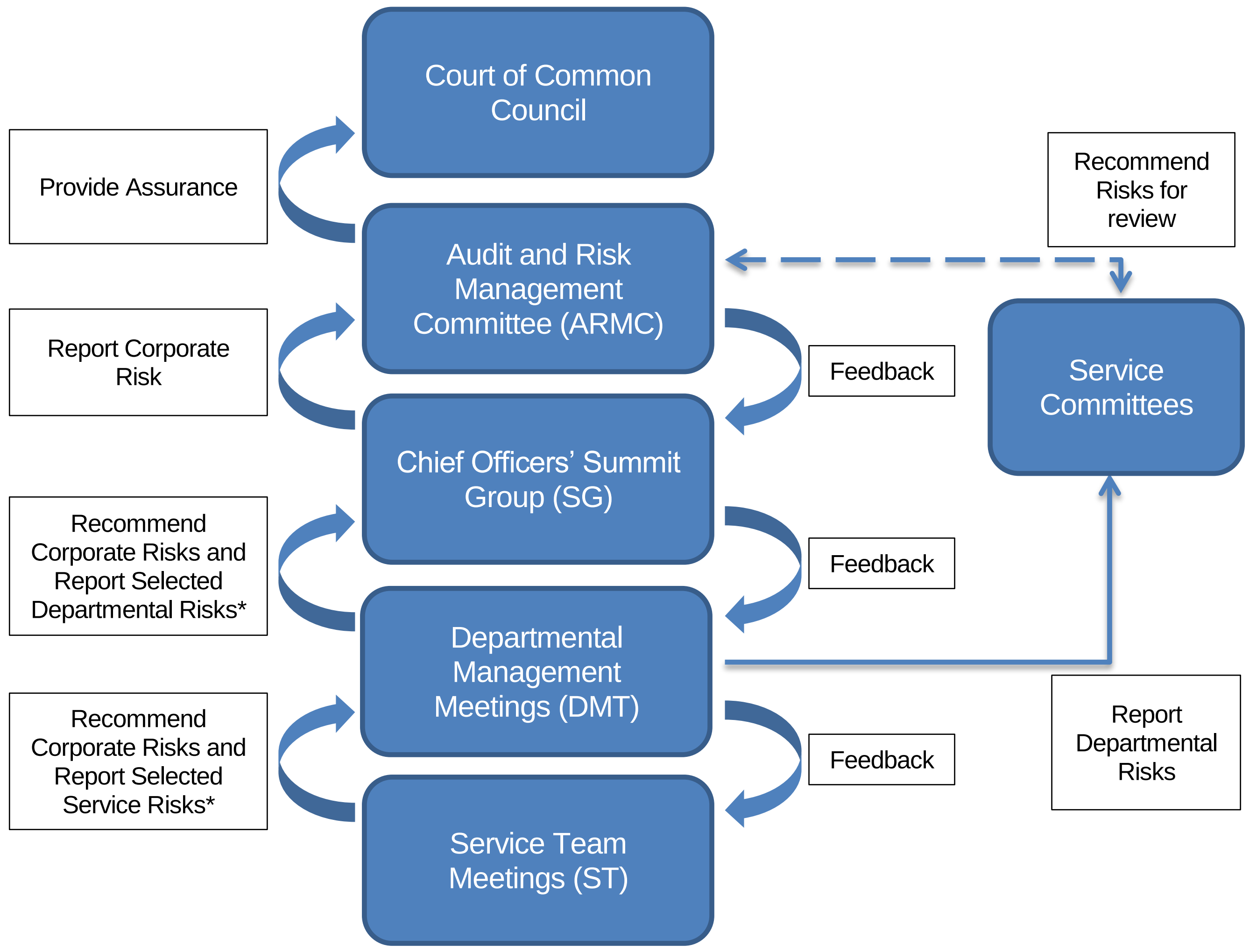
Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance).

Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

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

Reporting Criteria		
Corporate reviews	**ARMC**	Approve Corporate risks
	SG	Review Corporate risks and review all Departmental risks of score 24 or more.
Departmental Reviews	**DMT's**	Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more
	ST's	Identify Corporate/Departmental risks and review all Service risks of score 6 or more
	Team meetings /121's	Identify potential Corporate/Departmental risks and review all current risks



*exception basis

Risk Registers

Below lists these key reports along with their escalation criteria (based on risk score).

Corporate Risk Register	The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporations risk registers as directed by the Members and approved by the Town Clerk and Chief Officers.
Top Risk Register	This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officers Summit Group (SG). Risks which are escalated here are those with a risk score of 24 or more.
Departmental risk register	This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's). Risks which are escalated here are those with a risk score of 16 and above.
Service risk register	This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (SMT's) Risks which are escalated here are those with risk score of 6 and above.
Programme and Project risk registers	Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be managed through the corporate Project framework.

Challenging environment

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

Audit and Risk Management Committee	On a periodic cycle each Corporate risk is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Elected Members to directly question on any areas of interest.
Chief Officers' Summit Group	Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk management Committee.
Departmental Risk Coordinators	The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support. The Risk Coordinators meet on a 6 monthly basis contain representatives from the City of London Police, Internal Audit, Health and Safety, Emergency Planning, Performance and Insurance.

Glossary of Key Terms

Consistent understanding and application of language provides a sound basis for embedding risk management. To promote this consistency, the following key terms are defined below:

Term	**Definition**
Cause	Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty. Causes themselves are not uncertain since they are facts or requirements.
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes. One or more of the following criteria must apply: ▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities. ▪ A risk that has significant impact on multiple operations if realised. ▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk. Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring. Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.

Term	Definition
Original / Gross risk	The assessed level of risk on the basis that no mitigating controls are in place.
Risk	The effect of uncertainty on objectives.
Risk Management	The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Strategic risk	Risks arising from or relating to long term departmental objectives.
Target risk	The level at which the risk will be deemed as acceptable.