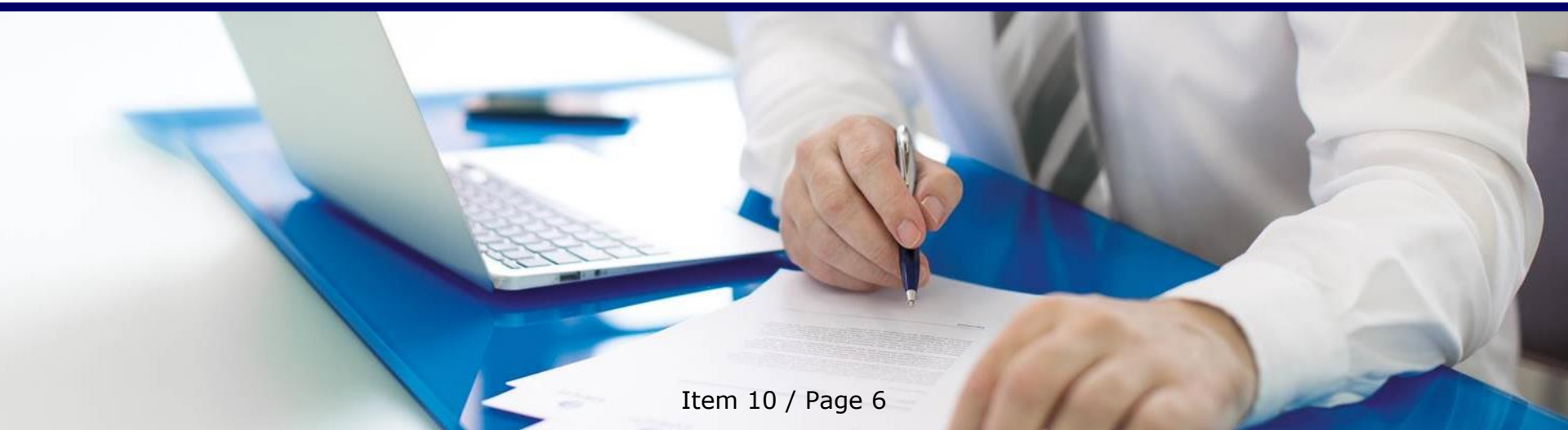


Risk Management Health Check

David Penter, Strategic Risk Consultant
Zurich Risk Engineering
January 2016



Contents

Topic	Page No.
Summary	3
Summary of suggested actions	4
Observations & potential improvements	
• Leadership & management	5
• Strategy & policy	5
• People	6
• Partnerships, Shared Risks & Resources	6
• Processes	7
• Risk Handling & assurance	7
Appendix A – List of people interviewed	8
Appendix B – Alarm National Performance Model	9

The matters arising and reported within this document and identified as part of our work are not necessarily a comprehensive statement of all the improvements that may be required. Our assessment has been performed from a document review and limited discussions only. This document is prepared solely for the use of the Warwick District Council. Details may be made available to specified external agencies, but otherwise this document should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the document has not been prepared, and is not intended, for any other purpose. This exercise constitutes an **Item 10 / Page 7** piece of work and should not be construed as an audit of controls.

Background

Warwick District Council commissioned the Strategic Risk Practice of Zurich Risk Engineering to undertake a health check of their approach to risk management. This was achieved through a desktop review of documentation, supplemented by interviews with a number of senior managers and Councillors (see Appendix A). The interviews were intended to encourage open discussion around the organisation's existing risk management approach, framework and processes to identify strengths and areas for improvement. In addition Zurich attended a Finance & Audit Scrutiny Committee meeting at which risks were discussed by members. We also attended a Senior Management Team meeting at which the most significant risks to the Council were discussed by officers.

Methodology

Zurich have adopted the Alarm National Performance Model for Risk Management in Public Services as the tool to measure the maturity of risk management processes at the Council. The model breaks down risk management activity into a number of areas (leadership & management, strategy & policy, people, partnership, shared risks & resources, processes & tools and risk handling & assurance). All of these contribute to the overall outcomes & delivery for the Council.

The model enables an assessment to be made around the extent to which risk management is having a positive effect on the organisation. The five levels of maturity are as follows:

Level 1: Risk management is **engaging** with the organisation

Level 2: Risk management is **happening** within the organisation

Level 3: Risk management is **working** for the organisation

Level 4: Risk management is **embedded and integrated** within the organisation

Level 5: Risk management is **driving** the organisation

Detailed descriptors of the maturity levels for each of the elements of the model are set out in Appendix B.

Conclusions

Interviews and conclusions drawn from discussions amongst members at the Finance & Audit Scrutiny Committee revealed that a lot of focus has been given to risk management processes over the past four years which has led to improvements in practice. It was clear that members valued the risk information provided to them and saw it as integral to their ability to perform their role. The level of challenge provided ensured that officers and portfolio holders are held to account for management of risk.

At the Strategic Management Team level, risk management practices and outcomes are well understood. Further context could be provided by formalising an approach to developing and understanding the risk appetite of the organisation and by more effective integration of risk and performance reporting.

Beneath the Senior Management Team there are opportunities to enhance some of the tools and processes adopted to assist in managing risk to make them more accessible to the wider organisation.

Based on the definitions within the model, our overall view is that risk management is **working** for the organisation. The following pages provide further detail around our conclusions together with suggestions for improvement.

Summary of suggested actions

Category	Suggested Actions
Leadership & Management	1. Undertake further work to define the risk appetite for the organisation and what that means in terms of decision making
	2. Consider opportunities for integrating risk management and performance management reporting
	3. Re-iterate the guidance on completion of the risk section within committee papers to drive quality of risk assessments
Strategy & Policy	4. Consider splitting the existing strategy into separate documents covering policy (longer term aims) and framework (tools)
	5. Improve communications about risk management principles e.g. through the intranet or desktop guides
People	6. Review the role and effectiveness of the Risk Management Group
	7. Allocate individual SMT owners to risks on the significant business risks register
Partnerships, Shared Risks & Resources	8. Consider whether some of the principles applied to contract risk management can be applied equally to partnerships
	9. Review the mechanisms by which the Insurance & Risk Officer can input further to strategic risks and decision making
Processes	10. Consider the specific application of risks on the significant business risk register to individual service areas
	11. Increase the visibility of risk registers to enable common risk types to be identified across the organisation
	12. Review the criteria for evaluating project risks to make it more specific to time, cost and quality of delivery
Risk Handling & Assurance	13. Include the target risk level in reporting to aid understanding of when additional management actions should and should not be considered
	14. In evaluating risks ensure that the full range of impacts are considered

Leadership & Management

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether senior management support and promote risk management

Individuals acknowledged the positive steps taken as part of a four year action plan to drive risk management improvements. The discussions at the Finance & Audit Scrutiny Committee demonstrated a clear commitment to ensuring that risks are managed robustly. In addition to the risks identified on the significant business risk register, visibility was also given to emerging concerns which may be included on the register following further evaluation. Outside of the formal and documented risk management processes, senior management were able to describe decisions made which had clearly demonstrated an understanding of risk in evaluating options e.g. leisure centre outsourcing.

In order to drive improvements in this area the Council should consider the following:

1. Further work should be undertaken to ensure that there is a common understanding of risk appetite to inform Council strategies and decision making. We understand that the Audit & Risk Manager is preparing an options paper around this.
2. There have been changes in the way performance is monitored and measured and, as new reporting mechanisms become embedded, it may provide further insight and value to better integrate risk and performance reporting.
3. The standard format of Committee papers includes a section on risks. The quality of these submissions is viewed as mixed so it would be useful to re-iterate the guidance to drive improvement.

Strategy & Policy

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether clear strategies and policies exist for risk management

The risk management strategy sets clear objectives for the process and how these objectives will be achieved. There is evidence to support how the majority of these deliverables are being met. The strategy is reviewed on an annual basis with a report provided to the Finance & Audit Scrutiny Committee setting out progress made and the results of the Audit & Risk team’s own self assessment against the Alarm model used within this report.

Opportunities to enhance the strategy and policy framework are as follows:

4. The existing document comprises a mix of policy/strategy (longer term aims of risk management) together with the framework (day to day tools). Consideration should be given to clearly separating these elements. In doing so the policy could include a commitment statement from the CEO or risk champion to drive engagement while the framework should include guidance on the application of risk management (ie. identification, evaluation, risk and escalation) and the supporting tools.
5. Communication of the policy and principles of risk management could be improved to enhance understanding within the wider organisation. Mechanisms for doing this are through the intranet and/or by providing a one page summary of requirements which can be used as a desktop prompt for members of staff about sources of risk, how to raise risks and how to evaluate them.

People

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether people are equipped and supported to manage risk well

A Risk Management Group exists to assist in driving effective risk management across the Council. Some discussions have taken place regarding the continued existence of this group due to challenges with engagement and attendance. Risk management training has been offered by the Audit & Risk Manager to raise awareness and capability amongst both staff and members. As previously discussed there is evidence of risk awareness but greater understanding of risk appetite would provide clarity around the parameters within which decisions can be made.

Potential improvements in this area are as follows:

- 6. The role and effectiveness of the Risk Management Group should be reviewed. In particular its objectives refer to the identification of cross-cutting and strategic risks but it has not been used for this purpose. Also, it is not clear that the existing membership would be best placed to do that.
- 7. At present the Senior Management Team have a collective responsibility for the effective management of the risks on the significant business risk register. This should not change but it would drive accountability if there was a clear owner for each risk who would be responsible for overseeing the delivery of the agreed action plan.

Partnerships, Shared Risks & Resources

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether there are effective arrangements for managing risks with partners

At the tender stage risks are identified which are owned by the Council, the contractor and which are shared. As part of their submission contractors are asked to set out the mitigation for those risks which they own. A partnership questionnaire exists which captures information about the activities and outputs of the partnership and whether specific risks have been identified. For those questionnaires reviewed, no specific risks were identified.

The Insurance & Risk Officer is part of the Audit & Risk team and is therefore well placed to provide insight on risk mitigation strategies which include an element of risk transfer. To date this insight has tended to be limited to health and safety risks.

In order to drive improvements in this area the Council should assess the following recommendations:

- 8. Consider whether some of the principles adopted as part of the contract risk management approach can be used to better manage common or shared risks with key partners.
- 9. Consider mechanisms by which the Insurance & Risk Officer can have further input into both strategic decision making (e.g. through the risk section in committee papers) and advising around financing of risks on the significant business risk register.

Processes

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether the organisation has effective risk processes to support the business

Continuity plans have been developed for each of the six main service areas. These have been reviewed with the Civil Contingencies Officer and testing is to be carried out during this year. Risks are identified and reported at a service level and reviewed on a rotation basis at each meeting of the Finance & Audit Scrutiny Committee. In order to assist with risk identification at service level the Risk Management Group identified a number of generic risks to be considered by each service.

In order to drive improvements in this area the Council should consider the following:

- 10. Individual services should consider how those risks on the significant business risk register apply to their areas so that more detailed and specific risks can be articulated at that level.
- 11. Consideration should be given to making risk registers more visible within the organisation e.g there are no current mechanisms to enable all Finance or Health & Safety risks to be identified across the organisation. This would help in terms of understanding cross cutting or aggregated risks and co-ordinating management actions.
- 12. The criteria for assessing project risks is the same as for business risks. The Council should adopt a different set of criteria which is more specific to the time, cost and quality of delivery of projects. We also noted different formats for project risk registers and a clear standard would help to drive consistency.

Risk Handling & Assurance

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
---------------------	----------------------	--------------------	---------------------	--------------------

This section seeks to determine whether risks are handled well and the organisation has assurance that risk management is delivering successful outcomes and supporting creative risk-taking

The Annual Governance Statement provides the principle mechanism for self assessing the effectiveness of controls in mitigating risks. This process is being reviewed to make it more focused. Some metrics are provided to the Senior Management Team about the effectiveness of the risk management process but consideration should be given to whether they drive the appropriate behaviours. As previously noted the Council is identifying emerging concerns and discussing them as part of the review of the significant business risk register.

Other considerations in this area are:

- 13. The Council should include the target level of risk in its reporting. This will help in determining the extent to which additional management action is either possible or economic and therefore in managing expectations of members.
- 14. Based on the interviews conducted, there is a perception that the process is unduly concerned with financial impacts. While the evaluation criteria refer to operational and reputation impacts there may be an opportunity to record all impacts at the risk evaluation stage.

People Interviewed

The following people were interviewed as part of this exercise:

- Chris Elliott, Chief Executive
- Andrew Jones, Deputy Chief Executive
- Bill Hunt, Deputy Chief Executive
- Rob Hoof, Head of Neighbourhood Services
- Graham Folkes – Skinner, Policy & Performance Officer
- Rose Winship, Head of Cultural Services
- Mike Snow, Chief Finance Officer
- Sam Collins, Civil Contingencies Officer
- Richard Barr, Audit & Risk Manager
- Christine O'Rourke, Insurance & Risk Officer
- Cllr Andrew Mobbs, Leader of the Council

Appendix B

Alarm National Performance Model for Risk Management



	Leadership & Management	Strategy & Policy	People	Partnership, Shared Risk & Resources	Processes	Risk Handling & Assurance
Level 5 Driving	Senior management uses consideration of risk to drive excellence through the business with strong support and reward for well-managed risk taking	Risk management capability in policy and strategy making helps to drive organisational excellence	All staff empowered to be responsible for risk management Organisation has a good record of innovation and well-managed risk taking Absence of blame culture	Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed	Management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success	Clear evidence that risks are being effectively managed throughout the organisation Considered risk taking part of the organisational culture
Level 4: Embedded & Working	Risk championed by CEO. Board & senior managers challenge risks to the organisation & understand their risk appetite. Management leads risk by example	Risk handling is an inherent feature of policy and strategy making processes. Risk management system is benchmarked & best practices identified & shared across organisation	People are encouraged and supported to take managed risks through innovation Regular training and clear communication of risk is in place	Sound governance arrangements are established Partners support one another's risk management capability and capacity	Framework of risk management processes in place & used to support service delivery Robust business continuity management system in place	Evidence that risk management is being effective and useful for the organisation and producing clear benefits Evidence of innovative risk-taking
Level 3: Working	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite	Risk management principles are reflected in the organisation's strategies and policies. Risk framework is reviewed, developed, refined and communicated	Core group of people have skills & knowledge to manage risk effectively & implement risk framework Staff aware of key risks and responsibilities	Risk with partners & suppliers is well managed across organisational boundaries Appropriate resources in place to manage risk	Risk management processes used to support key business processes Early warning indicators & lessons learned reported Critical services supported through continuity plans	Clear evidence that risk management being effective in all key areas Capability assessed within a formal assurance framework and against best practice standards
Level 2: Happening	Board/ councillors and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented	Risk management strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities established, key stakeholders engaged	Suitable guidance is available and a training programme has been implemented to develop risk capability	Approaches for addressing risk with partners being developed & implemented Appropriate tools are developed and resources identified	Risk management processes being implemented and reported on in key areas Service continuity arrangements being developed in key service areas	Some evidence that risk management is being effective Performance monitoring & assurance reporting being developed
Level 1: Engaging	Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve	Need for risk strategy & risk-related policies identified & accepted. Risk management system undocumented with few formal processes present	Key people aware of the need to address risks principles & increase capacity & competency in risk management techniques through appropriate training	Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk	Some stand-alone risk processes identified and are being developed Need for service continuity arrangements has been identified	No clear evidence that risk management is being effective