Risk Management Health Check - Central Bedfordshire Council

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Strategic Risk Practice
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Zurich Municipal

Contents

1. Introduction & Methodology

Zurich have been commissioned by Central Bedfordshire Council to review risk management arrangements across the organisation. In order to measure the maturity of risk management a performance model has been used which breaks down risk management activity into six categories that contribute towards effective risk management arrangements within an organisation:

Risk Culture & Leadership	Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management
Governance	Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas.
Risk Appetite & Strategy	Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised
Methodology	Assessing whether effective risk processes and tools are in place in order to support the organisation
People & Training	Evaluating the level of risk management skills, knowledge and capacity across the organisation
Projects, Partnerships & Supply Chain	Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers

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 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

A series of observations and recommendations are outlined in the following slides for consideration.

2. Executive Summary

Central Bedfordshire have undertaken significant work in managing risk to their strategic objectives and the organisation recognises the value that an effective risk management framework can bring. This is evidenced by recent initiatives intended to reinvigorate operational risk management and improvements in the governance of projects.

However, the organisation's overall risk management effectiveness is fundamentally undermined by the approach to risk within Directorate areas, which is comparatively poor. This has the potential to impact on the performance of service delivery, result in key risks to the organisation not being identified or managed sufficiently and could result in a loss of stakeholder confidence should risks materialise which haven't been identified or mitigated appropriately.

It is the commonly held view of risk practitioners that a strong engagement to risk management at the top of the organisation is the critical component which underpins an effective risk management framework. It is our belief that this exists amongst Senior Officers within Central Bedfordshire and this will allow the organisation to realise the opportunities outlined within this report.

Four priority areas are outlined below:

1. Improve the link between strategy and risk by developing the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk whilst being conscious of releasing such information into the public domain.
2. Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices.
3. Review Risk Management tools and processes to ensure they support Directorate risk management effectively.
4. Improve the level of risk management capability and awareness across Member and Officer groups, tailored to needs.

Within these key areas there are several suggested steps which could help the organisation to embed a robust risk management process and attain higher levels of maturity. The following pages provide further detail around our conclusions together with recommendations for improvement.

3. Observations & Recommendations

Risk Culture & Leadership

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management

It was clear that a strong priority is placed by the Council on identification and management of strategic risks with quarterly reviews by CMT and more wide scale reviews on a periodic basis to consider the comprehensive internal and external risk landscape. Although not all interviewees had an awareness of the content of the strategic risks those that did felt that the register was a robust document and whilst the focus of this review is on the wider framework rather than the content of risk registers this appeared to be the case from our perspective.

The Strategic Risk Register is shared with the Audit Committee by the Head of Internal Audit & Risk on a quarterly basis but at present it is not reported to or formally discussed with the Executive. Having a shared focus on those key risks which could undermine the achievement of strategic objectives can be a powerful tool for both Senior Officers and Members to discuss, agree upon and align priorities around and the council should consider the involvement of the Leader of the Council and the Executive in the risk management framework, particularly in how it relates to the Council's strategic plan and corporate priorities.

Beyond strategic risks it is also vitally important for any organisation to have a robust process around operational risks as transparency and communication of risks which arise from service and operational delivery can support the delivery of these services and provide assurance to key stakeholders. In recent months the Head of Internal Audit and Risk has sought to reinvigorate this process and whilst some progress has been made in raising the profile and engagement in the process it is clear that the importance and value placed on Risk Management within many Directorates is not at the expected level with inconsistent levels of engagement and application. At present the Council is behind many peer organisations.

Given the priority placed on the strategic risks and the engagement of Directors within that process it is somewhat surprising that Directorate risk appears to be treated with relative apathy, with much of the work at this level being driven by risk coordinators rather than formally within a DMT environment. One potential reason for this apparent lack of engagement is the fact that Directorate risk is not a key driver for performance and is not currently formally communicated to members outside of the Audit Committee.

As discussed in relation to the Strategic Risks, the role of leading Members can be immensely beneficial in the risk management process if channelled in the correct way. Reporting of Directorate risk information to Portfolio Holders is a common practice for many Authorities and can provide a closer link with performance beyond the centralised reporting to Audit Committee. This can be achieved without releasing such information into the public domain, if required. Another consideration would be for Directorates, perhaps on a rotating basis, to attend Audit Committee in order to present their Directorate risks.

Recommendations:

1. Develop the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk, as relevant and to be aligned with existing processes such as PFMT. This can be achieved without releasing such information into the public domain, if required.

2. Address the sentiment that Directorate risk isn't seen as a relative priority, perhaps initially within a CMT meeting, in order to understand the common challenges and to agree a collaborative solution.

3. Observations & Recommendations

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Governance

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas.

Governance around the Strategic risk register appears relatively robust with the review and reporting schedule to CMT and Audit Committee an established and working process. However, there is relatively limited specific assurance activity (such as mapping of controls or formal audits) due to the potential conflicts posed by the Head of Audit also functioning as the Head of Risk. As already discussed in this report, the reporting arrangements could be developed with regards to the role Executive Members have within the process and a further area of consideration is for the sharing of the Strategic Risk Register with members of DMT's in order to inform and shape their local risk profile.

Whilst risk registers for Directorate (and many service) areas exist, it was felt that this is not an embedded process and the quality of risk information was very inconsistent across the council with examples of key risks being omitted, poor risk articulation and missing risk information. This therefore represents a limited governance and assurance environment for risks to service and Directorate objectives emanating from these areas for the council. Some interviewees felt that whilst the formal process of Risk Management wasn't particularly embedded within the Directorates, and there was limited discussions at management teams, the management of risk was still being considered within Directorate areas, albeit informally. It should be noted that this view is held for management of business risk at the operational level rather than management of fundamental operational risk such as safeguarding or health and safety, which was not the subject of this review.

It was articulated that the organisation is in a strong financial position, has had few high profile failures and has a good reputation within the sector. Some interviewees felt that this had possibly led to a degree of complacency within the organisation with regards to the formal process of risk management whilst others felt that there was reluctance in some areas to formally articulate sensitive or challenging risks which may not have a sufficient level of mitigation at present through fear of negative perceptions or additional scrutiny.

Ultimately, it appears that whilst Directorate / operational risk registers have largely been present in some format for a number of years there has been limited scrutiny, training or resource and support to develop best practice and consistency across the organisation. Whilst a network of risk coordinators has been formed across Directorate areas to support this process they have not been provided with formal training or tailored support to deliver their roles effectively. Furthermore, the risk matters forum is not as focussed as it could be upon Directorate risk, having a wider remit, and neither is it particularly well attended by Directorate risk coordinators.

Recommendations:

3. Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices. Options include utilising external partners to facilitate workshops, developing the role and responsibilities of risk coordinators or increasing the capacity within Audit.
4. Share the Strategic Risk Register with members of DMT's and discuss key risks in order to inform local risk profiles and vice versa and enable a better quality of risk discussion
5. Revisit the format and attendance of the risk matters forum and consider placing Directorate risk at the forefront of meeting agendas.

3. Observations & Recommendations

Risk Appetite & Strategy

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised

The risk management strategy document was last reviewed in 2015 and is due to be updated. This presents an opportunity to refresh the overall approach, to communicate it clearly within the organisation and make the requirements of the process more visible to all employees. Elements of the strategy which should be addressed as part of the refresh are outlined below:

- Include a diagram visualising the risk management process – this supports the appreciation of the full process and the steps involved – and structure the document around these steps. See appendix 3 for an example.
- Strengthen the policy statement from the Chief Executive and Chair of Audit Committee to include engagement of senior management in formal process – set expectations.
- Simplify the structure and some of the wording within the document to focus on the key areas and improve
- Be more explicit in the expectations for the risk coordinator role and responsibilities and ensure this forms part of their job description and performance objectives.

The Council is exploring new areas of opportunity and risk such as the crematorium and car parking commercial ventures. Whilst risk appetite is discussed within the Council it is not an area that has been formalised to date. With increasing levels of commercialism and a challenging financial climate many local authorities are formally articulating their appetite towards different categories of risk to support the alignment of risk taking across the Member and Officer populations. This is something the Council should look to consider in the future, once more fundamental aspects have been addressed.

Recommendations:

6. Consider the suggestions made with regards to the risk management strategy
7. Articulate the council's appetite to risk across a variety of risk categories to support decision making and alignment of risk taking.

Methodology

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Assessing whether effective risk processes and tools are in place in order to support the organisation.

The Council has a risk management system, JCAD, but many interviewees felt that the system was overly complex and not fit for the needs of the organisation. As this was posing a barrier to Directorate engagement the Head of Internal Audit and Risk, understandably, agreed that spreadsheet risk registers would be acceptable as an interim position until a more user friendly system became available.

Risk Management systems can add value through improved data analysis, governance and reporting processes but a critical requirement is the usability and buy in from Directorate areas and this needs to be a key part of the planning and requirements stages for any future initiative. It is anticipated that the incoming Performance Management system may be able to offer a solution to this challenge.

The spreadsheet risk registers that have been adopted are structured around Council Priorities and Service Objectives. Whilst this is a key part to the identification of risks, their inclusion in this fashion within the risk register can serve to distract from the key risks facing service areas, which may not directly relate to articulated objectives or may cut across a number of objectives. Spreadsheets could also benefit from a simpler design and the inclusion of a risk matrix.

Risk guidance has been provided with the strategy document and through a 'refresher' document. Whilst these serve as a useful reminder to Officers with a good understanding of Risk Management there is a need for risk tools and guidance to be strengthened, particular as there is limited central resource to support services. Therefore, the council should produce a short 'toolkit for managers' which can provide guidance to managers in how to identify, assess and manage risk.

Recommendations

8. Include Directorate risk coordinators in the scoping and development of an alternative risk management system to JCAD.
9. Adapt the risk register spreadsheets as outlined. Zurich have template risk registers that can be adapted to support this recommendation.
10. Produce a short risk management toolkit to provide guidance to managers on how to identify, assess and manage risk.

3. Observations & Recommendations

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People & Training

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Evaluating the level of risk management skills, knowledge and capacity across the organisation

Based on the discussions held and the documentation provided it appears that strategic risk is understood and managed, but given the challenges outlined previously with the reviewed Directorate risk registers it was generally felt that the expertise and capabilities to engage in the formal risk management process at the operational level was relatively low across the council compared to peer organisations.

The role of the Head of Internal Audit and Risk entails an oversight of the Risk Management framework and the reporting of risks to CMT and Audit Committee but there is very limited resource to support risk management within Directorate areas. As such, it is of vital importance that Directorate areas have a greater level of expertise to enable them to be self-sufficient. The Risk Coordinator role could be a key driver in this regard but it was felt that they require additional training to enable them to provide a more effective 'critical friend' type role.

Similarly, interviewees were of the view that relevant Members would benefit from training to give them an overview of risk management and an appreciation of their role within the process, particularly if the reporting of risk is extended.

Recommendations
11. Formal training intervention for Risk Coordinators and relevant Members to develop their role within the risk management framework.
12. Thought to be given to the training needs for DMT members and risk owners within Directorate levels. Awareness training could potentially be combined with facilitated workshops referenced in recommendation 5.

Projects, Partnerships & Supply Chain

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational

Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers

Transformation, partnerships, outsourcing and other alternative delivery models are becoming increasingly common within Local Government and, from a risk management perspective, it important to understand how risk is to be managed within such arrangements and to ensure that appropriate risk information feeds back into the strategic and Directorate risk arenas.

The council has previously had a devolved approach to project management but recently reviewed the approach to projects and has set up two boards which provide a governance framework for 'priority' externally and internally focused projects respectively. This represents a significant step forward for the organisation and risk is a key feature within the project management approach at the council and risk is reported to the project boards and onwards to the CMT, as relevant, on a regular basis.

Whilst risk associated with major partners and suppliers appeared to be managed there is, comparatively, less of a structured approach and guidance on how risk with partners and suppliers is to be managed generally across the council. Given the dependence on such arrangements to deliver key services for the Council this represents an area of weakness. In isolation the management of risk with partners and suppliers would be considered to be 'In Development'.

Recommendations:
13. Develop guidance, in conjunction with the Council's Procurement team, for managing risks within partners and suppliers adopting a segmented approach focussing on those which represent a greater level of risk to the council. Risk guidance should be part of a wider contract management approach and include topics such as communication on emerging risks and maintenance of joint risk registers.
14. For each of these areas, consider how risk is reported to both CMT and Directorate areas to ensure necessary risk information informs the relevant risk profiles.

4. Potential Areas for Zurich Support

Within the Council's insurance program with Zurich there is an allowance for risk management services. Outlined below are potential areas for further support from Zurich, aligned to the recommendations within this report, which would utilise this allowance at no additional cost to the Council.

Focus Area	Deliverables
Risk Management training with Risk Coordinators and Members	Development of risk management awareness and capabilities through the delivery of formal training. These interactive sessions raise awareness of risk management principles and benefits, provide an overview of the process at the organisation and outline key tools and techniques.
Risk Workshops with Operational Teams	Working with Directorate teams to identify, analyse and prioritise the key risks which could stop them achieving their objectives. The scope and extent of support can be tailored and our work typically involves facilitated workshops and a refreshed risk register as a key output.
Risk Management Policy and Tool Development	Assisting with the review and rewriting of the Risk Management policy and the development of tools such as a risk management toolkit and the spreadsheet risk registers.

Appendix 1 – List of Interviewees

Name	Role	Directorate
Charles Warboys	Director of Resources	Resources
Clint Horne	Head of Internal Audit & Risk	Resources
Iain Berry	Assistant Director, Assets	Community Services
Tracey Harris	Assistant Director, Environmental Services	Community Services
Branwen Harris	Head of Transformation & Resources	Children's Services
Alison Hunt	Performance & Improvement Manager	Regeneration & Business

Appendix 2 – Summary of Recommendations (1)

Section	Recommendation
Risk Culture & Leadership	Develop the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk, as relevant and to be aligned with existing processes such as PFMT. This can be achieved without releasing such information into the public domain, if required.
	Address the sentiment that Directorate risk isn't seen as a relative priority, perhaps initially within a CMT meeting, in order to understand the common challenges and to agree a collaborative solution.
Governance	Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices. Options include utilising external partners to facilitate workshops, developing the role and responsibilities of risk coordinators or increasing the capacity within Audit.
	Share the Strategic Risk Register with members of DMT's and discuss key risks in order to inform local risk profiles and vice versa and enable a better quality of risk discussion
	Revisit the format and attendance of the risk matters forum and consider placing Directorate risk at the forefront of meeting agendas.
Risk Appetite & Strategy	Consider the suggestions made with regards to the risk management strategy
	Articulate the council's appetite to risk across a variety of risk categories to support decision making and alignment of risk taking.

Appendix 2 – Summary of Recommendations (2)

Section	Recommendation
Methodology	Include Directorate risk coordinators in the scoping and development of an alternative risk management system to JCAD.
	Adapt the risk register spreadsheets as outlined. Zurich have template risk registers that can be adapted to support this recommendation.
	Produce a short risk management toolkit to provide guidance to managers on how to identify, assess and manage risk.
People & Training	Formal training intervention for Risk Coordinators and relevant Members to develop their role within the risk management framework.
	Thought to be given to the training needs for DMT members and risk owners within Directorate levels. Awareness training could potentially be combined with facilitated workshops referenced in recommendation
Projects, Partnerships & Supply Chain	For each of these areas, consider how risk is reported to both CMT and Directorate areas to ensure necessary risk information informs the relevant risk profiles.
	Develop guidance, in conjunction with the Council's Procurement team, for managing risks within partners and suppliers adopting a segmented approach focussing on those which represent a greater level of risk to the council. Risk guidance should be part of a wider contract management approach and include topics such as communication on emerging risks and maintenance of joint risk registers.

Appendix 3 – Example Process Diagram

Step	Activity
Establishing the context	Understanding of key outcomes and objectives for the organisation, Directorate, service or project being assessed.
Risk Identification	The step where risks to the organisation are identified and described.
Risk Analysis	Assessment of key controls and the prioritising of risks based on likelihood and impact.
Risk Treatment	Deciding what to do about the risks and planning further actions to reduce the risk to an acceptable level where necessary.
Risk Reporting and Monitoring	Risks change and so need regular monitoring and reporting to appropriate stakeholders for decision making and governance purposes.