Lincolnshire County Council
Independent evaluation of risk management maturity

Final report

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1. Introduction and executive summary

Introduction

Background

This report sets out the results of our independent assessment of the Council's risk management maturity on a scale of 1 to 5, where Level 5 is the highest level of maturity. The assessment is based upon the principles of best practice in risk management as recognised by:

- the International Standard ISO 31000
- the British Standard BS31100: 2008
- HM Treasury
- the Institute of Risk Management, and
- ALARM, the Public Risk Management Association.

In this context the level of risk management maturity is described as follows[1]:

Maturity Level	Descriptor
1	Risk management is engaging with the organisation
2	Risk management is happening within the organisation
3	Risk management is working for the organisation
4	Risk management is embedded and integrated within the organisation
5	Risk management is driving the organisation

Scope and objectives

The **scope** has encompassed key aspects of the risk management process, as originally defined by HM Treasury in the Treasury Risk Management Assessment Framework (July 2009) and adapted by ALARM in the National Performance Model for Risk Management in the Public Sector. Specifically it has focused on the seven recognised 'strands' that support an effective risk culture, namely:

Leadership & Management	Strategy & Policy	People
Partnerships, Shared Risks & Resources	Processes and Tools	Risk Handling & Assurance
	Outcomes & Delivery	

Our main **objective** has been to assess the current level of risk management maturity across the Council and to work with you to develop an implementation plan to support continuous improvement of risk management across all Council activities, including collaborative arrangements in their various forms.

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[1] The ALARM National Performance Model for Risk Management in Public Services

Approach

In addition to carrying out a comprehensive review of relevant documentation, we have held discussions with key stakeholders in the risk management process. These are listed below:

Area	Name
Chief Executive	Tony McArdle
Assurance Lincolnshire	Lucy Pledge
Assurance Lincolnshire	Mandy Knowlton Rayner
Assurance Lincolnshire	Debbie Bowring
Finance & Public Protection	Nick Borrill, Chief Fire Officer
Adult Care	Glen Garrod, Director, Adult Care
Children's	Malcolm Ryan, Children's Services Team Manager
Environment & Economy	John Monk, Group Manager
Public Health	David Stacey, Programme Manager

In preparing this report we have attempted to be succinct. We would be pleased to provide any additional detail or supplementary information you require. Please contact the author, Judy Jones.

Executive summary

Key findings

During the review we have found many examples of very good, even exemplary, risk management practice. These include, for example:

- Clear and effective sponsorship of risk management by senior management and elected members

- A well-defined and user friendly risk management strategy, including clearly defined roles and responsibilities

- Development of an industry leading approach to the identification and understanding of risk appetite

- A comprehensive Risk Management Guide & Toolkit, Checklists and Templates

- Engagement with professional bodies such as ALARM (the Public Risk Management Association) and also with CIPFA TISonline

- Regular monitoring and reporting of risk management performance which clearly establishes the value added by risk management to corporate performance.

Conclusions in relation to individual assessment criteria

Our overall conclusion is based on a series of assessments in the seven areas defined in the ALARM National Risk Management Performance Model. On the basis of the evidence obtained we have concluded as follows:

Strand	Assessment of maturity	
Leadership & Management	5	Driving the organisation
Strategy & Policy	4	Embedded and integrated
People	4	Embedded and integrated
Partnerships, Shared Risks & Resources	3	Working

Strand	Assessment of maturity	
Processes and Tools	3	Working
Risk Handling & Assurance	4	Embedded and integrated
Outcomes & Delivery	4	Embedded and integrated

Overall conclusion and recommendations

Our overall assessment is that Lincolnshire CC has reached Level 4 in terms of risk management maturity.

Level 4	Risk management is embedded and integrated within the organisation

As is to be expected, we have identified a number of areas where further development is possible. Our recommendations are attached at Appendix 1.

Reporting and next steps

Our conclusions and recommendations are set out in the following sections of this report. These recommendations provide a roadmap for future improvements. In effect, they create an action-plan designed to further enhance and embed risk management across the Council.

In subsequent years we would be pleased to work with you to review progress made in implementing these recommendations, and liaise with you to ensure that the Council's RM framework remains at the forefront of best practice.

2. Leadership & management

Scope

Key question	Why is this important?
Do senior management and the Executive Board support and promote risk management?	Clear leadership from the very top level of the organisation is essential for risk management to be successful. As risks facing the Council become more complex, senior leaders need to recognise and actively support the continuing importance of risk management and the role of risk management specialists, and 'champions' with risk leadership roles throughout the organisation.

Findings

From the outset of our review it has been apparent that the culture across the Council is heavily influenced by the clear leadership on risk provided by the Chief Executive and other senior leaders. This is evidenced by the pragmatic approach to decision making which encourages innovation and seeks to balance cost, affordability, quality and risks. The willingness to learn from risk events, using 'lessons learned' reviews is further evidence of a 'no blame' culture.

We note that the Corporate Management Board (CMB) and Executive engage proactively in the risk management process. The Audit Committee, Corporate Risk & Safety Group and Directorate Risk & Safety Groups play a major role in this regard. These forums provide an opportunity for full and frank discussion and a broad perspective on current threats and opportunities.

Hungry

Creative and aware

Cautious

Averse

Scale of appetites
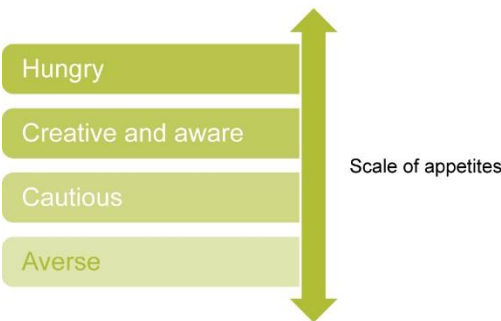
We have been particularly impressed by the Council's risk management (RM) documentation, specifically by the RM Strategy and related toolkit, and by the attention paid to developing a meaningful understanding and articulation of risk appetite. The Strategy document sets out (inter alia): strategic risk management priorities; the structure, roles and responsibilities for delivering the strategy, and a clear statement of risk appetite…

   '*The council wishes to be **creative** and open to consider all potential delivery options with well measured risk-taking whilst being **aware** of the impact of its key decisions.*'[2]

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[2] 'Thinking about risk: Our risk management strategy'

In our experience few similar organisations have such a well-developed approach to understanding their risk appetite. We recognise that the Corporate RM Team propose to update the analysis of risk appetite in the near future and agree that this is required in order to ensure that the risk appetite reflects the current environment.

High level commitment to embedding a risk aware culture is clearly evidenced by a range of factors. We note, for example, the following:

- a clear framework for Risk Governance and Assurance setting out key roles for the Corporate Management Board and the Executive, the Audit Committee, the Risk & Safety Groups, Director Groups & Services and also management, 3rd Parties and Internal Audit

- the continuing commitment to a Corporate RM team which provides ongoing support to Directorates, as and when required, and promotes good practice

- specific reference in the RM Strategy to the Corporate RM team's role in measuring / monitoring the successful implementation of the RM Strategy priorities by demonstrating that the council has a culture which supports well thought through risk taking and innovation, with leadership who support, own and lead on risk management

- the status of, and extent of engagement with, the Council's Audit & Risk Manager

- a willingness to subject the Council's risk management framework to independent review and assessment and to modify the Council's risk management framework where possibilities exist to support further integration and embedding

- forward plans that set out clearly the need to refresh the risk appetite statement whilst recognising that timing is key, given the likelihood of changes in key stakeholders following elections that will take place in May 2017

- ongoing efforts to ensure that risk information is used to guide all major decision-making[3].

Conclusion and scope for further refinement

Level 5: driving the organisation.

Ref.	Details of recommendation
R1	We support the Corporate RM team's plan to update the risk appetite statement and, as a further refinement, recommend that the updated statement should form the basis for an annual review / challenge designed to ensure that the stated appetite remains appropriate given the pace of change. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) suggested questions to facilitate discussion of risk appetite provide a helpful framework for such a challenge. Annex A provides further information on this.

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[3] In this regard we note that Democratic Services have recently agreed to update the member committee papers template so that assurances are provided in relation to risk and impact analysis. By doing so elected members will be able to carry out more effective scrutiny and challenge.

Ref.	Details of recommendation
R2	The Audit Committee is responsible for overseeing the effectiveness of the Councils risk management arrangements. We recommend, therefore, that the Corporate RM team should facilitate an annual risk culture workshop for audit committee members to enable them to scrutinise and challenge the Council's risk culture. The Institute of Risk Management's 'Ten Questions' provide a useful framework for such a challenge. Annex B provides further information on this.

3. Strategy & policy

Scope

Key question	Why is this important?
Are there clear strategies and policies for risk?	The Council's strategies and policies for risk management need to be user-friendly and flexible enough to allow for changes faced by the sector in general, and the Council in particular.

Findings

The RM Strategy

The Council's RM Strategy is succinct, user-friendly and clearly fit for purpose. Its stated aim is...

> …*"to provide an effective framework for the council to manage the key risks facing our services and the successful delivery of our Business Plan 2012-2015"*.

It sets out the Council's strategic risk management priorities, which are:

- Strategic approach to risk management to make better informed decisions which is vital to successful transformational change.

- Setting the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our 'risk appetite' and acknowledging that how we 'think about risk' will be different depending on the context of corporate impact and sensitivity.

- Acknowledging that even with good risk management and our best endeavours – things will go wrong. Where this happens we use the lessons learnt to try and prevent it from happening again.

- Developing leadership capacity and skills in having a clear understanding of the risks facing the council in delivering our services and transformational change and how we manage these risks. Risk management should be integral to how we run council business / services.

- Supporting a culture of well measured risk taking throughout the council's business, including strategic, tactical and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way – thinking about the level of risk, reward, impact and cost of control measures.

- Our approach to risk management is proportionate to the decision being made.

- Effective monitoring and board intelligence on the key risks facing the council.

- Good practice tools to support management of risk which is applied consistently throughout the council.

Good practice tools

The Strategy is now supported by a comprehensive and equally user-friendly Risk Management Guide, Toolkit, Checklists and Templates. The contents include:

- introduction to the risk management cycle and process
- risk management guidelines and activity checklists
- specialist risk skills
- learning activities
- glossary of terms, and
- contacts / resource directory.

The various 'Tools' attached address specific areas of risk management, including the key area of Partnerships[4] (more on this in section 5) and also risk appetite. These documents are drafted in a user-friendly style. They are clearly laid-out and have been updated very recently, the latest version being produced in July 2016.

We take the view that it is consistent with current best practice and creates a very robust platform from which to promote integration and embedding of risk management across the Council. The relevant documents are readily available on the Council's intranet.

We note that the intention is for these documents to be supportive of risk management within Directorates rather than prescriptive. From our discussions with key stakeholders we have observed that the ability to work within the framework whilst allowing some latitude for 'local' interpretation is appreciated. Our overall impression was that the risk leaders in Directorates are confident in their ability to manage risks, and find the guidance provided extremely helpful, yet would not hesitate to request support from the central RM team if required.

Conclusion and scope for further refinement

Level 4: embedded and integrated.

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[4] Tool 6 refers

Ref.	Details of recommendation
R3	We support the Corporate RM team's intention to refresh the RM Strategy in the near future to reflect the current business planning cycle. We note that this will coincide with a refresh of the risk appetite statement and the proposed review of the strategic risk register.
R4	The guidance relating to partnership risks should be expanded. Areas to be addressed within the expanded guidance could include, for example: definition of partnership; drivers, challenges and risks; assessing the need for partnership working; establishing the partnership; operating the partnership; performance measurement and management; accountable body status and associated risks; the partnerships register (if required) and a partnership toolkit comprising a series of good practice checklists. **See also R6**

4. People

Scope

Key question	Why is this important?
Are people equipped and supported to manage risk well?	For risk management to be successful all stakeholders need to be equipped to fulfil their particular role, having both the capability and capacity to manage risk effectively. The degree of change occurring across the Council (and the sector generally) means that it is extremely important to develop, review and maintain an effective risk management training strategy within the context of overall organisational development strategies.

Findings

Risk management roles

The Risk Governance & Assurance structure[5] sets out a clear framework within which risk decisions are taken and defines key risk management roles as follows: …

- The **Corporate Management Board and the Executive** are ultimately accountable for the risk and related control environment. They are also responsible for approving corporate risk policies and setting the level of risk the Council is prepared to accept - its Risk Appetite

- The **Audit Committee** is responsible for overseeing the effectiveness of the Councils risk management arrangements, challenging risk information and escalating issues to the Board/Executive where appropriate;

- The **Risk & Safety Groups** are responsible for the facilitation and co-ordination of risk management activity across the Council;

- **Director Groups and Services** are the "risk-takers" and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities

General training needs for staff and elected members are identified through the normal process of individuals' performance review and personal development plans.

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[5] RM Toolkit page 6

Risk management training

Risk management training has been provided for various stakeholders, including elected members. E-learning modules via Lincs2Learn include, for example 'Modern Councillors'. Risk appetite training was provided in December 2011, and training to members of the Audit Committee in March 2015. More recently, two additional e-learning modules have been developed addressing Strategic Risk training and also Operational Risk Training. Whilst a formal RM Training Strategy has not been developed we note that some progress has been made. Specifically, a RM Training Matrix has been drafted, though it has not been refreshed to reflect more recent developments. There is, however, a clear recognition of the need to re-launch the induction and training package for key members and the new intake following elections in May 2017.

Risk communication

In order to be effective, stakeholders also need the information to enable them to fulfil their role. For example, the Audit Committee need to have information that supports their ability to be…

> *"… responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Board / Executive where appropriate."[6]*

We note that the committee receives reports every 6 months, and that this is supported by Combined Assurance Reports three times a year. This approach has proved to be effective to date. Given the current challenges, however, we would encourage ongoing review of the reporting process to ensure that it remains effective in terms of focus and level of detail. We refer to this in further detail in section 6 of this report.

Conclusion and scope for further refinement

Level 4: embedded and integrated.

Ref.	Details of recommendation
R5	Working with Organisational Development, develop a RM training strategy based on an updated matrix identifying all key stakeholders and their respective training needs. Annex C sets out further information on this.

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[6] Ibid

5. Partnerships, shared risks & resources

Scope

Key question	Why is this important?
Are there effective arrangements for managing risks with partners?	The Council is involved in a wide range of increasingly complex delivery models, many of which involve very significant levels of collaboration. At the same time resources are becoming more stretched. The particular challenge for senior leaders and risk managers is to ensure that risk management arrangements established in this context are fit for purpose from the outset, and remain so at all phases of the collaborative relationship. This question is about the relative effectiveness of risk management relating to all forms of collaborative / shared arrangements. Effective communication and a common language of risk are essential where services are being delivered through such relationships[7]. Formal arrangements for handling risk should be a part of good governance to ensure that risks are handled appropriately and proportionately. This includes insurance and risk management standards and monitoring processes defined in contracts or supplier agreements.

Findings

Effective arrangements for managing risks with partners are under-pinned by two factors:

- knowledge of which are your key partnerships, and

- adherence to best practice governance arrangements (including risk management).

We are aware that the head of Audit & Risk has asked for information on key partnerships across the Council's various Directorates. We are also aware that she is in the process of reviewing Governance arrangements in the light of new guidance from CIPFA / SOLACE[8], including consideration of how this is applied in the context of collaborative arrangements. We believe, therefore, that an opportunity exists to demonstrate the value that is added by risk management, through the development of a specific toolkit addressing this area of risk. To conform to best practice (as originally set out, for example, in the CIPFA Better Governance Forum Risk Management Guidance Note number Eleven – Partnership Risk

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[7] For example a commercial contract, service level agreement or other collaborative arrangement.
[8] 'Delivering Good Governance in Local Government – Framework and Guidance' CIPFA/SOLACE April 2016

Management) we advocate an approach that recognises the two main ways to view a partnership, that is from the perspective of the Council (particularly as Accountable Body) and also from the perspective of the partnership as a whole. We would be pleased to provide an illustrative example of guidance that has been applied elsewhere.

Conclusion and scope for further refinement

Level 3: working.

Ref.	Details of recommendation
R6	**R4** sets out our recommendation relating to the development of a supplementary toolkit addressing Partnership risk management. This should be consistent with the latest guidance on good governance from CIPFA / SOLACE, and make appropriate reference to the results of the proposed internal audit in 16/17 of Partnership Management. We also recommend that the guidance developed should form the basis of partnership risk training workshops OR the development of a specific e-Learning module.

6. Processes and tools

Scope

Key question	Why is this important?
Does the organisation have effective risk management processes to support the business?	To be truly integrated and embedded, risk management should fit seamlessly with other key business processes and be part of 'business as usual' for the Council. The application of a formal framework for identifying and articulating risk appetite is an important component, as is the development of effective processes for managing information risks and business continuity arrangements.

Findings

Risk appetite

This has been addressed earlier in this report, where we have referred to the intention to refresh the statement to reflect current circumstances and the revised Business Plan. We also consider that an annual review would add value, by ensuring that the statement of risk appetite continues to reflect the current environment. (**R1** refers.)

Business processes

On the basis of our various interviews our perception is that risk management is a seamless part of day to day business. In view of the speed of change across the sector, and increasing pressure on resources, we believe there is some merit in increasing the frequency of reporting and refreshing the content of reports to ensure that key and emerging issues are kept in focus.

Information risks and business continuity

We note that Internal Audit Annual report 2015-16 highlights the deterioration of the Council's overall control environment, due largely to the impact of the new financial system and the level of assurance over the Council's Information Management Technology (IMT) function. Reference is also made to[9]:

- problems with implementation of the new finance system (Agresso)
- delays in implementing the new case management system (MOSAIC)

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[9] Internal Audit Annual Report paragraph 19

- ICT governance, service design, service transition and operation
- Information security – records management

We also note that Business Continuity received a 'limited assurance' rating[10] and that…

> '…the experience of implementation of the new financial system AGRESSO has impacted negatively on service performance. Significant staff time has been diverted from direct service delivery to address implementation challenges. Rectification of key aspects of the ICT platform needed to enable the Council to work more effectively. The operational and control issues following implementation of Agresso needs to be resolved. The Cyber Attack in January 2016 also identified some organisational learning to help improve the Council's business continuity arrangements[11].'

Risk culture and risk information

Given that the Council's risk culture promotes:

- Taking the right risks
- Having clear accountability for ownership of specific risks and risk areas (officers and councillors) and
- Having **transparent and timely risk information** throughout the organisation and ensuring early and effective learning both from good practice and also when things go wrong[12]

Earlier in this report we referred to the Audit Committee's responsibility for…

> "…overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Board / Executive where appropriate."[13]

Whilst current reporting arrangements have been effective to date we would encourage ongoing review, to ensure that attention is focused on key risk areas and indicators.

Conclusion and scope for further refinement

Level 3: working.

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[10] Internal Audit Annual Report paragraph 15
[11] Ibid paragraph 20
[12] Annual Governance Statement 2016 page 15
[13] Ibid

Ref.	Details of recommendation
R7	We recommend that the Corporate RM team engages with KRS to discuss best practice from other high performing councils. The objective of those discussions is to consider whether value may be added using alternative / additional report content, and particularly the scope that may exist to include key performance indicators as a means to highlight potential high risk areas.

7. Risk handling & assurance

Scope

Key question	Why is this important?
Are risks handled well, and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?	This is about day to day reality, and specifically about the extent to which risks are handled well and the organisation has assurance that RM is delivering successful outcomes and supporting creative risk taking.

Findings

Risk governance structure

The Council's **Risk Governance** structure is set out clearly in the RM Strategy and in the Toolkit[14] (see graphic to right) along with a description of key roles:

- The **Corporate Management Board and the Executive** are ultimately accountable for the risk and related control environment. They are also responsible for approving corporate risk policies and setting the level of risk the Council is prepared to accept - its Risk Appetite

- The **Audit Committee** is responsible for overseeing the effectiveness of the Councils risk management arrangements, challenging risk information and escalating issues to the Board/Executive where appropriate;

- The **Risk & Safety Groups** are responsible for the facilitation and co-ordination of risk management activity across the Council;

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[14] 'Risk Management for Lincolnshire: RM Guide & Toolkit' page 6

- **Director Groups and Services** are the "risk-takers" and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities;
- As a part of the Councils Combined Assurance model, management, **3rd Parties and Internal Audit** give assurance on the management of risks and the operation/performance of controls.

Key sources of assurance

Combined Assurance Reports

These are produced by each Director on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These are reviewed by the Audit Committee and provide key assurance to support the Head of Internal Audit's annual Audit opinion.

The Internal Audit Annual Report

This report delivers an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and the extent to which the Council can rely on it. The assessment of risk management is that it is *…Green / Amber - performing well, with some improvements required.*

The Annual Governance Statement

This annual statement is prepared in accordance with current good practice and core principals, as defined by CIPFA / SOLACE. In 2016-17 the latest guidance issued by CIPFA/SOLACE in April 2016[15] will be applied. In addition to the documents referred to above, the statement draws on the following sources of information:

- The strategic risk register
- Ombudsman's investigations
- Complaints and lessons learned, and
- Comments by the Corporate Management Board (CMB).

Assurance delivered

The overall conclusion set out in the Annual Governance Statement 2016 is that *…the Council has a strong control environment which is demonstrated by the realistic and open assessment of its functions and activities*. It is apparent that the Council recognises a number of

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[15] 'Delivering Good Governance in Local Government – Framework and Guidance' CIPFA/SOLACE April 2016

issues where further work is required to improve systems, or monitor how key risks facing the Council are being managed. These include reference to the IMT (SERCO), Case Management System (MOSAIC), establishing the Combined Authority, and Risk Culture.

Supporting creative risk taking

We have seen no evidence of a focus on the 'down-side' of risk. We have observed a commitment to identify opportunities and seek to exploit them in a responsible and well-managed way. It is evident that risk management is contributing to the Council's confidence as an innovative and high-performing organisation.

Conclusion and scope for further refinement

Level 4: embedded and integrated.

No recommendations to make.

8. Outcomes & delivery

Scope

Key question	Why is this important?
Does risk management contribute to achieving outcomes?	Although the Council is using risk management to help deliver change, there is a continuing need to draw attention to examples where risk management has made a positive impact in order to demonstrate how it makes a difference. Such evidence serves to highlight examples of good practice and innovative approaches to managing a wide range of threats and opportunities.

Findings

On the basis of the various interviews we carried out as part of this review, it was apparent that risk management is widely valued as a useful business tool and is regarded as one of the key skills required of the Council's employees. In many cases we perceived a genuine enthusiasm for risk management, including one example of a Directorate where an employee is currently studying for a master's degree in risk management.

We have observed an obvious willingness to contribute to the ongoing process of integration and embedding.

One recent and clear demonstration of the value added by risk management is the successful submission to the ALARM[16] Risk Awards 2016. The submission included reference to the innovative approach taken to the recent insurance tender exercise, which resulted in:

- the highest response in terms of viable bidders that Lincolnshire had ever seen
- significant financial savings (despite the increase in Insurance Premium Tax), and
- the first public sector employer's liability client for Swiss Re.

This resulted in the Council's Insurance & Risk Lead receiving the RISK PROFESSIONAL OF THE YEAR award.

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[16] The Public Risk Management Association

There is, we believe, one further refinement that the Council may wish to consider, namely the development of a RM Communications Strategy.

Conclusion and scope for further refinement

Level 4: embedded and integrated.

Ref.	Details of recommendation
R8	We recommend that the Council consider the value that may be added by introducing a RM Communications Strategy. The objective is to ensure that relevant information regarding risk management is communicated effectively to all key internal stakeholders. Further information is set out at Annex D.

Appendix 1: Risk management improvement plan

Ref.	Details of recommendation
R1	We support the Corporate RM team's plan to update the risk appetite statement, and recommend that the updated statement should form the basis for an annual review / challenge designed to ensure that the stated appetite remains appropriate given the pace of change. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) suggested questions to facilitate discussion of risk appetite provide a helpful framework for such a challenge. Annex A provides further information on this.
R2	The Audit Committee is responsible for overseeing the effectiveness of the Councils risk management arrangements. We recommend, therefore, that the Corporate RM team should facilitate an annual risk culture workshop for audit committee members to enable them to scrutinise and challenge the Council's risk culture. The Institute of Risk Management's 'Ten Questions' provide a useful framework for such a challenge. Annex B provides further information on this.
R3	We support the Corporate RM team's intention to refresh the RM Strategy in the near future to reflect the current business planning cycle. We note that this will coincide with a refresh of the risk appetite statement and the proposed review of the strategic risk register.
R4	The guidance relating to partnership risks should be expanded. Areas to be addressed within the expanded guidance could include, for example: definition of partnership; drivers, challenges and risks; assessing the need for partnership working; establishing the partnership; operating the partnership; performance measurement and management; accountable body status and associated risks; the partnerships register (if required) and a partnership toolkit comprising a series of good practice checklists. **See also R6**
R5	Working with Organisational Development, develop a RM training strategy – based on a matrix identifying all key stakeholders and their respective training needs. Annex C sets out further information on this.
R6	**R4** sets out our recommendation relating to the development of a supplementary toolkit addressing Partnership risk management. This should be consistent with the latest guidance on good governance from CIPFA / SOLACE, and make appropriate reference to the results of the proposed internal audit in 16/17 of Partnership Management. We also recommend that the guidance developed should form the basis of partnership risk training workshops OR the development of a specific e-Learning module.
R7	We recommend that the Corporate RM team engages with KRS to discuss best practice from other high performing councils. The objective of those discussions is to consider whether value may be added using alternative / additional report content, and particularly the scope that may exist to include key performance indicators as a means to highlight potential high risk areas.
R8	We recommend that the Council consider the value that may be added by introducing a RM Communications Strategy. The objective is to ensure that relevant information regarding risk management is communicated effectively to all key internal stakeholders. Further information is set out at Annex D.

Annex A: Challenging risk appetite[17]

1. On a scale of 1 to 10, with 1 being the lowest, describe what you believe the organization's overall risk appetite has been and what you think it should be. Explain any differences between what you perceive it has been and what you believe it should be. Relate this to your number one strategic goal.

2. Various operations help an organization achieve its objectives. Using the categories below, or other categories consistent with the organization's operations, rate the desired risk appetite related to the following (rating can be broad, such as high, medium, or low, or precise, such as specific metrics that should not be exceeded):

    a. Meeting customer requirements
    b. Employee health and safety
    c. Environmental responsibility
    d. Financial reporting
    e. Operational performance
    f. Regulatory compliance
    g. Shareholder expectations
    h. Strategic initiatives / growth targets

As you rate each category, indicate areas where you believe the organization is taking either too much or too little risk in pursuing its objectives.

3. How would you rate the effectiveness of the organization's process for identifying, assessing, managing, and reporting risks in relation to the overall risk appetite? What are the major areas for improvement?

4. Are management's strategies communicated sufficiently for there to be meaningful discussion of risk appetite in pursuit of those strategies, both at the broad organizational level and at the operational level, and for consistency to be analyzed?

5. How satisfied are you that the board is providing effective oversight of the risk appetite through its governance process? This includes board committees and/or the board itself to help set the appetite and to monitor over time that management is adhering to the overall risk appetite in pursuit of value.

6. Whom do you see as more accepting of risk, or more willing to take risks to meet the goals of the organization?

    a. Management
    b. Board
    c. Management and board have similar levels of acceptable risk

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[17] Source: COSO: Understanding and communicating risk appetite page 16 exhibit 6

7. Does the organization motivate management (senior management and operational management) to take higher than desired risks because of the compensation plans in place? If yes, how do you believe the compensation plans should be modified to bring approaches for generating high performance within the risk appetite?

8. What do you believe the organization should do?

    a. Reduce its risk appetite

    b. Increase its risk appetite

    c. Make no change

9. Do you believe there are risks considered to be above the organization's existing risk appetite that need to be reduced? In other words, are there areas where the risk appetite, as currently used, is too low?

10. What risks over the past five years were, in your view, above the organization's risk appetite? Were the risks understood when a strategy was developed? How could management have communicated its risk appetite so that the board could both (a) evaluate the risk appetite and (b) provide proper oversight? How could management have communicated its risk appetite so as to hold operational units to actions consistent with the risk appetite?

Annex B: Challenging risk culture – ten questions a board should ask itself[18]

1. What tone do we set from the top? Are we providing consistent, coherent, sustained and visible leadership in terms of how we expect our people to behave and respond when dealing with risk?

2. How do we establish sufficiently clear accountabilities for those managing risks and hold them to their accountabilities?

3. What risks does our current corporate culture create for the organisation, and what risk culture is needed to ensure achievement of our corporate goals? Can people talk openly without fear of consequences or being ignored?

4. How do we acknowledge and live our stated corporate values when addressing and resolving risk dilemmas? Do we regularly discuss issues in these terms and has it influenced our decisions?

5. How do the organisation's structure, processes and reward systems support or detract from the development of our desired risk culture?

6. How do we actively seek out information on risk events and near misses – both ours and those of others - and ensure key lessons are learnt? Do we have sufficient organisational humility to look at ourselves from the perspective of stakeholders and not just assume we're getting it right?

7. How do we respond to whistle-blowers and others raising genuine concerns? When was the last time this happened?

8. How do we reward and encourage appropriate risk taking behaviours and challenge unbalanced risk behaviours (either overly risk averse or risk seeking)?

9. How do we satisfy ourselves that new joiners will quickly absorb our desired cultural values and that established staff continue to demonstrate attitudes and behaviours consistent with our expectations?

10. How do we support learning and development associated with raising awareness and competence in managing risk at all levels? What training have we as a board had in risk?

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[18] Source: IRM: Risk culture – under the microscope guidance for Boards page 15

Annex C: Illustrative RM training strategy

Risk Management Training Matrix: DATE

The matrix below summarises the training requirements currently proposed. The second table sets out proposed content at this stage. These are subject to discussion and, where required, clarification and/or amendment.

	Members	Audit Committee	SMT	DMT	CRMG members	DRCG members	Member Champion	Officer Champion	Heads of Service	Service Managers	RIM	Health, Safety and Emergency Planning Manager	Corporate Governance Manager	Auditors	Staff	Project managers	Officers and members involved in partnerships
RM: a strategic overview	✔		✔				✔	✔			✔		✔				
RM: refresher			✔	✔													
The role of the Audit Committee		✔					✔	✔					✔				
The role of the CRMG					✔	✔	✔	✔									
The role of the DCRG					✔	✔		✔									
Advanced RM						✔					✔			✔			

	Members	Audit Committee	SMT	DMT	CRMG members	DRCG members	Member Champion	Officer Champion	Heads of Service	Service Managers	RIM	Health, Safety and Emergency Planning Manager	Corporate Governance Manager	Auditors	Staff	Project managers	Officers and members involved in partnerships
RM for operational managers										✔							
RM: an introduction (induction)									✔						✔		
RM of partnerships					✔	✔					✔			✔			✔
RM of projects											✔			✔		✔	
H&S – general	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
H&S – specific										✔	✔				✔		
BCM – general	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
BCM – specific									✔	✔	✔	✔					

	Members	Audit Committee	SMT	DMT	CRMG members	DRCG members	Member Champion	Officer Champion	Heads of Service	Service Managers	RIM	Health, Safety and Emergency Planning Manager	Corporate Governance Manager	Auditors	Staff	Project managers	Officers and members involved in partnerships
RM of procurement											✔					✔	✔
Sustainability Impact Appraisal																	
Professional RM qualifications											✔						

Training matrix - outline content of recommended modules

Course	Content	Duration
RM: a strategic overview	- RM in context - The benefits of effective RM - The RM Policy, Strategy and related activity - Key roles and responsibilities at strategic level - The Council's top risks - Specific or current issues such as: Collaboration/Partnership, major projects, risks associated with scrutiny and the decision-making process - Open forum	1½ hours
RM: refresher	- RM in context - The RM Policy, Strategy and Toolkit - The Council's approach - Open forum	½ hour
The role of the Audit Committee	**Brief refresh on content of "RM: a strategic overview" (assumes prior attendance)** - The role of Audit Committee members in respect of RM - Key relationships (SMT, CRMG, Cabinet, officer RM Champion, member Champion, Corporate Governance Manager and RIM) - Embedding RM - The strategic risk register - Assessing the adequacy of the RM framework - Holding officers to account - Communication	1½ hours

Course	Content	Duration
	• Open forum	
The role of the CRMG	• RM in context • The RM Policy, Strategy and toolkits • Role and responsibilities of the group and DRMCs • Key relationships (SMT, RM Champions etc) • Communication with Directorates (via the RM Representatives and Champions), the SMT and the Audit Committee • The annual report on RM activities • Taking the RM agenda forward • Open forum	1½ hours
The role of the DCRG	• RM in context • The RM Policy, Strategy and toolkits • The role of the group and Directorate Risk Champions • Using the toolkit • Partnerships and projects • Risk Registers • Communication and feedback	
Advanced RM	• Background, benefits, corporate governance and RM standards • Risk and risk management – key definitions, concepts and terminology • The risk management model • Risk identification • Risk evaluation • Risk treatment • Risk monitoring and review • Specialist areas (partnerships, projects, BCM etc) • Open forum	1 day

Course	Content	Duration
RM for operational managers	As proposed by xxx, half-day session	3½ hours
RM: an introduction (induction)	- Why is RM important? - The Council's approach to RM - Who does what? - Your role in the RM process - Where to go for information - Open forum	1 hour
RM of partnerships	- An introduction to partnerships at xxx - Governance and Management arrangements - The stages of a partnership and specific risks associated with each stage - Your role and responsibilities (i.e. as a member or officer) - The Council's Partnerships RM Toolkit - What should effective RM of a partnership look like? - Open forum	3½ hours
RM of projects	As currently provided, but to reflect the content of the RM Policy, Strategy and Project RM Toolkit.	
H&S – general	As currently provided, but to reflect the content of the RM Policy & Strategy	

Course	Content	Duration
H&S – specific	As currently provided, but to reflect the content of the RM Policy & Strategy	
BCM – general	As currently provided, but to reflect the content of the RM Policy & Strategy	
BCM – specific	As currently provided, but to reflect the content of the RM Policy & Strategy	
RM of procurement	As currently provided, but to reflect the content of the RM Policy & Strategy	
Sustainability Impact Appraisal	TBA	
Professional RM qualifications	TBA	

Annex D: Illustrative risk management communications strategy

Risk Management Communications Strategy

The objective of this strategy is to ensure that relevant information regarding risk management (RM) is communicated effectively to all key internal stakeholders. This will be achieved by the following means:

Action/activity	Frequency/timing
Formal launch of RM Policy, Strategy and Toolkit by E-mail announcement to elected members and all staff from Leader and Chief Executive	January 20xx
Announce launch in in-house publications for members and officers	January 20xx
Re-launch IntraNet Risk Management pages to include, for example: • "RM 101": an introduction to RM at xxx • xxx RM Strategy and toolkits • All guidance on methodologies and processes, such as business continuity and health & safety, insurance • Who to contact: details of the risk management "network", i.e. the Corporate RM Group, Directorate RM Representatives and Champions etc • RM Training materials (in due course, **web-based training**) • Library of RM updates/bulletins/flashes • Timetable of RM events • Links to further information e.g. ALARM web-site	February/March 20xx – to be updated regularly
Quarterly RM E-mail updates, setting out relevant issues on all aspects of RM including, for example: • changes in legislation (e.g as recently on corporate manslaughter) and how it affects the Council; • examples of good RM practice, e.g leading to ability to repudiate insurance claims, or protect/enhance reputation • examples from other authorities (by reference to ALARM publications or Insurer/Lawyer circular newsletters)	From April 20xx
RM Flashes, where an important risk or notable success must be communicated quickly to relevant officers/members e.g. where a legal judgment may have an impact on risk exposure	From April 20xx
"Risk Awareness Week": an annual event during which internal and external speakers are invited to make presentations on relevant subjects such as risks associated with Partnerships and Projects, Health & Safety, decision-risk, business continuity planning etc. This can be arranged in collaboration with partners.	From 20xx, subject to resource constraints
"Brown bag" lunches, to raise awareness on specific issues throughout the year.	From April 20xx
Linkages with "Leadership Beyond" and personal development plans.	TBA

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